

January 23, 2006

The Chief Executive Officer  
Standard Chartered Bank,  
4th Floor, 23-25,  
Mahatma Gandhi Road, Fort  
Mumbai – 400 001

Dear Sir,

**Violations of RBI instructions etc. – Imposition of Penalty**

Please refer to our letter No. DBS. CO. PP. No. 9302/11.01.021/2005-06 dated December 29, 2005, and your response letter dated January 17, 2006 in connection with imposition of penalty under Section 47A (1) (b) of the Banking Regulation Act, 1949.

2. After examining the bank's reply and the oral submission made on January 20, 2006, the Reserve Bank of India held, inter-alia, that the bank had violated the RBI guidelines/directives/instructions relating to KYC norms, and had also failed to verify the end use of funds in respect of loans granted against shares to a number of individuals.

3. In view of the above, the Reserve Bank of India has imposed a penalty of Rs.5.00 lakh (Rupees five lakh only) on the bank.

4. You may also note to disclose the particulars of the above penalty in the "Notes on Accounts" to the Balance sheet in the Annual Report in terms of RBI Circular DBOD.BP. BC .49/21.04.018/2004-05 dated October 19, 2004.

Yours faithfully

(G. Gopalakrishna)  
Chief General Manager-In-Charge