

ORDER in original No. 09/DIR/FIU-IND/2024 in the matter of Axis Bank Limited u/s Section 13 dated 03.06.2024

1. Axis Bank Limited by virtue of operating as a bank, is a 'reporting entity' for the purposes of Section 2(1)(wa) and is registered as such with FIU-IND.
2. Following an observation made by FIU-IND, wherein an employee of Axis Bank was alleged to have been complicit in a large-scale fraud and corruption scandal, in collusion with others. This alleged misconduct pertained to the creation of a fraudulent bank account in the name of the National Security Guard (NSG), a government agency. Reports indicated that a manager at Axis Bank played a role in establishing this account, purportedly for the purpose of aggregating illicit funds.
3. As part of its mandate to ensure the effective implementation of Chapter IV of the Prevention of Money Laundering Act (PMLA), the Financial Intelligence Unit-India (FIU-IND) regularly conducted examinations of the compliance levels of 'reporting entities' subsequent to the reporting of criminal conduct or fraud, or upon the discovery of such activities. During these investigations, and as publicly reported, certain groups of individuals involved in the aforementioned activities were found to have defrauded unsuspecting individuals and firms through the offering of fraudulent tenders. The proceeds from these fraudulent activities were subsequently layered through other bank accounts, some of which were maintained with Axis Bank.
 - (a) In respect of the failure of the Bank to put in place system to detect and report suspicious transactions. In violation of Section 12(1), PMLA r/w Rules 3(1)(D) and 7(3), PML Rules as evidenced by its:
 - Apparent failure to properly investigate and close alerts based on application of mind;
 - Apparent failure to address alerts and close them within a reasonable period of time;
 - (b) In respect of the failure of the Bank to file STRs in respect of transactions in the fraudulent account which did not appear to be in line with the profile of the account and which were not subject to any verification or checks In violation of Section 12(1), PMLA r/w Rule 8(2), PML Rules.
 - (c) in respect of the failure of RE to properly verify that the accused was authorised to act on behalf of the NSG In violation of Section 12(1), PMLA r/w Rules 9(1)(a), 9(10), and 9(12)(i).

4. 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 Axis Bank Limited were substantiated. Consequently, the Director FIU-IND vide order dated 03rd June, 2024 in exercise of powers under Section 13 PMLA, imposed a total fine of **Rs. 1,66,25,000 (Rupees One Crore Sixty Six Lakh Twenty Five Thousand Only)** on the Bank with reference to the above violations committed by the Bank.
5. In addition, in exercise of the powers under Section 13(2)(b), the Bank ~~to~~ was directed to implement the following measures:
 - a) Review its extant mechanism and ensure that improvements are made to address the observation made in the show cause notice in this matter, where the alerts were not being raised with respect to the mandated transaction monitoring procedures and the Violations of the Customer due diligence mandates.
 - b) Provide a certification, within the period of 90 days, under signature of its Designated Director that it has – since the time of issuance of show cause notice in this matter – taken steps to implement a robust transaction monitoring mechanism. The steps taken in this regard also may be elaborated upon.
 - c) The bank has been directed to prioritize prompt and efficient responses to requests from FIU-IND, ensuring the timely and expedited provision of data. It is mandated that such data submissions adhere to a structured and organized format, encompassing all pertinent and requisite details. During the review process, it was discovered that the bank had furnished disorganized data dumps, which led to unnecessary confusion and hindered the scrutiny process. To prevent such discrepancies in the future, the bank is strongly advised to streamline its data-sharing practices, maintaining clarity and coherence in all submissions to regulatory authorities.

d) The bank has been advised to implement stringent procedures for the screening of employees as mandated by the RBI Master Direction on KYC. This includes the development of robust internal policies, procedures, and controls, encompassing appropriate compliance management arrangements. Furthermore, the bank is required to establish and maintain rigorous screening procedures to ensure high standards when hiring employees. An ongoing employee training program should also be instituted to uphold these standards and ensure continuous compliance with regulatory requirements.

Disclaimer: The summary of the instant order is only representational in nature and does not hold any legal significance and cannot be relied upon or referred to as a precedence in any other case.