

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:5081  
ANSWERED ON:24.04.2015  
KYC NORMS FOR CO OPERATIVE BANKS  
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**Will the Minister of FINANCE be pleased to state:**

- (a) whether co-operative banks are violated Know Your Customer (KYC) rules and involved money laundering across the country in the recent past;
- (b) if so, the details of violations noticed by the Government during the last three years, State and bank-wise; and
- (c) the steps taken/being taken by the Government to ensure the co-operative banks to adhere the KYC rules?

**Answer**

The Minister of State in the Ministry of Finance (Shri Jayant Sinha)

(a) & (b): National Bank for Agriculture & Rural Development(NABARD) has informed that during the course of statutory inspections by NABARD, violation of Know Your Customer (KYC) norms and provisions of Prevention of Money Laundering (PML) Act were observed in State Cooperative Banks (StCBs) and District Central Cooperative Banks (DCCBs). NABARD has reported that operational deficiencies have been observed by NABARD in complying with KYC Norms / PML Act by 9 StCBs in 9 States and 150 DCCBs in 18 States.

(c): In order to prevent banks from being used, intentionally or unintentionally, by criminal elements for money laundering or other illegal activities, the Reserve Bank of India (RBI) has issued Guidelines to all the banks, including cooperative banks, 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, 2002.

As per these Guidelines, all banks, including cooperative banks, should, inter alia, frame their KYC policies incorporating four key elements viz. Customer Acceptance Policy; Customer Identification Procedure; Monitoring of Transactions; and Risk Management.

NABARD has reported that the defaulting banks are advised of the deficiencies observed by NABARD for taking necessary remedial measures and compliance thereagainst is sought for. The deficiencies observed are also communicated to the Registrar of Cooperative Societies of the respective States for necessary action. Further, recommendations are made by NABARD to RBI to impose penalties on those banks where recurring deficiencies were observed despite follow-up, in complying with KYC/AML Act. NABARD has reported that 16 DCCBs in 6 states have been penalized by RBI for operational deficiencies in KYC/AML implementation during 2014-15.

NABARD has also reported that it has been organizing State Level Workshops for the personnel of Cooperative Banks for ensuring compliance with KYC/AML norms. Further, training establishments of NABARD also conduct necessary orientation programmes/ workshops for the personnel of Cooperative Banks to facilitate compliance with KYC/AML norms.