

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2580  
ANSWERED ON:09.12.2011  
KYC NORMS IN BANKS  
Bishnoi Shri Kuldeep

**Will the Minister of FINANCE be pleased to state:**

- (a) whether certain Regional Rural Banks (RRBs), State Co-operative Banks (SCBs) and District Central Co-operative Banks (DCCBs) have failed to implement the guidelines regarding Know Your Customer (KYC) Anti Money Laundering (AML) and Compat Financing of Terrorism (CFT);
- (b) if so, the details of such banks alongwith the reasons therefor; and
- (c) the corrective steps taken/being taken by the Government in this regard?

**Answer**

The Minister of State in the Ministry of Finance (Shri Namo Narain Meena)

(a) Reserve Bank of India(RBI) has reported that all the Regional Rural Banks (RRBs), State Co-operative Banks (SCBs) and District Central Co-operative Banks (DCCBs) have implemented the Know Your Customer (KYC), Anti Money Laundering (AML) guidelines. However, two DCCBs namely Ahmadabad DCCB and Kolhapur DCCB had violated KYC/AML guidelines as per NABARD's inspection report on these banks. One RRB namely Saptagiri Gramin Bank(SGB) had violated the KYC/AML guidelines.

(b):- Ahmadabad DCCB and Kolhapur DCCB had violated the KYC guidelines, mainly due to communication gaps between Head Office and its branches. SGB had violated the KYC/AML guidelines as its systems and procedures were inadequate.

(c):- RBI has reported that a show Cause Notice was issued to Ahmadabad DCCB and Kolhapur DCCB and an opportunity of personal hearings was also provided to explain the reasons for violation. Since the explanations furnished by these banks were not found to be satisfactory, a penalty of Rs. 5.00 lakh, each was imposed on these banks which were paid by them. A press release was also issued in this regard and banks were advised to place the details of penalty in the bank's annual balance sheet.

Further, banks are advised that any contravention or non-compliance of KYC/AML guidelines shall attract penalties under the relevant Act / Rules.

As regards SGB, RBI has imposed a penalty of Rs. 5 lakh on the bank. Further, disciplinary action was taken against the concerned officials of the bank by its management. Compliance of KYC/AML guidelines is assessed by NABARD during inspections.