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**F.No. 9-4/2013/FIU-IND**  
Government of India  
Ministry of Finance  
Department of Revenue  
Financial Intelligence Unit-India

6<sup>th</sup> Floor, Hotel Samrat  
Kautilya Marg, Chanakyapuri  
New Delhi -110021

**ORDER-IN ORIGINAL NO.2/DIR/FIU-IND/2016**

**Name & Address of the Reporting Entity:** **M/s Mahila Vikas Co-operative Bank Ltd**  
Swaminarayan Avenue,  
Swaminarayan Chowk,  
Bhattha, Paldi  
Ahmedabad - 380007

**Show Cause Notice No. & Date:** F.No. 9-4/2014/FIU-IND dt 09<sup>th</sup> Sep, 2014

**Section under which order passed:** Section 13 of PMLA, 2002

**Date of Order:** 8<sup>th</sup> April, 2016

**Authority passing the order:** Director, Financial Intelligence Unit-India

An appeal against this order shall lie with the Appellate Tribunal under PMLA, 2002, 4<sup>th</sup> 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 Mahila Vikas Cooperative Bank Limited, the reporting entity. The appeal should be in the form and manner prescribed under sub-section (3) of section 26 of the Prevention of Money Laundering Act, 2002.

1. Mahila Vikas Co-operative Bank Ltd (hereinafter referred as the 'Bank') is a Reporting entity as defined under section 2 of the Prevention of Money Laundering Act, 2002 (hereinafter referred to as the 'Act').

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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 reporting entities 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, suspicious transactions, counterfeit currency transactions and non-profit organization transaction etc.
3. Rule 3 of the Rules specifies the transactions, the records of which are to be maintained; Rules 5, 7 & 8 of the Rules prescribe the procedure, manner and time of maintaining and furnishing such information; Rule 9 of the Rules prescribes the procedure and manner of verification of records of identity of clients. These rules require that a monthly report of all cash transactions of more than Rs. 10 lakh, whether individual or integrally connected, should be furnished to Director, FIU-IND by the 15<sup>th</sup> of the following month.
4. Section 13 of the Act confers on the Director, FIU-IND powers to enquire into cases of failure of reporting entities to comply with the provisions of Section 12 of the Act and the Rules thereunder and to levy a fine in case of each such failure to comply.
5. Based on the analysis of the information furnished by the Bank subsequent to the onsite review undertaken by the Financial Intelligence Unit-India (FIU-IND) on May 13, 2013, the Bank was issued a show-cause notice (SCN) on 9<sup>th</sup> September, 2014, asking why penal action under section 13 of the Act should not be taken for the Bank's failure to comply with section 12 (1) (b) of the Act

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read with Rule 3(A), 3(B), 3(BA), 3(C), 3(D), 5(2), 7(3), 8(1), 8(2) and 8(3) of the Rules for:

- (a) Not filing Cash Transactions Reports (CTRs) from March 2006 –March 2008; delayed filing of CTRs for the period from March 2008 to March 2010; non-reporting of 229 transactions in 22 accounts for the financial year 2011-12; and non- reporting of 87 transactions in 19 accounts for the financial year 2012-13, in contravention of Rule 3(A),3(B), 5(2), 7(3) and 8(1) of the PML Rules.
  - (b) Failure to establish mechanism to detect, capture and report suspicious transactions, thereby contravening Rules 3(D), 5(2), 7(3) and 8(3) of the Rules.
  - (c) Failure to establish mechanism to detect, capture and report counterfeit currency transactions thereby contravening Rule 3(C), 5(2), 7(3) and 8(2).
  - (d) Failure to establish mechanism to detect, capture and report Non-Profit Organization transactions, thereby contravening Rules 3(BA), 5(2), 7(3) and 8(1).
6. In its reply to the SCN dated 8<sup>th</sup> October, 2014, the Principal Officer of the Bank stated that he joined the Bank on 1<sup>st</sup> April 2008 and was not responsible for any omission or commission on the part of the Bank before that date. He also stated that he took initiative to file the CTRs after it was pointed out in RBI inspection. The Bank disputed the allegation of non-reporting of 229 transactions in 22 accounts for the financial year 2011-12 and 87 transactions in 19 accounts for the financial year 2012-13. The Bank mentioned that it had reported all transactions exceeding Rs. 50,000 in respect of those accounts where cumulative credit/debit transactions were exceeding Rs. 10.00 lakh in a month. The bank however failed to provide any documentary evidence in support.

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7. The Bank informed that RBI had imposed penalty of Rs. 5.00 lakh for non-filing of various reports particularly STR. The Bank further submitted that the information relating to NTR for the period in question was nil; that two counterfeit notes were identified and destroyed but CCR was not filed. Although offered, the Bank did not request for a personal hearing. The Bank requested that a lenient view may be taken while deciding the matter.

**FINDINGS AND DISCUSSIONS:**

8. The Bank did not explain the reason for its failure to report Cash Transaction Reports for the period March 2006 to March 2008. The Bank admitted the delay in filing of the CTRs for the period March 2008 to March 2010, filed on 15-10-2010 and 19-07-2010. This clearly establishes that the Bank failed to establish internal mechanism to furnish information, as prescribed in Rule 7(3) of PML Rules, during the 48 months from March 2006 to March 2010. That the Bank continued to fail in its responsibility of furnishing CTRs year after year indicates persistent failure and non-compliance, which merits imposition of highest rate of penalty prescribed in the Act.
9. For the subsequent period, including 2011-12 and 2012-13, the Bank has filed CTRs for some transactions but not for all. I conclude that from 2010-11 onwards the Bank had evolved internal mechanism for filing reports but failed in its obligations to furnish all reportable transactions, including integrally connected transactions adding up to more than Rs. 10 lakh in a month, which is clear from the Bank's reply (para 5.c) of 08-10-2014. The Bank has not given any convincing reasons for not filing the reports for 229 transactions for 2011-12 and 87 transactions for 2012-13. However, considering that the Bank filed some reports in these years I am inclined to take lenient view and impose lesser penalty for failure to report these (229+87) transactions.

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10. Accordingly, in exercise of the powers conferred on me under Section 13 of the Act, I impose a fine of Rs. 48 lakh on Mahila Vikas Cooperative Bank Limited for failing to have in place an internal mechanism for reporting prescribed transactions during the period March 2006 – March 2010. I also impose a fine of Rs. 31,60,000 (Rupees Thirty One Lakh Sixty Thousand Only) for not filing the reports for 229 transactions in 2011-12 and 87 transactions 2012-13 (total 316 transactions @ Rs. 10,000 per transactions, which is the minimum prescribed penalty under Section 13 of the Act). Thus, the total fine being imposed on the Bank is Rs. 79,60,000 (Rupees Seventy Nine Lakh Sixty Thousand Only). Further, I also direct the Bank and its Board of Directors to ensure that the Bank puts in place an internal mechanism for maintaining, detecting and reporting to FIU-IND transactions prescribed under the PMLA and the PML Rules, and furnish to FIU-IND, within a period of 3 month from the date of receipt of this order, all reportable transactions since March 2006, which have not been reported so far, in discharge of their obligations under Rule 5(3) and 7(4) of the PML rules.

(Praveen Kumar Tiwari)

Director

Financial Intelligence Unit-India

To,

**M/s Mahila Vikas Co-operative Bank Ltd**  
Swaminarayan Avenue,  
Swaminarayan Chowk,  
Bhattha, Paldi,  
Ahmedabad - 380007

**Through: Chairman and Managing Director**