

Sub: Summary of Order-in-Original No. 10/DIR/FIU-IND/2019 in the matter of Punjab and Sind Bank - Reg.

In order to assess the compliance of **Punjab and Sind Bank** (the Bank) with regard to its obligations under the Prevention of Money Laundering Act, 2002 (the Act) and the Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (the Rules) for the review period April 01, 2016 to November 30, 2017, inquiry under Chapter IV of the Act was made by FIU-IND way of inspection of the Bank and further information was obtained from the Bank in terms of section 12A of the Act.

2. Based on the findings of the inquiry, vide Show Cause Notice dated January 08, 2019, the Bank was called upon to show cause as to why suitable directions including direction of imposition of penalty should not be passed against the Bank under Section 13 of the Act read with Section 12 of the Act and Rules 3, 4, 5, 7, 8 and 9 of the Rules, 2005 for several non-compliances of the provisions of the Act and the Rules.

3. The Bank submitted its detailed reply to the SCN and in terms of the principles of natural justice the Bank was granted opportunities of personal hearing through its authorised representatives.

4. After considering the submission of the Bank, vide Order-in-Original No. 10/Dir/FIU-IND/2019 dated July 31, 2019, the Director, FIU-IND disposed of the adjudication proceedings initiated against the Bank vide the Show Cause Notice dated January 8, 2019, and in exercise of the powers conferred under section 13(2)(d) of the Act imposed monetary penalty of **Rs. Two Crore Eighty Seven Lakh and Eighty Thousand only (Rs. 2,87,80,000/-)** for non-compliances of sections 12 and 12A of the Act read with rules 3, 4, 5, 7 and 8 of the Rules by the Bank, viz. failure to file certain threshold based reports, failure to file certain threshold based reports accurately and/or within timeline prescribed by the Rules, and failure to implement effective internal mechanism for threshold based reports, etc.

5. Further, in exercise of the power conferred under section 13(2)(a) of the Prevention of Money Laundering Act, 2002, the Director, FIU-IND issued warning to Punjab and Sind Bank for non-compliances of section 12 of the Act read with rule 9 of the PML Rules, including failure to identify and verify beneficial owner in accounts of several of its customers, failure to enable system in the Bank to record any suspicious pattern where multiple transactions just below the threshold were attempted / undertaken by walk in customers and failure to fully implement a Client Due Diligence Programme approved by the Board of the Bank specifically with regard to identification of beneficial owner details and risk assessment, etc.

6. In terms of section 13(2)(b) of the Act, the Director, FIU-IND directed the Bank to furnish, within 30 days of receipt of this penalty order, pending reports in respect of transactions reportable as NTRs and carry out identification and verification of beneficial owner in respect of accounts of legal entities wherever it is pending within next 180 days. The

Bank has also been advised to be observant in future regarding compliance with the provisions of the Prevention of Money Laundering Act, 2002 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.