

G/File 41

F.No. 9-66/2013/FIU-IND
Government of India
Ministry of Finance
Department of Revenue
Financial Intelligence Unit-India

6th Floor, Hotel Samrat
Kautilya Marg, Chanakyapuri
New Delhi-110 021

ORDER IN ORIGINAL No.2 /DIR/FIU-IND/2014

Name & Address of the Reporting Entity M/s Latur Urban Co-operative Bank Ltd
Late Ramgopal Rathi Business Centre
Shivaji Nagar
Latur - 413531

Show Cause Notice No. & Date F.No. 9-66/2013/FIU-IND
Dated 6th Dec, 2013

Section under which order passed Section 13 of PMLA, 2002

Date of Order 29th April, 2014

Authority passing the order Director, FIU-IND

An appeal against this order shall lie with the Appellate Tribunal under PMLA, 2002, 4th Floor, Lok Nayak Bhavan, Khan Market, New Delhi within a period of forty five days from the date on which this order is received by the reporting entity. The appeal should be in the form and manner prescribed under sub-section (3) of section 26 of the Prevention of Money Laundering Act, 2002.

ORDER

1. Latur Urban Cooperative Bank Limited (hereinafter referred to as 'Bank') is a banking company as defined under Section 2(e) of the Prevention of Money Laundering Act, 2002 (hereinafter referred to as the 'Act').



2. Section 12 of the Act and the Prevention of Money Laundering (Maintenance of Records, etc) Rules, 2005 (hereinafter referred to as the 'Rules'), framed under the Act, impose obligations on banking companies to maintain records and report to Director, Financial Intelligence Unit – India (hereinafter referred to as 'Director, FIU-IND') prescribed information relating to specific cash transactions, suspicious transactions, counterfeit currency transactions and non-profit organization transactions.

3. Rule 3 of the Rules specifies the transactions, the records of which are to be maintained; Rules 5, 7 & 8 of the Rules prescribe the procedure, manner and time of maintaining and furnishing such information; Rule 9 of the Rules prescribes the procedure and manner of verification of records of identity of clients.

4. Section 13 of the Act confers on the Director, FIU-IND powers to enquire into cases of failure of banking companies to comply with the provisions of Section 12 of the Act and the Rules thereunder and to levy a fine in case of such failure to comply.

5. Based on the analysis of the information furnished by the Bank, the Bank was issued a show-cause notice (SCN) on 6th Dec, 2013, asking why penal action under section 13 of the Act should not be taken for the Bank's failure to comply with:

(a) Section 12 of the Act read with Rule 3 (1)(B), 3(1)(D), 8(1) and 8(3) of the Rules to file reports in respect of the following nine transactions in which demand drafts were purchased for cash :

| S. No. | Date | Name of Applicant | Name of Beneficiary | Amount (Rs.) |
|--------|------------|-------------------------|------------------------|--------------|
| 1 | 11.04.2012 | Rathi Poonam Chand | My Home Industries Ltd | 2,58,000 |
| 2 | 13.04.2012 | Rathi Poonam Chand | My Home Industries Ltd | 2,58,000 |
| 3 | 17.04.2012 | Rathi Poonam Chand | My Home Industries Ltd | 2,49,400 |
| 4 | 19.04.2012 | Rathi Poonam Chand | My Home Industries Ltd | 2,58,000 |
| 5 | 02.07.2012 | Joshi Shripad Shrinivas | My Home Industries Ltd | 2,34,780 |
| 6 | 05.07.2012 | Joshi Shripad Shrinivas | My Home Industries Ltd | 2,34,780 |
| 7 | 09.07.2012 | Joshi Shripad | My Home Industries Ltd | 2,38,650 |



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|---|------------|----------------------------|---------------------------|----------|--|
| | | Shriniwas | Ltd | | |
| 8 | 16.07.2012 | Joshi Shripad Shriniwas | My Home Industries Ltd | 2,33,650 | |
| 9 | 20.07.2012 | Joshi Shripad Shriniwas | My Home Industries Ltd | 2,33,650 | |

Of the above, transactions numbered 1 to 4 and transactions numbered 5 to 9 were integrally connected as the applicants of these drafts were same and the drafts were made for the same beneficiaries. Therefore, the transactions were reportable under Section 12 of the Act read with Rules 3(1)(B) and 8(1) of the Rules by the 15th of the following months i.e. in May and August 2012 but were not reported.

(b) The bank also failed to establish any mechanism to detect, capture and report such transactions as prescribed in Rules 5(2) and 7(3) of the PML Rules that require the bank to evolve internal mechanism to maintain and furnish such information.

6. In its reply to the SCN dated 27th December, 2013, the Bank admitted that it had failed to report the CTR for the nine transactions pointed out in the SCN. The Bank mentioned that it had since purchased a new Anti Money Laundering Software which would enable it to submit CTR / STR timely. The Bank reiterated this position during the personal hearing on 13th February, 2014 which was attended by Mr. P.T.Yewale, CEO.

FINDINGS AND DISCUSSIONS:

7. It is seen from the submissions made by the Latur Urban Co-operative Bank Ltd that the Bank has not fulfilled obligations as per Section 12 of PMLA read with PML Rules. The Bank was not maintaining records of transactions pertaining to walk-in-customers where cash was tendered for making DDs / POs, as obligated u/s 12(1)(a) of PMLA, nor did the Bank have any internal mechanism to maintain such records as prescribed in Rule 5(2) of PML Rules. In addition, the Bank failed to furnish to Director, FIU-IND, as required in Section 12(1)(b) of PMLA, information relating to 9 integrally connected transactions, and also there was no internal mechanism, as prescribed in Rule 7(3) of PML Rules, for furnishing such information to Director, FIU-IND. The Bank admitted its failures relating to establishing internal mechanism and not reporting the above discussed 9 transactions, and assured that steps had been taken to ensure compliance in the future.



8. Accordingly, in exercise of the powers conferred on me under Section 13 of the Act, I impose a fine of Rs 90,000 for failure to report 9 reportable cash transactions in CTRs, so admitted by Latur Urban Co-operative Bank Ltd, at the minimum prescribed rate of Rs 10,000 for each failure. In applying the minimum rate, I have taken into account the value of transactions not reported and the assurance given by the Bank that corrective steps had been taken.


(Praveen Kumar Tiwari)
Director
Financial Intelligence Unit – India

To

M/s Latur Urban Co-operative Bank Ltd.,
Late Ramgopal Rathi Business Centre
Shivaji Nagar
Latur - 413531

Through:

Sh. Pradip Rathi
Chairman

