

**Order-in-Original No. 07/DIR/FIU-IND/2024 in the matter of Paytm Payments Bank Limited u/s 13 dated 01.03.2024.**

**Paytm Payments Bank Ltd** by virtue of operating as a payments bank, is a 'reporting entity' for the purposes of Section 2(1)(wa) and is registered as such with FIU-IND. A show-cause notice (SCN) numbered 9-55/2020/Compl/FIU-IND dated 14.02.2022, was issued to PayTM Payments Bank Ltd. (RE).

The inception of the current proceedings stems from the identification by law enforcement agencies of extensive illegal activity conducted by multiple businesses under the syndicate of individuals connected to a foreign state. The matter first came to light with the lodging of First Information Reports (FIRs) by the Cyber Crime Station of Hyderabad under relevant sections of the Indian Penal Code and the Telangana State Gambling Act in relation to the activities of certain business entities. The FIRs these entities and their network of businesses engaged in a number of illegal acts, such as organizing and assisting online gambling, and that the money obtained from these illegal operations that were proceeds of such criminal activities were routed and channeled through bank accounts maintained by the same entities with the Bank.

As part of its mandate to ensure effective implementation of Chapter IV of the PMLA, FIU-IND regularly examines the compliance levels of 'reporting entities' in the wake of any criminal conduct or fraud being reported to it or otherwise coming to light. In the course of such investigation, and as reported in the public domain, certain entities were found to have cheated lakhs of Indians through the offering of fraudulent services including prohibited gambling activities, dating services, and streaming. The proceeds of these fraudulent activities were subsequently remitted abroad. It came to light that several of the involved entities had made use of payment intermediaries to implement their fraudulent designs within the country.

The matter, and the responses of the Bank, were examined in detail by FIU-IND and it appears to be the case that the Bank have failed to discharge its obligations under Chapter IV of the PMLA. The Bank conveyed its response and after examining the material on record and the submissions made, the bank has been found to breach/violated the following relevant obligations:

***( Payout-related charges)***

- a) In respect of the failure of the Bank to put in place an internal mechanism to detect and report suspicious transactions in the manner prescribed under the PMLA and PML

Rules including with reference to its Payout service and accounts of the entities in question. In violation of Section 12(1) of PMLA read with Rules 3(1)(D) and 7(3).

- b) In respect of the failure of the bank to exercise ongoing due diligence with respect to its Payout service and accounts of entities in question relating to the same service in violation of Section 12(1) of PMLA read with Rule 9(12);
- c) In respect of failure of the Bank to satisfy the requirements with respect to reliance on third-party KYC by relying on a non-compliant / unregulated entity in violation of Section 12 of PMLA read with Rule 9(2)(c) and Rule 9(2)(f).

***(Beneficiary account related charges)***

- d) In respect of failure to file suspicious transaction reports, in respect of 34 beneficiary accounts, in the manner, and within timelines, prescribed under the PMLA and PML Rules in violation of Section 12(1) of PMLA read with Rules 3(D) and Rule 8 of the PML Rules.
- e) In respect of the failure of the bank to exercise ongoing due diligence with reference to the accounts of 34 beneficiaries which received proceeds from the Payout accounts of and entities in question in violation of Section 12(1) of PMLA read with Rule 9(12), PML Rules.

After considering the written and oral submissions of the Bank, Director, FIU-IND, based on the material available on record, found that the charges against Paytm Payments Bank Ltd were substantiated. Consequently, the Director FIU-IND vide order dated 01<sup>st</sup> March, 2024 in exercise of his powers under Section 13 PMLA, imposed a total fine of Rs. Rs. 5,49,00,000 (Rupees Five Crore Forty Nine Lakh Only) on the Bank with reference to the above violations committed by the Bank.

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