

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2567

ANSWERED ON:25.07.2014

DERING IN BANKS

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

- (a) whether some public/private sector and urban cooperative banks allegedly being involved in money laundering and violating Know Your Customer (KYC) norms have come to the notice of the Government in the recent past;
- (b) if so, the details thereof along with the amount involved/cases detected during the last three years and the current year, bank and State/UT-wise;
- (c) whether the Government has conducted any inquiry in this regard;
- (d) if so, the details and the findings thereof and the action taken thereon, bank-wise; and
- (e) the other remedial steps taken/ proposed to be taken by the Government/ RBI to curb money laundering in the country?

**Answer**

THE MINISTER OF FINANCE (SHRI ARUN JAITLEY)

(a) to (d): Reserve Bank of India (RBI) had conducted an investigation of a number of banks during March-May 2013. The investigation did not reveal any prima-facie evidence of money laundering. However, the scrutiny of these banks revealed violations of certain regulations and instructions issued by RBI, namely, non-adherence to certain aspects of Know Your Customer (KYC) norms and Anti Money Laundering (AML) guidelines like customer identification procedure, risk categorization, periodical review of risk profiling of account holders, periodical KYC updation; non-adherence of KYC for walk-in customers including for sale of third party products, omission in filing of Cash Transaction Reports (CTRs) in respect of some cash transactions, sale of gold coins for cash beyond `50,000; non-adherence to instructions on monitoring of transactions in customer accounts; non-adherence to instructions on classification of accounts as 'in-operative' / dormant and lapses in monitoring of transactions in dormant accounts; non-adherence to instructions which prohibit acceptance of cash above `50,000 from customers for sale of gold coins and issue of Demand Drafts etc.; not-obtaining of Permanent Account Number (PAN) card details or Form 60/61 as required; non-verification of source of funds credited to a few Non-Resident Ordinary (NRO) accounts; failure to re- designate a few accounts as NRO accounts though required, non-submission of proper information called for by the RBI.

Based on the findings of the investigations, the RBI issued a show cause notice to these banks and also came to the conclusion that some of the violations were substantiated and warranted imposition of monetary penalty. The details are as under:

Sl No. Name of the Bank Penalty Amount (` in crore)

1	Axis Bank Ltd	5.001
2	HDFC Bank Ltd	4.50
3	ICICI Bank Ltd	1.001
4	Andhra Bank	2.50
5	Bank of Baroda	3.00
6	Bank of India	3.00
7	Canara Bank	3.001
8	Central Bank of India	3.00
9	Development Credit Bank Ltd	1.00
10	Dhanalaxmi Bank Ltd	2.00
11	Indian Overseas Bank	3.002
12	ING Vysya Bank Ltd	1.50
13	Jammu & Kashmir Bank Ltd	2.501
14	Kotak Mahindra Bank Ltd	1.501
15	Oriental Bank of Commerce	2.00
16	Punjab and Sind Bank	2.50
17	Punjab National Bank	2.50
18	State Bank of India	3.00
19	The Federal Bank Ltd	3.00

20 The Lakshmi Vilas Bank Ltd 2.50  
21 The Ratnakar Bank Ltd 0.50  
22 United Bank of India 2.50  
23 Vijaya Bank 2.00  
24 Yes Bank Ltd 2.00  
25 Allahabad Bank 0.50  
26 Bank of Maharashtra 0.50  
27 Corporation Bank 1.50  
28 Dena Bank 2.00  
29 IDBI Bank Ltd 1.00  
30 Indian Bank 1.00

Earlier, RBI had also imposed penalty of `0.55 crore & `0.30 crore on ING Vysya Bank & ICICI Bank respectively in October 2012 for contravention of various directions and instructions issued by RBI inter alia on KYC norms / AML Standards.

(e): 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;
- 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; and

Banks are also required to report information relating to cash and suspicious transactions and all transactions involving receipts by non-profit organisations of value more than rupees ten lakhs or its equivalent in foreign currency, and all cross border wire transfers of the value of more than five lakh rupees or its equivalent in foreign currency to the Director, Financial Intelligence Unit-India (FIU-IND).