

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1818

ANSWERED ON:22.08.2012

MONEY LAUNDERING THROUGH FOREIGN BANKS

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Will the Minister of FINANCE be pleased to state:

- (a) whether foreign banks have not properly followed the measures to check money laundering and helped anti-national elements who are engaged in terrorist and other illegal activities;
- (b) if so, the details thereof, bank-wise;
- (c) whether Indian agencies are investigating the matter after getting information from abroad regarding any banks involvement in illegal activities;
- (d) if so, the names of the countries where the foreign banks have helped persons involved in illegal activities country-wise, bank-wise; and
- (e) the steps taken by the Government to prevent money laundering, terror financing and other unethical practices through the branches of foreign banks functioning in India?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) & (b) The Government has not come across any instance where it has been conclusively established that foreign banks have not properly followed measures to check money laundering and consequently helped anti-national elements engaged in terrorist and other illegal activities.

(c) & (d) Certain news reports have appeared in press alleging involvement of HSBC, USA in money laundering activities and of Standard Chartered Bank, USA in violating sanctions imposed on Iran by US Govt. Reserve Bank of India(RBI) is scrutinising the Anti Money Laundering (AML) / Know Your Customer (KYC) systems of the two banks. Financial Intelligence Unit - India (FIU-IND) has also initiated a fact finding exercise relating to HSBC's operations in India and compliance with Indian AML/ Counter Financing of Terrorism (CFT) regime.

(e) # All Banks, including the foreign banks functioning in India, have been mandated to follow certain customer identification procedure for opening of accounts and monitoring transactions of a suspicious nature for the purpose of reporting it to appropriate authority, i.e FIU-IND. Banks have also been advised to ensure that a proper policy framework on 'Know Your Customer' norms and Anti-Money Laundering Standards / Combating of Financing of Terrorism is formulated with the approval of their Board and put in place. All these instructions are consolidated in the Master Circular of RBI on Know Your Customer (KYC) norms/Anti-Money Laundering (AML) standards/Combating of Financing of Terrorism (CFT)/Obligation of banks under Prevention of Money Laundering Act, (PMLA), 2002 dated July 2, 2012

"Guidance Note on Suspicious Transaction Report (STR) Detection and Reporting System" for banking companies were issued by Indian Banks' Association (IBA), which recommended standard alert indicators/scenarios for detection of suspicious transactions and procedure for management of alerts, preparation of STRs and risk management in June 2011 to all the banks for its implementation. FIU-IND has been receiving STRs, Cash Transaction Reports (CTRs) and other prescribed reports from various banks including private foreign banks operating in India.

FIU-IND has been undertaking periodic review of its reporting entities, including the banking sector, to evaluate their compliance with PMLA.