

Sub: Summary of Order-in-Original No. 6/DIR/FIU-IND/2022 in the matter of Bajaj Finance Limited – reg

In order to assess the compliance of Bajaj Finance Ltd. (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 explanation relating to failure to furnish complete responses to questionnaire from FIU-INDIA, non-filing of suspicious transaction reports, failure to evolve an effective mechanism for detection of suspicious transactions, failure to carry out KYC updation based on periodic risk assessment, failure to carry out determination of ultimate beneficial ownership, failure to carry out product risk assessment and to perform enhanced due diligence for customers who had taken out more than two gold loans.

2. Vide Show Cause Notice dated August 14, 2020, the NBFC was called upon to explain as to why suitable directions including direction for imposition of penalty should not be passed against it under section 13 of the Act read with section 12 of the Act and rules 3, 7, 8, 9 of PML Rules, 2005 on the above-mentioned charges.

3. The NBFC submitted its reply to the SCN and in accordance with the principles of natural justice it was granted opportunity for personal hearing through its authorized representatives.

4. After considering the submissions of the NBFC, vide Order-in-Original No. 6/DIR/FIU-IND/2022 dated March 28, 2022, the Director, FIU-IND disposed of the adjudication proceedings instituted against the NBFC vide the Show Cause Notice dated August 14, 2020 and in exercise of the powers conferred under section 13(2)(d) of the Act imposed monetary penalty of Rs. Three lakh only (Rs. 3,00,000/-) for non-compliance of section 12 of the Act read with Rules 5(2), 7(3), 9(12)(i), 9(12)(iii), 9(1)(a)(ii), 9(3), 9(6), 9(7), 9(8) and 9(9) of the Rules.

5. In terms of section 13(2)(b) of the Act, the Director, FIU-IND directed the NBFC to re-examine its system based on the FIU-IND guidance notes issued for NBFCs in 2016, carry out determination of ultimate beneficial ownership of all entities in accordance with rules 9(1)(a)(ii), 9(3), 9(6), 9(7), 9(8) and 9(9) of the Rules and to carry out product risk assessment of the various products offered by it and apply enhanced due diligence measures in respect of customers taking out more than two gold loans.

6. In terms of section 13(2)(a) of the Act, the Director, FIU-IND warned the NBFC to ensure submission of specific, timely and complete response to future communications from FIU-IND and pay requisite attention to the various guidance notes issued by FIU-IND, as well as relevant regulators.

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.