

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:4096

ANSWERED ON:20.03.2015

KYC NORMS

Chandrappa Shri B.N.;Maragatham Smt. K.

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

(a) whether Public and Private Sector Banks are violated Know Your Customer (KYC) rules in the recent past;

(b) if so, the details of violations noticed by the Reserve Bank of India (RBI) during the last three years and current year, bank-wise; and

(c) the steps taken / being taken by the Government / RBI to ensure the banks to adhered the KYC rules?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JAYANT SINHA)

(a) & (b): Reserve Bank of India (RBI), as part of its Annual Financial Inspection (AFI) / Risk Based Supervision (RBS) of the bank, looks into the financial strength of the bank and examines the bank's policies, guidelines and other aspects like adherence to the various statutory / regulatory guidelines, efficacy of internal controls, systems etc., on a sample basis. The banks' compliance with Know Your Customer (KYC) / Anti Money Laundering (AML) guidelines including certain instances of violations, are examined during AFI / RBS process, while assessing the efficacy of its internal controls. Wherever deficiencies are observed, they are taken up with the banks for compliance. Where necessary, appropriate penal measures are also invoked for violation of such KYC / AML norms, under the relevant provisions of Banking Regulation Act, 1949. Such penalties levied are also placed on the website of RBI ([www.rbi.org.in](http://www.rbi.org.in)), which serves as a deterrent to banks.

RBI has imposed monetary penalty on the following banks for violation of its instructions, among other things, on KYC/ AML.

As per RBI's Press release dated 09/10/2012:

| Sl. No. | Name of the bank    | Penalty Amount (in ` Lakhs) |
|---------|---------------------|-----------------------------|
| 1       | ING Vysya Bank Ltd. | 55.00                       |
| 2       | ICICI Bank          | 30.00                       |

As per RBI's Press release dated 10/06/2013:

| Sl. No. | Name of the bank | Penalty Amount (in ` Lakhs) |
|---------|------------------|-----------------------------|
| 1       | Axis Bank Ltd    | 500.10                      |
| 2       | HDFC Bank Ltd    | 450.00                      |
| 3       | ICICI Bank Ltd   | 100.10                      |

As per RBI's Press release dated 15/07/2013:

| Sl. No. | Name of the bank             | Penalty Amount (in ` crore) |
|---------|------------------------------|-----------------------------|
| 1       | Andhra Bank                  | 2.50                        |
| 2       | Bank of Baroda               | 3.00                        |
| 3       | Bank of India                | 3.00                        |
| 4       | Canara Bank                  | 3.001                       |
| 5       | Central Bank of India        | 3.00                        |
| 6       | Deutsche Bank A.G.           | 1.00                        |
| 7       | Development Credit Bank Ltd. | 1.00                        |
| 8       | Dhanlaxmi Bank Ltd.          | 2.00                        |
| 9       | Indian Overseas Bank         | 3.002                       |
| 10      | ING Vysya Bank Ltd.          | 1.50                        |
| 11      | Jammu & Kashmir Bank Ltd.    | 2.501                       |
| 12      | Kotak Mahindra Bank Ltd.     | 1.501                       |
| 13      | Oriental Bank of Commerce    | 2.00                        |
| 14      | Punjab and Sind Bank         | 2.50                        |
| 15      | Punjab National Bank         | 2.50                        |
| 16      | State Bank of India          | 3.00                        |
| 17      | The Federal Bank Ltd.        | 3.00                        |
| 18      | The Lakshmi Vilas Bank Ltd.  | 2.50                        |
| 19      | The Ratnakar Bank Ltd.       | 0.50                        |
| 20      | United Bank of India         | 2.50                        |
| 21      | Vijaya Bank                  | 2.00                        |
| 22      | Yes Bank Ltd.                | 2.00                        |

In respect of the following seven banks, no violation of serious nature have been established and as such no monetary penalty was

imposed, However, cautionary letters were issued:

| Sl. No. | Name of the bank                      |
|---------|---------------------------------------|
| 1       | Barclays Bank PLC                     |
| 2       | BNP Paribas                           |
| 3       | Citibank N.A.                         |
| 4       | Royal Bank of Scotland                |
| 5       | Standard Chartered Bank               |
| 6       | State Bank of Patiala                 |
| 7       | The Bank of Tokyo Mitsubishi UFJ Ltd. |

As per RBI's Press release dated 23/08/2013:

| Sl. No. | Name of the bank    | Penalty Amount (in ` Crore) |
|---------|---------------------|-----------------------------|
| 1       | Allahabad Bank      | 0.50                        |
| 2       | Bank of Maharashtra | 0.501                       |
| 3       | Corporation Bank    | 1.50                        |
| 4       | Dena Bank           | 2.00                        |
| 5       | IDBI Bank Ltd.      | 1.00                        |
| 6       | Indian Bank         | 1.00                        |

As per RBI's Press release dated 17/12/2014:

| Sl. No. | Name of the bank | Penalty Amount (in ` Lakhs) |
|---------|------------------|-----------------------------|
| 1       | ICICI Bank Ltd.  | 50.00                       |
| 2       | Bank of Baroda   | 25.00                       |

(c): RBI has issued guidelines on KYC Norms / AML Standards and on Combating Financing of Terrorism (CFT) in order to prevent banks from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities. These instructions based on the Prevention of Money Laundering Act, 2005 and Prevention of Money Laundering (Maintenance of Records) Rules, 2005, are consolidated in RBI's Master Circular dated 01.07.2014.

Some of the important steps taken by RBI in this regard are as under:-

- i. Banks have been advised to ensure that no account is opened in anonymous or fictitious / benami name or where the bank is unable to apply appropriate customer due diligence measures;
- ii. Banks may ensure necessary checks before opening a new account, so as to ensure that the identity of the customer does not match with any person with known criminal background or with banned entities;
- iii. While carrying out customer due diligence and maintaining details of records as required under KYC / AML / CFT guidelines, banks have been advised to meticulously follow the instructions in letter and spirit; and
- iv. Banks are required to pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose.

RBI also advises banks from time to time on strict adherence to KYC / AML / CFT norms based on supervisory observations. These include inviting attention of banks to strengthening technology measures for effective implementation of KYC / AML norms for prevention of frauds, precautions and safeguards against frauds by way of adopting greater due diligence in adherence to KYC / AML / CFT norms, strengthening of AML scenarios and customer acceptance and identification procedures, need for corrective action to improve systems and control to prevent frauds. Banks were also advised to introduce a system of employing "decoy customers" and conduct surprise checks to evaluate the extent of compliance with KYC/AML norms on an on-going basis.