

Sub.: Summary of Order-in-Original No. 10/DIR/FIU-IND/2020 dated 27th October, 2020 in the matter of Sundaram Finance Limited -reg.

In order to assess the compliance of Sundaram Finance Limited (the NBFC) 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, 2005), the NBFC was issued a Show Cause Notice for its comments on the observations shared by RBI for having no system of reporting suspicious transactions; not having a software throwing alerts when transactions are inconsistent with risk categorization and updated profile of the customer; not verifying the details of the borrowers with the AI Qaida sanction list and such other lists; and not verifying and authenticating the KYC documents obtained from the depositors with the originals in terms of the provisions of the Act.

Vide Show Cause Notice dated 4th February, 2020, the NBFC was called upon as to why suitable directions including direction of imposition of penalty should not be passed against the NBFC under section 13 of the Act read with section 12 of the Act and rules 3, 5, 7, 8 and 9 of the Rules, 2005 for several non-compliances of the provisions of the Act and the Rules.

The NBFC submitted its reply to the SCN and in terms of the principles of natural justice, the NBFC was granted opportunity of personal hearing through its authorized representative by means of Video Conference.

After considering the submissions of the NBFC, vide Order-in-Original No. 10/DIR/FIU-IND/2020 dated 27th October, 2020, the Director, FIU-IND disposed of the adjudication proceedings initiated against the NBFC vide the Show Cause Notice dated 4th February, 2020, and in exercise of the powers conferred under section 13(2)(d) of the Act imposed monetary penalty of Rs. 3,00,000/- (Rs. Three lakhs only) for non-compliances of section 12 of the Act read with rules 3, 7 and 9 of the Rules, 2005 by the NBFC, viz. failure to have an internal mechanism for detecting all suspicious transactions; failure to fully implement a Client Due Diligence programme specifically with regard to screening names of prospective customers/borrowers in the latest UNSCR sanction list and such other lists; and failure to verify the identity of its clients specifically by non-verification of the KYC documents with the originals.

In terms of section 13(2)(b) of the Act, the Director, FIU-IND directed the NBFC to put in place a robust mechanism for effective detection and reporting of suspicious transactions by taking into account all Red Flag Indicators issued by RBI/FIU-India; to ensure that name and profile matching of all the clients at the time of on-boarding is conducted vis-à-vis the Al Qaida sanction list and such other lists and also whenever there is any addition in the list; and also to ensure verification of KYC documents with originals duly authenticated by company officials.

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.

