

**Sub.: Summary of Order-in-Original No. 11/DIR/FIU-IND/2020 dated 4<sup>th</sup> December, 2020 in the matter of Shriram City Union Finance Limited -reg.**

In order to assess the compliance of Shriram City Union Finance Limited (hereinafter referred to as the Reporting Entity) 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 Reporting Entity was issued a Show Cause Notice regarding non-filing of Cash Transaction Reports; failure to evolve an internal mechanism for detecting the transactions referred to in Rule 3(1)(BA) and 3(1)(D); non-registration/communication of Designated Director; not undertaking risk categorization of its customers and not conducting periodic exercise to update the risk category of the customers; and non-identification of the Beneficial Owner in terms of the provisions of the Act read with the Rules.

2. Vide Show Cause Notice dated 14<sup>th</sup> August, 2020 the Reporting Entity was called upon to show cause as to why suitable directions including direction of imposition of monetary 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 and 9 of the Rules, 2005 for several non-compliances of the provisions of the Act and the Rules.

3. The Reporting Entity submitted its reply to the SCN and in terms of the principles of natural justice, the Reporting Entity was granted opportunity of personal hearing through its authorized representatives, which was conducted by Video Conference.

4. After considering the submissions of the Bank, vide Order-in-Original No. 11/DIR/FIU-IND/2020 dated 4<sup>th</sup> December, 2020, the Director, FIU-IND disposed of the adjudication proceedings initiated against the Bank vide the Show Cause Notice dated 14<sup>th</sup> August, 2020, and in exercise of the powers conferred under section 13(2)(d) of the Act imposed total monetary penalty of Rs. four lakhs and fifty thousand only (Rs. 4,50,000/-) for non-compliances of section 12 read with rules 3, 7, 8 and 9 of the Rules, 2005 by the Reporting Entity, viz. failure to file Cash Transaction Reports; lack of an internal mechanism for detecting Cash Transactions, transactions referred to in rule 3(1)(BA) and for detecting and reporting suspicious transactions; failure to undertake risk categorization of the customers and to conduct periodical review of risk categorization; and failure to identify and verify the Beneficial Owner.

5. In terms of Section 13(2)(b) of the Act the Reporting Entity has been directed to immediately file Cash Transaction Report in respect of the

three accounts; to put in place a robust mechanism for effective detection and reporting of transactions referred to in Rule 3(1)(A), 3(1)(B), 3(1)(BA) and 3(1)(D) of the Rules to FIU-India; to ensure Risk categorization of the customer and also to undertake periodic exercises to update the risk category of the customer on transactional as well as occupational basis; and to identify and verify the Beneficial Owner in terms of the PML Rules within a period of six months.

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.