

Summary of Order in Original No. 20/DIR/FIU-IND/2022 in the matter of Shivajirao Bhosale Sahakari Bank Ltd. (under liquidation) (“SBS Bank” or “the Bank”)

In the present matter, FIU-IND received a reference from the Reserve Bank of India (RBI) in respect of certain observations made pursuant to inspection of the Bank by RBI. As per the reference received, it was observed by RBI that: CTRs were submitted with delay in some cases; certain cash transactions eligible for reporting were not reported as CTRs; Nil NTRs not submitted to FIU-IND; and no system was put in place to examine the alerts and to identify and report suspicious transactions.

Based on the above observations received from RBI, FIU-IND sought comments of the Bank and received the same wherein the Bank advanced various submissions. Based on the unsatisfactory explanations / responses provided by the Bank, a show cause notice was issued to the Bank on the basis of observations shared by RBI and analysis thereof in light of the comments shared by the Bank. The Bank was asked to show cause why action should not be taken against it under Section 13, PMLA in relation to potential non-compliances of Section 12 read with Rules 3, 5, 7, and 8 of the PML Rules in connection with (i) furnishing CTRs for a number of months with delay in violation of Section 12(1)(b) read with Rule 3(1)(A) and 8(1) of the PML Rules; and (ii) failing to evolving an effective internal mechanism to identify, detect, and report all suspicious transactions in terms of Section 12(1)(a) and 12(1)(b) of PMLA read with Rule 2(1)(g), 3(1)(D), 5(2) and 7(3) of the PML Rules.

The Bank repeatedly fail to provide its substantive response to the notice. Further, it was noticed from public domain that RBI had cancelled the banking license of the Bank and ordered its winding up. It was further observed that the competent State Government authority had appointed a liquidator and that the liquidation process of the Bank’s assets was ongoing. Therefore, the liquidator was contacted to ascertain the present status of the Bank. The liquidator responded that he had been appointed to defend all legal claims against the Bank and also provided a response to the notice issued by FIU-IND. Further, personal hearing before Director, FIU-IND was provided to the Bank where submissions were made by the Bank through its Liquidator.

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 the Bank were substantiated. Consequently, vide order dated October 31, 2022 in exercise of his powers under Section 13, PMLA, it was found to be appropriate to:

- (i) In respect of charges relating to non-filing of CTRs, levy a monetary penalty of Rs. 3,50,000/- (Rupees Three Lakh Fifty Thousand Only) in respect of the Bank’s non-compliance in seven instances.
- (ii) In respect of charges relating to the Bank’s internal mechanism to detect and report suspicious transactions, levy a monetary penalty of Rs. 1,00,000 (Rupees One Lakh Only).
- (iii) In addition, issue specific remedial directions to the Bank to take certain actions, in a time-bound manner, to mitigate risks flowing from the above contraventions.

However, payment of the penalty was stayed till all depositor’s claims were fulfilled so as to not harm public interest as the Bank was under liquidation.

Disclaimer: The summary of the referenced order of Director, FIU-IND is only representational in nature. It does not hold any legal significance and cannot be relied upon or referred to as precedent in any other case.