

Sub: Summary of Order-in-Original No. 28/DIR/FIU-IND/2022 in the matter of Vikramaditya Nagarik Sahakari Bank Maryadit, Ujjain – reg

Based on FIU-INDIA's review of compliance of **Vikramaditya Nagarik Sahakari Bank Maryadit** (the Bank) with regard to its obligations under Prevention of Money Laundering Act, 2002 (the Act) and Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (the Rules, 2005), the Bank was issued a show cause notice on April 4, 2019, to explain as to why suitable directions including directions for imposition of penalty should not be passed against the Bank under section 13 of the Act read with section 12 of the Act and rules 3, 5, 7, 8 and 9 of the Rules, 2005 for its failure to file 816 CTRs, failure to evolve effective internal mechanisms for detection and reporting of suspicious transactions, failure to evolve effective internal mechanism for detection and reporting of reportable cash transactions, failure to evolve effective internal mechanism for classifying applicable/eligible NPO accounts and for flagging the same for identification, detection, monitoring and reporting of all transactions involving receipts by NPOs and failure to evolve effective internal mechanism for identification and verification of ultimate beneficial ownership of trusts, legal persons, legal entities and similar other customers.

2. The Bank submitted its reply to the SCN and in accordance with the principles of natural justice the Bank was granted opportunity of personal hearing through its authorised representatives.

3. After considering the submissions of the Bank, vide Order-in-Original No. 28/DIR/FIU-IND/2022 dated November 9, 2022, the Director, FIU-IND disposed of the adjudication proceedings instituted against the Bank vide the Show-Cause Notice dated April 4, 2019 and in exercise of the powers conferred under section 13(2)(d) of the Act imposed monetary penalty of **₹ Three lakh only (₹3,00,000/-)** for non-compliance of section 12 of the Act, read with rules 2, 3, 5, 7 and 9 of the Rules, 2005 by the Bank, viz. failure to evolve effective internal mechanism for detection and reporting of STRs, failure to evolve effective internal mechanism for classifying applicable/eligible NPO accounts and for flagging the same for identification, detection, monitoring and reporting of all transactions involving receipts by NPOs and failure to evolve effective internal mechanism for identification and verification of ultimate beneficial ownership of trusts, legal persons, legal entities and similar other customers.

4. In terms of section 13(2)(a) of the Act, the Director, FIU-IND issued a warning to the Bank to pay close attention to its obligations to file CTRs in a timely manner. In terms of section 13(2)(b) of the Act, the Director, FIU-IND directed the Bank to re-evaluate its internal mechanism based on the FIU-IND Guidelines on Detecting and Reporting of Suspicious Transactions and to implement a revised mechanism in accordance with said guidelines within 90 days from the date of receipt of this penalty order. The Bank has also been directed to institute an effective internal mechanism to comply with its obligations under the Act, including its obligations to classify applicable/eligible NPO accounts and for flagging the same for identification, detection, monitoring and reporting of all transactions involving receipts by NPOs so as to enable it to file NTRs in a timely manner and its obligations to carry out determination of ultimate beneficial ownership in respect of legal persons, within 90 days from the date of receipt of this penalty order.

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.