

Sub.: Summary of Order-in-Original No. 02/DIR/FIU-IND/2021 dated 29th January, 2021 in the matter of Mehsana Urban Co-op Bank Ltd. – regarding.

An Alert No. Alert/05/2019/Election/DoMC/F.No. 9-15/2015/FIU-IND was issued by FIU-IND on 27.03.2019 under Section 12A of the Prevention of Money Laundering Act, 2002 (hereinafter referred to as the Act), advising the Banks to track transactions in their banks and file suspicious transaction report (STR) as stipulated in the Alert. The STRs filed by the Bank in this connection were scrutinized and it appeared that there was no connection of the STRs filed with the purpose stipulated in the Alert, that there were no details in the grounds of suspicion and that the reports were filed in a casual manner without any application of mind.

Accordingly, vide Show Cause Notice dated 17th March, 2020 the Bank was called upon as to why suitable directions including imposition of penalty should not be passed against the Bank under Section 13 of the Act for contravention of the provisions of Section 12 of the Act read with rules 2(1)(g), 3(1)(D), 7, 8 and 9 of the PML Rules, 2005. The Bank submitted its reply to the SCN. In terms of the principles of natural justice the Bank was granted opportunity of personal hearing through Video Conference facility which it availed.

After considering the submissions of the Bank, vide Order-in-Original No. 02/DIR/FIU-IND/2021 dated 29th January, 2021, the Director, FIU-IND disposed of the adjudication proceedings initiated against the Bank vide Show Cause Notice dated 17th March, 2020, and in exercise of the powers conferred under section 13(2)(d) of the Act imposed monetary penalty of Rs. 4,00,000/- (Rupees Four Lakhs Only) for non-compliances of Section 12 of the Act read with Rules 2(1)(g), 3(1)(D), 7(4) and 8(2) of the PML Rules, 2005 for filing 8 STRs relating to transactions failing to qualify as “suspicious transactions” and filing report without disclosure of any grounds of suspicion and details in a casual manner and without application of mind. A penalty of Rs. 1,00,000/- has also been imposed for non-compliance with section 12 of the Act read with Rule 7(3) of the PML Rules, 2005 for its failure to have an effective mechanism for detecting “suspicious transactions” as referred to in rule 3(1)(D) of the PML Rules and for furnishing information about such transactions in such forms as directed by the Director in consultation with its Regulator. The Bank has also been advised to be observant in the future regarding compliance with the provisions of the Act and the Rules made thereunder.

Disclaimer: The summary of the instant Order-in-Original is only representational in nature and does not hold any legal significance or cannot be relied upon or referred to as a precedence in any other case.