

ROYAL MONETARY AUTHORITY OF BHUTAN



Penalties Rules and Regulations 2019

In pursuant to the power vested under the Chapter 11 of the Financial Services Act of Bhutan 2011 and Section 9(f) and (h) of the Royal Monetary Act of Bhutan 2010, the Authority hereby issues the Rules & Regulations for imposition of penalties to the service providers for violation of the provisions specified under these Rules and Regulations. These Rules and Regulations shall come into force from 1st July 2019 and supersede the existing provisions of the Rules and Regulations, Circulars, Guidelines or Notifications pertaining to penalties issued by the Authority.

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PART – I PRELIMINARY

1. Short Title

These Rules and Regulations shall be called the Penalty Rules & Regulations 2019.

2. Application

These Rules and Regulations shall apply to:

- 2.1. All financial institutions licensed under the Act;
- 2.2. Any other financial services providers licensed by or registered with the Authority; and
- 2.3. Any person who is subject to or affected by the Acts or existing Rules and Regulations issued by the Authority.

3. Purpose

3.1. The purpose of these Rules and Regulations is to provide a clear framework for assessing and imposing administrative penalties against financial institutions licensed under the Act, any other financial service providers licensed by or registered with the Authority or any other person who has:

- 3.1.1 Violated any provision of the Acts, existing Rules and Regulations issued under the Acts; and
- 3.1.2 Failed to comply with any directive or order issued by or any condition imposed by the Authority;

3.2. Enhance the integrity of the banking sector or financial service providers by ensuring that any violation of the Acts and any other Rules and Regulations, directives, circulars and notifications issued by the Authority under the Acts are strictly monitored and penalized as per these Rules and Regulations;

3.3. Promote full compliance with the Acts and any other Rules and Regulations, directives, circulars and notifications issued by the Authority;

3.4. Deter financial institutions or regulated entity and any other person from engaging in delinquent acts or omissions; and

3.5. Provide guidance for the assessment of quantum of administrative penalty to be levied by the Authority.

4. Amendment

These Rules and Regulations may be amended in part, or in whole, by the Board based on the recommendation of the Management.

5. Interpretation

The Authority to interpret these Rules and Regulations shall vest with the Management/ Executive committee, which, if warranted, may issue such instruction and clarification from time to time.

6. Proviso

Any violation of the new directives, circulars, notifications, guidelines, Rules and Regulations issued by Authority on issues which are not covered under these Penalty Rules and Regulations shall be subjected to penalties as per the decision of the Authority made from time to time.

7. Waiver

Depending on the appeal and gravity of violation, the Management shall have the discretionary power to waive the penalty or the Management may submit a proposal for waiver of penalty to the Executive Committee/ Board.

8. General Provision

The Authority reserves the right to add any penalties issued from time to time in these Rules and Regulations.

PART II – PENALTIES

9. Penalties under the purview of Department of Financial Regulation and Supervision

9.1. Penalty Framework for Non-compliance – Financial Services Act of Bhutan 2011

Violation	Area of Irregularity	Penalty
Section 34	Chief Executive Officer Every licensed institution shall appoint a chief executive officer who shall be (a) A natural person; and (b) Resident in Bhutan during the period of his appointment.	<i>After the expiry of CEO's term, new appointment of CEO has to be made within 90 days. Thereafter, any non-compliance after the said period, a fine of Nu. 10,000.00 per day shall be imposed until the compliance.</i>

<p>Section 50</p>	<p>Restrictions on ownership of financial institution and investments by financial institutions</p> <p>No person shall hold more than the following percentage of interest in shares of a financial institution:</p> <p>(a) In case of an individual, 20 percent, (b) In the case of a company not being a financial institution, 30 percent, (c) In the case of a company being a financial institution, as per the limit provided under section 56 of the FSA 2011, and (d) In case of a foreign financial institution, as per the RMA regulations in line with the foreign direct investment policy.</p>	<p>(a) <i>The Authority shall impose a fine of 0.025% of minimum paid-up capital.</i></p> <p>(b) <i>The FIs shall be given 90 days for compliance.</i></p> <p>(c) <i>Thereafter, any non-compliance, a fine of Nu. 10,000.00per day shall be imposed until the compliance.</i></p>
<p>Section 138</p>	<p>Penalty for misinformation</p> <p>Any person who knowingly provides the Authority or any other person with information which, in a material particular, is false, misleading or incomplete in purported compliance with a requirement imposed by or under this Act, or otherwise in circumstances in which the person providing the information intends, or could be reasonably be expected to know, that the information would be used by the Authority for the purpose of exercising its functions under this Act, commits an offence and is liable to an appropriate fine specified by the Authority in the regulations issued by the Authority.</p>	<p>(a) <i>The Authority shall impose a fine of 0.025% of minimum paid-up capital.</i></p> <p>(b) <i>The FIs shall be given 30 days for compliance.</i></p> <p>(c) <i>Thereafter, any non-compliance, a fine of Nu. 10,000.00per dayshall be imposeduntil the compliance.</i></p>

9.2. Penalty Framework for Non-compliance – Prudential Regulations 2017

Violation	Area of Irregularity	Penalty
Section 1.4 (i) & (ii)	<p>Minimum Capital Adequacy Ratios</p> <p>(i) Every financial institution shall maintain at all times a Capital Adequacy Ratio (CAR) of not less than 10%; and</p> <p>(ii) Every financial institution shall in addition maintain at all times a core capital adequacy ratio of not less than 5%.</p>	<p>(a) The Authority shall impose a fine of 0.05 % of the minimum paid-up capital.</p> <p>(b) The FIs shall be given 90 days followed by regulatory intervention.</p>
Section 1.14 Section 1.14.3	<p>Minimum Leverage Ratio</p> <p>Financial institutions shall maintain a minimum leverage ratio of 5%.</p>	<p>(a) The Authority shall impose a fine of 0.05% of minimum paid-up capital.</p> <p>(b) The FIs shall be given 90 days followed by regulatory intervention.</p>
Section 2.3	<p>Restrictions on transactions with related parties</p>	<p>(a) The Authority shall impose a fine of 0.025% of minimum paid-up capital.</p> <p>(b) The FIs shall be given 90 days for compliance.</p> <p>(c) Thereafter, any non compliance, a fine of Nu. 10,000.00per day shall be imposed until the compliance.</p>
Section 3.3	<p>Single Borrower Limit</p>	<p>(a) The Authority shall impose a fine of 0.025% of minimum paid-up capital.</p> <p>(b) The FIs shall be 90 days for compliance.</p> <p>(c) Thereafter, any non-compliance, a fine of Nu. 10,000.00per day shall be imposed until the compliance.</p>

<p>Section 3.5</p>	<p>Limit on credit to ten largest counterparties The aggregate of the ten largest exposures of a financial institution to any counterparty or persons defined as single counterparty, shall not at any time, exceed 30% of its total loans (including off-balance sheet exposure).</p>	<p>(a) <i>The Authority shall impose a fine of 0.025% of minimum paid-up capital.</i></p> <p>(b) <i>The FIs shall be given 90 days for compliance.</i></p> <p>(c) <i>Thereafter, any non-compliance, a fine of Nu. 10,000.00per dayshall be imposed until the compliance.</i></p>
<p>Section 3.6 Section 3.6 (b)</p>	<p>Consortium Financing The amount of loan sanctioned shall not, in anyway, exceed the 25% of total capital fund of a financial institution, except that where the consortium financing arrangement was entered into before the commencement of these rules and regulations.</p>	<p>(a) <i>The Authority shall impose a fine of 0.025% of minimum paid-up capital.</i></p> <p>(b) <i>The FIs shall be given 90 days for compliance.</i></p> <p>(c) <i>Thereafter, any non-compliance, a fine of Nu. 10,000.00per dayshall be imposed until the compliance.</i></p>
<p>Section 4.6.2</p>	<p>Rescheduled Credit Facility</p>	<p><i>The Authority shall impose a fine of 0.025% of minimum paid-up capital.</i></p>
<p>Section 5.4.2</p>	<p>Statutory Liquidity Requirement Ratio Every financial institution shall, at all times, maintain minimum liquidity in the form of quick assets, in a ratio not less than that set out below:</p> <p>(a) Banks - 20% of total liabilitiesexcluding capital fund and liabilities to the RMA.</p> <p>(b) Non-bank financial institutions - 10% of total liabilities excluding capital fund and liabilities to the RMA.</p>	<p>(a) <i>The Authority shall impose a fine of 0.025% of minimum paid-up capital.</i></p> <p>(b) <i>The FIs shall be given 90 days followed by regulatory intervention.</i></p>
<p>Section 16</p>	<p>Reporting Requirements</p>	<p>(a) <i>For late reporting, the Authority shall impose a fine 0.025% of minimum paid-up capital.</i></p> <p>(b) <i>Wrong/incomplete</i></p>

		<p><i>Reporting:</i></p> <p>i. <i>The Authority shall impose a fine 0.025% of minimum paid-up capital.</i></p> <p>ii. <i>The FIs shall be given 15 days for correction.</i></p> <p>iii. <i>Thereafter, any non-compliance, a fine of Nu. 10,000.00 per day shall be imposed until the compliance.</i></p>
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9.3. Penalty Framework for Non-compliance – Microloan Institutions Regulations 2014

Violation	Area of Irregularity	Penalty
Section 2.1 (e)	<p>Loan Limit Loan Limit exceeding Nu.500,000 and/or provided for personal consumption purposes.</p>	<p>(a) <i>The Authority shall impose a fine of Nu.1,000.00.</i></p> <p>(b) <i>The MFIs shall be given 90 days for compliance.</i></p> <p>(c) <i>Thereafter, any non-compliance, a fine of Nu. 500.00 per day shall be imposed until the compliance.</i></p>
Section 6	<p>Reporting, Inspection and Sanctions. <i>Reporting</i> (1) Every microloan institution shall get its books of accounts audited and submit a copy of the annual audited accounts to the Authority within three months of the close of the financial year.</p>	<p>(a) <i>The Authority shall impose a fine of Nu. 1,000.00.</i></p> <p>(b) <i>The MFIs shall be given 15 days for compliance.</i></p> <p>(c) <i>Thereafter, any non-compliance, a fine of Nu. 500.00 per day shall be imposed until the compliance.</i></p>

	<p>Report Submission to the Authority</p> <p>(2) Every microloan institution shall, quarterly and within one month of the end of the reporting period, submit to the Authority in the prescribed form information regarding:</p> <ul style="list-style-type: none"> i. its loan portfolio including, but not limited to, the number of borrowers, aggregate outstanding loan portfolio, and a breakdown of loans by size; ii. donors/sponsors, with detail of the funds received. 	<p>(a) <i>The Authority shall impose a fine of Nu.1,000.00.</i></p> <p>(b) <i>The MFIs shall be given 15 days for compliance.</i></p> <p>(c) <i>Thereafter, any non-compliance, a fine of Nu. 500.00 per day shall be imposed until the compliance.</i></p>
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9.4. Penalty Framework for Non-compliance – Rules and Regulations for Deposit-Taking Microfinance Institutions in Bhutan 2016

Violation	Area of Irregularity	Penalty
Section 2 (k)	<p>Loan Limit</p> <p>Loan Limit exceeding Nu.500,000 and/or provided for personal consumption purposes.</p>	<p>(d) <i>The Authority shall impose a fine of 0.025% of minimum paid-up capital.</i></p> <p>(e) <i>The DMFIs shall be given 90 days for compliance.</i></p> <p>(f) <i>Thereafter, any non-compliance, a fine of Nu. 1,000.00per day shall be imposed until the compliance.</i></p>
Section 4.1.3	<p>Capital Adequacy Ratio</p> <p>A DMFI shall maintain a minimum capital adequacy ratio of at least 15%.</p>	<p>(a) <i>The Authority shall impose a fine of 0.05% of minimum paid-up capital.</i></p> <p>(b) <i>The DMFIs shall be given 90 days followed by regulatory intervention.</i></p>
Section 5.5	<p>Credit to Related Party</p> <p>A DMFI shall not extend credit to any of its related party. The related party shall have the same meaning as defined in the Prudential Rules and Regulations 2016.</p>	<p>(a) <i>The Authority shall impose a fine of 0.025% of minimum paid-up capital.</i></p> <p>(b) <i>The DMFIs shall be given 90 days for compliance.</i></p>

		<p>(c) <i>Thereafter, any non-compliance, a fine of Nu. 1,000.00per day shall be imposed until the compliance.</i></p>
Section 10.2	<p>Maximum Exposure Limit on exposure to a single borrower: The maximum number of microloans outstanding to a single borrower and its immediate family members at any time is two.</p>	<p>(a) <i>The Authority shall impose a fine of 0.025% of minimum paid-up capital.</i></p> <p>(b) <i>The DMFIs shall be given 90 days for compliance.</i></p> <p>(c) <i>Thereafter, any non compliance, a fine of Nu. 1,000.00 per day shall be imposed until the compliance.</i></p>
Section 12	<p>Liquidity Requirement All DMFIs shall maintain a Statutory Liquidity Ratio (SLR) of 10 percent of total liabilities excluding capital funds</p>	<p>(a) <i>The Authority shall impose a fine of 0.025% of minimum paid-up capital.</i></p> <p>(b) <i>The DMFIs shall be given 90 days for compliance.</i></p> <p>(c) <i>Thereafter, any non-compliance, a fine of Nu. 1,000.00per dayshall be imposed until the compliance.</i></p>
Section 19	<p>Reporting Requirements</p> <p>19.1 Audit and submission of Accounts The DMFI shall get its books of accounts audited and submit a copy of the annual audited accounts to the Authority within three months of the close of the financial year.</p> <p>19.2 Submission of Financial Returns For off-site surveillance, the DMFI shall submit the report to the Authority as per the format prescribed by the Authority.</p>	<p>(a) <i>For late reporting, the Authority shall impose a fine of Nu. 1,000 per day.</i></p> <p>(b) <i>Wrong/incomplete Reporting:</i></p> <p>i. <i>The Authority shall impose a fine of Nu. 1,000.00 per day.</i></p> <p>ii. <i>The FIs shall be given 15 days for correction.</i></p> <p>iii. <i>Thereafter, any non-compliance, a fine of</i></p>

		<i>Nu. 1,000.00 per day shall be imposed until the compliance.</i>
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9.5. Penalty Framework for Non-compliance – Credit Information Bureau Regulations 2017

Violation	Area of Irregularity	Penalty
Section 4 (vi,vii,viii)	<p>Functions and Responsibilities of a CIB</p> <p>The CIB shall: Ensure confidentiality of information relating to a borrower/client at all times; Not share the information reported to a CIB, outside the territory of Bhutan, except provided by the law; and Not Collect, record or process any sensitive personal data, unless authorized by the Authority.</p>	<p><i>(a) The Authority shall impose a fine of Nu 100,000.00.</i></p>
Section 5	<p>Reporting of data to a CIB</p> <p>A data provider shall report to a CIB the information and data set out in a file format as defined by a CIB.</p>	<p><i>(a) For late reporting, the Authority shall impose a fine 0.025% of minimum paid-up capital.</i></p> <p><i>(b) Wrong/incomplete Reporting:</i></p> <p><i>i. The Authority shall impose a fine 0.025% of minimum paid-up capita of reporting entity.</i></p> <p><i>ii. The FIs shall be given 15 days for correction.</i></p> <p><i>iii. Thereafter, any non-compliance, a fine of Nu. 10,000.00per day shall be imposed until the compliance.</i></p>

Section 10	Prohibited use of CIB data Data User (as defined in Section 8 of CIB Regulations) shall not obtain and use CIB data, for reasons of offerings or advertising to a potential borrower as to a past borrower.	(a) <i>The Authority shall impose a fine of Nu. 100,000.00.</i>
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9.6. Penalty Framework for Non-compliance – Marco Prudential Rules and Regulation 2018

Violation	Area of Irregularity	Penalty
Section 3	Loan to value and loan to income restrictions	(a) <i>The Authority shall impose a fine of 0.025% of minimum paid-up capital.</i> (b) <i>The FI's shall be given 90 days for compliance.</i> (c) <i>Thereafter, any non-compliance, a fine of Nu. 10,000.00 per day shall be imposed until the compliance.</i>
Section 4	Disclosure Requirements The annual disclosures shall comprise of all items as per section 96 (a) of FSA, 2011 and items specified by section 3.2.2 and section 3.2.3 and format attached in MPR regulation 2015.	(a) <i>The Authority shall impose a fine of 0.025% of minimum paid-up capital.</i>

9.7. Penalty Framework for Non-compliance – Guidelines on Housing Loan, Consumer Loan and Transport Loan

Violation	Area of Irregularity	Penalty
Section 6.1 and 6.2 of Guidelines on Commercial Housing Loans and Home Loan Section 5 (iii)&6 (vi) of Guidelines on Consumer Loans 2014 Section 6.1 and 8.5 of Guidelines on Motor	LTV/LTI violations and loan limits	(a) <i>The Authority shall impose a fine of 0.025% of minimum paid-up capital.</i> (b) <i>The FIs shall be given 90 days for compliance.</i> (c) <i>Thereafter, any non-compliance, a fine of Nu. 10,000.00 per day shall</i>

Vehicle Loan		<i>be imposed until the compliance.</i>
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9.8. Penalty Framework for Non-compliance - Rules and Regulations for Insurance & Re-insurance Companies 2018

Violation	Area of Irregularity	Penalty
Section 28	<p>Assets of an insurer not to be mortgaged or charged</p> <p>Assets of an insurer or reinsurer shall not be mortgaged or subject to any other form of charge or encumbrance without the consent of the Authority. In the absence of this consent being given, any mortgage or charge purportedly registered against the assets shall be void against the rights of a liquidator or creditor in the event of insolvency.</p>	<p>(a) <i>The Authority shall impose a fine of 0.025% of minimum paid up capital.</i></p> <p>(b) <i>The FIs shall be given 90 days for compliance.</i></p> <p>(c) <i>Thereafter, any non-compliance, a fine of Nu. 10,000.00 per day shall be imposed until the compliance.</i></p>

9.9. Penalty framework for Non-compliance – Agent Banking Rules and Regulations 2016

Violation	Area of Irregularity	Penalty
Section 2.1.2	<p>Regulation and Approval Process</p> <p>A bank seeking to conduct its business through an agent shall apply and obtain a prior written approval of the Authority before commencing agent business.</p>	<p>(a) <i>The Authority shall impose a fine of 0.025% of minimum paid-up capital.</i></p> <p>(b) <i>The FIs shall be given 30 days for compliance.</i></p> <p>(c) <i>Thereafter, any non-compliance, a fine of Nu. 10,000.00 per day shall be imposed until the compliance.</i></p>
Section 4	Agency contract and permissible activities	<p>(a) <i>The Authority shall impose a fine of 0.025% of minimum paid-up capital.</i></p>

Section 10	Reporting requirements Submission of data and statistical returns to the Authority	<i>(a) The Authority shall impose a fine of 0.025% of minimum paid-up capital.</i>
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10. Penalties under the purview of Department of Macroeconomics Research and Statistics

10.1. Penalty Framework for Non-compliance – Monetary Policy Implementation Framework 2018

Violation	Area of Irregularity	Penalty
Section 2.1 and 2.2	Open Market Operations and the Standing Facilities	<p><i>(a) For failure to comply with an obligation referred to in 2.2.1 of the Monetary Policy Implementation Framework, a penalty shall be imposed using the marginal lending facility rate on the day when the non-compliance began plus 1 percentage points. For repeated infringements within 12-month period, the penalty rate increases by a further 1 percentage points for each infringement.</i></p> <p><i>(b) For failure to comply with the amount of collateral or cash that the counterparty could not deliver or settle (except for failure addressed in Section 7.2 of the Monetary Policy Implementation Framework), a penalty is calculated by applying a rate equal to marginal lending facility rate plus</i></p>

		<i>1 percentage points, on the number of days that the counterparty could not deliver or settle.</i>
Section 2.3	Cash Reserve Ratio (CRR)	<p><i>(a) The Authority shall impose a penalty as determine from time to time on the shortfall amount.</i></p> <p><i>(b) In the event of a serious infringement, the Authority may suspend counterparty from participating in OMOs.</i></p> <p><i>(c) In exceptional cases, the Authority may suspend counter party from participating in OMOs for any failure to comply with any of the obligations included in the MPIF.</i></p>
	Minimum penalty	<i>(a) The Authority will impose a minimum penalty of Nu. 10,000.00 where the calculation results in an amount of less than Nu. 10,000.00.</i>

11. Penalties under the purview of Department of Foreign Exchange

11.1 Penalty Framework for Non-compliance – Foreign Exchange Rules and Regulations 2018

Violation	Area of Irregularity	Penalty
Chapter II: Section 6	Import and export of currency, gold, and silver Import and export of currency	<i>a) The amount involved under Section 6(b), (c) and (d) shall be</i>

Section 7	Import and export of gold and silver	<p><i>confiscated and may be prosecuted by the relevant agencies, if the act is deemed to be an offence under the laws of Kingdom of Bhutan;</i></p> <p><i>(b) The goods involved in the contravention under Section 7(a) shall be confiscated and may be prosecuted by the relevant agencies, if the act is deemed to be an offence under the laws of Kingdom of Bhutan.</i></p>
Chapter IIIA	Authorization to deal in foreign exchange	<p><i>(a) An un-authorized person dealing with or transferring foreign exchange shall be liable to a fine not exceeding two times the amount involved in contravention.</i></p>
Chapter IIIB	Foreign exchange transactions, exchange rates, and foreign exchange holdings of authorized banks	<p><i>(a) An authorized bank failing to comply with Section 10(a) to (j), Section 11(b) to (c) and Section 12 (a) to (b) shall be impose a fine of 0.025% of minimum paid-up capital and be given 15 days for compliance.</i></p> <p><i>(b) Thereafter, any non-compliance, a fine of Nu. 10,000.00 per day shall be imposed until compliance.</i></p>
Section 10	Foreign exchange transactions by authorized banks	
Section 11	Buying and selling exchange rates	
Section 12	Foreign exchange holding of authorized bank	

<p>Chapter IIIC</p> <p>Section 14</p> <p>Section 15</p> <p>Section 16</p>	<p>Foreign exchange transactions, exchange rates, and foreign exchange holdings of authorized money changers</p> <p>Foreign exchange license of authorized money changers</p> <p>Foreign exchange transactions by authorized money changers</p> <p>Exchange rate</p>	<p><i>(a) An authorized money changer shall be imposed a fine not exceeding two times the amount involved in contravention for violation of Section 14 (a) to (d), Section 15(a) to (j) and Section 16(c).</i></p>
<p>Chapter IV</p> <p>Section 18</p> <p>Section 19</p>	<p>International money transfer-services</p> <p>Inward remittances</p> <p>Outward remittances</p>	<p><i>(a) An authorized bank and authorized money transfer agents failing to comply with Section 18(a) to (b) and Section 19, a fine of 0.025% of minimum paid-up capital shall be imposed and be given 15 days for compliance.</i></p> <p><i>(b) Thereafter, any non-compliance, a fine of Nu. 10,000.00 per day shall be imposed until compliance.</i></p>
<p>Chapter V</p> <p>Section 21</p> <p>Section 22</p>	<p>Payment arrangements</p> <p>Payments and transfers</p> <p>Electronic fund transfer cards</p>	<p><i>(a) A person shall be imposed a fine equivalent to the amount involved in the contravening Section 21(a) to (g) and Section 22(a) to (d).</i></p>
<p>Chapter VI</p>	<p>Current transactions</p>	<p><i>(a) An authorized bank failing to comply with</i></p>

<p>Section 24</p> <p>Section 25</p>	<p>current transactions with residents of India</p> <p>Current transactions with India</p> <p>Current transactions with third countries</p>	<p><i>Section 24(a) to (d) and Section 25 (a) to (f), a fine of 0.025% of minimum paid up capital shall be imposed and be given 15 days for compliance.</i></p> <p><i>(b) Thereafter, any non-compliance, a fine of Nu. 10,000.00 per day shall be imposed until compliance.</i></p> <p><i>(c) However, if a person fails to comply with above mentioned Sections, a fine equivalent to the amount involved shall be imposed.</i></p>
<p>Chapter VIB</p> <p>Section 26</p> <p>Section 27</p> <p>Section 28</p> <p>Section 29</p> <p>Section 30</p> <p>Section 31</p> <p>Section 32</p> <p>Section 33</p> <p>Section 34</p>	<p>Current transactions with resident of third countries</p> <p>Freight and transportation cost</p> <p>Tickets for travel</p> <p>Official travel</p> <p>Business travel</p> <p>Medical-related travel</p> <p>Education-related travel</p> <p>Private travel</p> <p>Family remittances</p> <p>Insurance services</p>	<p><i>(a) An authorized bank failing to comply with the requirements and exceed the limit prescribed under Section 26 to Section 39, a fine of 0.025% of minimum paid-up capital shall be imposed and be given 15 days for compliance.</i></p> <p><i>(b) Thereafter, any non-compliance, a fine of Nu. 10,000.00 per day shall be imposed until compliance.</i></p> <p><i>(c) However, if a person fails to comply with the requirements and exceed the limit prescribed under Section 26 to Section 39 and other specific guideline issued by Authority, a fine equivalent to the amount involved shall be</i></p>

Section 35	Payment for invisibles	<i>imposed.</i>
Section 36	Payment for communication/information and telecommunication services	
Section 37	Import of permissible raw materials and capital goods in convertible currency	
Section 38	Current transactions of the royal government of Bhutan and its agencies and public sector entities	
Section 39	Current transactions for external commercial borrowing and foreign direct investment	
Chapter VII	Capital transactions	<i>(a) A person shall be imposed a fine equivalent to the amount involved for contravening Section 40 to Section 43 and may be prosecuted by the relevant agencies, if the act is deemed to be an offence under the laws of Kingdom of Bhutan.</i>
Section 40	Inward foreign direct investment	
Section 41	External commercial borrowing	
Section 42	Immoveable property	
Section 43	Investment abroad	
Chapter VIII	Bank accounts in Bhutan and abroad	<i>(a) An authorized bank failing to comply with the requirements and exceed the limit prescribed under Section 44 to Section 46, a fine of 0.025% of minimum paid-up capital shall be imposed and be given 15 days for compliance.</i>
Section 44	Foreign currency accounts in Bhutan	
Section 45	Domestic currency accounts in Bhutan	
Section 46	Foreign currency account abroad	

		<p><i>(b) Thereafter, any non-compliance, a fine of Nu. 10,000.00 per day shall be imposed until compliance.</i></p> <p><i>(c) However, if a person fails to comply with the requirements and exceed the limit prescribed under Section 26 to Section 39 and other specific guideline issued by Authority, a fine equivalent to the amount involved shall be imposed.</i></p>
Chapter IX	Records, reporting, provisions of information and inspections	
Section 48	Maintenance of records	
Section 49	Reporting by authorized banks	
Section 50	Reporting by authorized money changers	
Section 51	Reporting by authorized money transfer agents	
Section 52	Reporting by others	<p><i>(a) A person specified by Authority for reporting under Section 49 to Section 52 shall imposed penalty as follows:</i></p> <p><i>(i) Late reporting: Authority shall impose a fine of Nu. 10,000.00 per day;</i></p> <p><i>(ii) Wrong/incomplete Reporting:</i></p> <p><i>a) Authority shall impose a fine of Nu. 10,000.00.</i></p> <p><i>b) The FIs shall be given 15 days for correction; and</i></p> <p><i>c) Thereafter, any non-compliance, a fine of Nu. 10,000.00 per day shall be imposed until compliance.</i></p>

	<p>Others</p>	<p>(a) <i>A person shall be liable for a fine, not exceeding two times the amount involved in the transaction or impose an appropriate fine determined by the Authority for:</i></p> <p>(i) <i>Violating the Foreign Exchange Rules and Regulations 2018;</i></p> <p>(ii) <i>Violating the Foreign Exchange Operational Guidelines 2018; and</i></p> <p>(iii) <i>Not complying with the directives and notifications issued by the Authority.</i></p> <p>(b) <i>Where the penalties are not expressly specified under the Foreign Exchange Rules and Regulations 2018 or Foreign Exchange Operational Guidelines 2018, the Authority reserves the right to determine other appropriate penalties.</i></p> <p>(c) <i>Notwithstanding the Section (a) above, any person found forging documents and aiding illegal transactions shall be dealt with as per the relevant laws of the Kingdom of Bhutan.</i></p>
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12. Penalties under the purview of Department of Payment and Settlement System

12.1 Penalty Framework for Non-compliance - Payment and Settlement System

Rules and Regulations 2018

Violation	Area of Irregularity	Penalty
Section 2.7	Authorization and issuance of payment instruments	<p><i>(a) The Authority shall impose a fine of 0.025% of minimum paid-up capital.</i></p>
Section 2.7.3	No payment Service Providers shall introduce any new payment instrument or service without prior written approval of the Authority.	
Section 2.7.6	No Payment Service Providers shall issue any new payment instrument to a person unless the issuer has:	
Subsection 2.7.6.1	Complied with the requirements set in these rules and regulations;	
Subsection 2.7.6.2	Submitted to the Authority information contained in Form B in full as specified;	
Section 2.7.7	The Authority may in granting authorization:	
Subsection 2.7.7.1	Require all or any of the documents submitted to be modified and altered as it may deem necessary;	
Subsection 2.7.7.2	Impose such restriction, limitations or conditions as it may deem fit.	

<p>Section 4.1.1</p> <p>Subsection 4.1.1.6</p> <p>Subsection 4.1.1.7</p> <p>Subsection 4.1.1.8</p> <p>Subsection 4.1.1.9</p> <p>Subsection 4.1.1.10</p> <p>Subsection 4.1.1.11</p>	<p>The Authority may, from time to time, prescribe to Payment Service Providers, operator of a payment system, participant and other persons, as applicable:</p> <p>Sound and prudent management, administrative and accounting procedures and adequate internal control systems of system and Payment Service Provider;</p> <p>Appropriate and tested technology;</p> <p>Appropriate security policies and measures intended to safeguard the integrity, authenticity, and confidentiality of data and operating processes;</p> <p>An adequate business continuity and disaster recovery plan;</p> <p>An effective internal audit function to provide periodic review of the security control environment and critical technology systems; and</p> <p>Such other standards to be complied with by system and payment services provider generally.</p>	<p>(a) <i>The FIs and PSPs shall be given a grace period of 180 days for compliance.</i></p> <p>(b) <i>Thereafter, any non-compliance after the grace period, a fine of Nu. 10,000.00 per day shall be imposed until compliance.</i></p>
<p>Section 6 and subsection thereof</p>	<p>Powers to call for returns, documents or other information</p>	<p>(a) <i>For late reporting, the Authority shall impose a fine of Nu. 10,000.00 per day until compliance.</i></p>

		<p>(b) <i>Wrong/incomplete Reporting:</i></p> <p>i. <i>The Authority shall impose a fine of Nu. 10,000.00 per day.</i></p> <p>ii. <i>The FIs shall be given 15 days for correction.</i></p> <p>iii. <i>Thereafter, any non-compliance, a fine of Nu. 10,000 .00 per day shall be imposed until compliance.</i></p>
Section 8 and Subsection thereof	Duties of a Payment Service provider and System Provider	(a) <i>The Authority shall impose a fine of Nu.1,000.00.</i>

12.2 Penalty Framework for Non-compliance -e-Money Issuers Rules and Regulations 2017

Violation	Area of Irregularity	Penalty
Section 18 Section 19 Subsection (i)	<p>Over sight</p> <p>Reporting and Notification</p> <p>Notwithstanding anything contained in chapter 8 of the FSA, e-Money issuer shall, within ten (10) working days of the end of every calendar month, submit to the Authority the information regarding:</p> <p>a) the number of e-Money accounts issued by it;</p> <p>b) the volumes and values of its e-Money transactions;</p> <p>c) the total of outstanding e-Money balances held by it;</p> <p>d) liquid assets of e-Money issuer;</p> <p>e) incidents of fraud, theft or robbery, including at its</p>	<p>(a) <i>For late reporting, the Authority shall impose a fine of Nu. 10,000.00 per day.</i></p> <p>(b) <i>Wrong/incomplete Reporting:</i></p> <p>i. <i>The Authority shall impose a fine of Nu. 10,000.00 per day.</i></p> <p>ii. <i>The e-Money institution shall be given 15 days for correction.</i></p> <p>iii. <i>Thereafter, any non-compliance a fine of Nu. 10,000.00 per day shall be imposed until compliance.</i></p>

<p>Subsection (ii)</p>	<p>agents, if any;</p> <p>f) number of complaints received and analyzed by category and agent location;</p> <p>g) material service interruptions and major security breaches;</p> <p>h) detailed information about agents as prescribed under section 17 above; and</p> <p>i) such other information as may be required by the Authority from time to time.</p> <p>Every e-Money issuer shall get its books of accounts audited and submit a copy of the annual audited accounts to the Authority within one month of the close of the financial/calendar year.</p>	<p>(c) <i>The Authority shall impose a fine of Nu.1,000.00.</i></p>
<p>Subsection (iii)</p>	<p>Any substantial change or enhancement in the e-Money product which an e-Money issuer intends to introduce must be subject to the approval of the Authority and the e-Money issuer must notify the Authority in writing thirty (30) days prior to the proposed implementation of the change or enhancement. A substantial change or enhancement is one that will expand the scope or change the nature of the e-Money product and may include, among others, the following:</p> <p>a) additional functionality of the e-Money product such as enabling new e-channels; and</p> <p>b) changing the payment service providers and other major partners in the business.</p>	<p>(d) <i>The Authority shall impose a fine of 0.025% of minimum paid-up capital.</i></p>

<p>Section 21</p> <p>Subsection (i)</p>	<p>Duties of E-Money Issuers</p> <p>Every e-Money must ensure uninterrupted, high quality performance of the system. It must promptly inform the e-Money holders about any disruption or anticipated disruption in the system.</p>	<p><i>The Authority shall impose a fine of Nu.1,000.00.</i></p>
	<p>General provision</p> <p>In case of any non-compliance to the requirements of these e-Money Issuers Rules and Regulations 2017</p>	<p>a) <i>The Authority shall impose a fine of 0.025% of minimum paid-up capital.</i></p> <p>b) <i>The e-Money Institutions shall be given 10 days for compliance.</i></p> <p>c) <i>Thereafter, any non-compliance, the Authority shall revoke or suspend an authorization/licence.</i></p>

13. Definition

In these rules and regulations, unless the context otherwise requires:

- a) “**Act**” means the Financial Services Act of Bhutan 2011;
- b) “**Acts**” means the Financial Services Act of Bhutan 2011 and the Royal Monetary Authority Act of Bhutan 2010, wherever applicable under the provisions of the Rules and Regulations;
- c) “**Authority**” means the Royal Monetary Authority of Bhutan as defined by the Royal Monetary Authority Act of Bhutan 2010;
- d) “**Financial Institutions**” means all the Financial Institutions as defined in the Financial Services Act of Bhutan 2011;
- e) “**Financial Service Provider**” means as defined in the Financial Services Act of Bhutan 2011;
- f) “**Department**” means respective Departments under the purview of the Royal Monetary Authority of Bhutan; and
- g) “**Person**” means as defined in the Financial Services Act of Bhutan 2011.