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F.No. 9-46/2011/FIU-IND/Pt-II
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.3/DIR/FIU-IND/2014

Name & Address of the Reporting Entity	M/s United Bank of India, 11, Hemanta Basu, Sarani Kolkata – 700 001
Show Cause Notice No. & Date	F.No. 9-46/2011/FIU-IND/Pt-II Dated 19 th November, 2013
Section under which order passed	Section 13 of PMLA, 2002
Date of Order	April 29 th , 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 and the appeal should be in the form and manner prescribed. (refer sub-section (3) of section 26 of the Prevention of Money Laundering Act, 2002).

1. United Bank of India (hereinafter referred to as 'UBI') 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) 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 (CTR), suspicious transactions (STR), counterfeit currency transactions (CCR) and non-profit organization transaction reports (NTR).

3. Rule 3 of the Rules specifies the transactions, the records of which are to be maintained; Rules 7 & 8 of the Rules prescribe the procedure, manner and time of 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 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. Vide letter No.9-46/2011/FIU-IND dated 18th May, 2011, UBI was asked to explain the issuance on 23.03.2011 of one demand draft of Rs.23 lakhs & 4 demand drafts of Rs.25 lakhs each against receipt of cash, by their HB Sarani, Kolkata branch, together with reasons for not filing CTR and STR in respect of these transactions.

6. Vide letter Ref. No.INS/AML/2365/2011 dated 06/06/2011, UBI submitted that since the purchaser did not maintain any account with UBI and the amount deposited was directly credited to 'the pay order account' the transaction could not be captured by the software for reporting as CTR; later when the transaction came to their notice the bank sent the details to Director, FIU-IND on 28.04.2011. The Bank also submitted that since the identity of the purchaser was established and the nature of transaction did not evoke suspicion, no STR was filed.

7. In order to assess if there had been other similar transactions, UBI was asked vide letter No. 9-46/2011/FIU-IND (Pt-II) dated 23-04-2012 to provide details of demand drafts issued for cash in excess of Rs.50,000.

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8. Based on the analysis of the information furnished by UBI vide its letters dated 06.06.2011, 22.07.2013 and 14.08.2013 a show cause notice dated 19.11.2013 was issued to UBI for its failure to:

a) furnish cash transaction reports in respect of 315 transactions that took place during 18.10.2010 to 23.03.2011 in contravention of provisions of Sec. 12 (1)(b) of the PMLA read with Rule 3(1)(A), Rule 3(1)(B) and Rule 8(1) of the PML Rules as detailed below :

S. No.	Date	Name of Payee	No. of drafts issued	Amount
1	18.10.2010	Jonas Singha	270	1,35,00,000/-
2	24.11.2010	MD, Manipur Tribal Development Coop.	7	65,66,510/-
3	20.12.2010	MD, Manipur Tribal Development Coop.	6	544,43,36/-
4	23.12.2010	Director of Fishing Manipur	11	100,00,000/-
5	07.03.2011	Binoyendra Kumar Tewary	8	12,00,000/-
6	07.03.2011	Subhra Tewary	8	12,00,000/-
7.	23.03.2011	Visual Audio	1	23,06,900/-
8.	23.03.2011	Visual Audio	4	100,30,000/-
		Total:	315	

b) evolve an internal mechanism for filing CTRs in contravention of Sec. 12(1) (b) of the PMLA read with Rule 7(3) of PML Rules.

9. In their reply dated 12th December, 2013, UBI admitted the absence of internal mechanism for generating cash transaction reports in respect of non-account based customers. UBI stated that the amount deposited for purchase of Pay Order was directly credited to Pay Order account and the transaction could not be captured by the software for reporting CTR and that it had informed FIU-IND about these transactions on 22nd July, 2013 and 14th August, 2013 with a request to treat these as manual CTR.

10. During the personal Hearing on 15th January, 2014, which was attended by Mr.Vinay Gandotra, DGM and CRM, New Delhi and Mr.Vivek Kumar Mishra, Manager (Law), UBI was asked to confirm the exact number of transactions carried through

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DD/PO account that met the CTR threshold, and clearly state if the CTR reporting system did not consider the transactions in the DD/PO account.

11. On the request of UBI another personal hearing was granted on 25th February, 2014, which was attended by Mr. Sushil Karak, DGM, Mr. Vinay Gandotra, DGM, Mr. Neeraj Verma AGM and Mr. Vivek Kumar Mishra Manager (Law), when UBI submitted a written reply clarifying that:

(a) The number of DD/POs was actually 57, and not 315, consisting of 24 demand drafts issued on 24.11.2010, 20.12.2010 & 23.12.2010 amounting to Rs.2,20,10,846; 28 demand drafts for Rs.14 lacs issued on 18.10.2010 in favor of Jonas Singha; and 5 Pay Orders/Bankers Cheque amounting to Rs.1,23,36,900 issued on 23.03.2013. UBI clarified that due to repetition of entries the number got inflated to 315.

(b) All these transactions took place through their DD/PO account and were not captured in their AMLOCK system for CTR reporting.

(c) None of these transactions evoked suspicions as 24 demand drafts were for government agencies, 28 demand drafts were purchased by a Kisan card holder/loanee of one of the branches of UBI and 5 demand drafts were purchased by a political party.

Finding and Discussion

12. I have gone through the facts and circumstances of the case and UBI's reply dated 12.12.2013 to the show cause notice, submissions made during Personal Hearing on 15.01.2014 and 25.02.2014 and written submissions dated 21.02.2014. UBI has admitted that it failed to report 57 reportable cash transactions during the period 24.11.2010 to 23.03.2011 consisting of 7 DDs issued on 24.11.2010, 6 DDs issued on 20.12.2010, 11 DDs issued on 23.12.2010, 28 DDs issued on 18.10.2010 and 5 DDs issued on 23.03.2011. Manual report of 5 DDs issued on 23.03.11 was sent to FIU on 28.04.2011 well after the due date of 15.04.2011. For the other DDs/POs the bank requested that the letter sent on 22.07.2013 and 14.08.2013 may be treated as manual CTRs.

13. It is seen that UBI has not fulfilled the obligations as per section 12 of PMLA read with PML Rules, in not maintaining records of reportable transactions pertaining to walk-in-customers where cash was tendered for making DDs/POs. UBI also did not have

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an internal mechanism to maintain such record as prescribed in Rule 5 (2) of PML Rules. UBI failed to report 57 reportable transactions as discussed in para 12 above, and also failed to establish internal mechanism, as prescribed in Rule 7 (3) of PML Rules for furnishing such information to Director, FIU. UBI has admitted its failure to establish the internal mechanism and not reporting the above mentioned 57 reportable transactions, as also the fact that there was no system in place to capture, for the purpose of CTR, the transactions of walk-in-customers, who tendered cash for DDs/POs. There was also no system for examining the cash transactions of walk-in-customers for the purpose of STR reporting.

14. Accordingly in exercise of the powers conferred on me under Section 13 of the Prevention of Money Laundering Act, 2002, I impose on the UBI a penalty of Rs.5,70,000 for failure to report 57 reportable cash transactions in CTRs so admitted by UBI.

(Praveen Kumar Tiwari)
Director
Financial Intelligence Unit – India

To

M/s United Bank of India,
11, Hemanta Basu, Sarani
Kolkata – 700 001

Through:

The Chairman & Managing Director