

Summary of Order in Original No. 8/DIR/FIU-IND/2022 in the matter of Buldana Urban Co-op Credit Society Ltd. ("Society")

In the present matter, a review exercise was initiated in relation to the Society by FIU-IND. The exercise began with the circulation of review questionnaire to the Society. The Society provided its response to the questionnaire which included queries, pertaining to the relevant period, regarding various issues such as details of CTRs/NTRs filed by the society, details of top 50 depositors, and status of implementation of FIU-IND alerts among others.

Pursuant to the receipt of response to questionnaire, the same were analysed by FIU-IND and the Society was provided an opportunity to discuss the observations through a review meeting. Based on the analysis of response to FIU-IND questionnaire as well as the meeting held with representatives of the Society, certain observations were made by FIU-IND with particular reference to the level of compliance of the Society with obligations under Chapter IV of the PMLA. Based on the observations, further information was called for from the Society under Section 12A of the PMLA.

Based on an analysis of the responses received, sufficient grounds were found to issue a show cause notice to the Society asking it to show cause as to why action should not be taken against it for potential violations of its obligations under Chapter IV of PMLA read with the PML Rules. A show cause notice was issued to the Society wherein the following allegations were put to the Society: lack of mechanisms to detect and report CTRs and STRs, delayed filing of CTRs, and non-filing of CTRs. The Society was asked to show cause as to why action under Section 13, PMLA should not be taken against it for potential non-compliances relating to Section 12 of the PMLA read with Rules 3, 7, and 8 of PML Rules.

The Society provided its written responses and also was provided an opportunity of personal hearing before Director, FIU-IND. Further written submissions subsequent to the hearing were also received from the Society. 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 the Society were substantiated. Consequently, vide order dated August 1, 2022 in exercise of his powers under Section 13, PMLA, it was found to be appropriate to:

- (i) In respect of charges relating to delayed reporting and non-reporting of CTRs, to levy a monetary penalty of **Rs. 4,20,000 (Rupees Four Lakh Twenty Thousand Only)** on the Society for its violation of the above stated obligations under Chapter IV of the PMLA read with the appropriate PML Rules in 42 instances.
- (ii) In respect of the charge relating to STR reporting mechanism, due to its seriousness, to levy a monetary penalty of **Rs. 1,00,000 (Rupees One Lakh Only)** on the Society for its violation of the above stated obligations under Chapter IV of the PMLA read with the appropriate PML Rules.
- (iii) In respect of the charge relating to CTR reporting mechanism, due to its seriousness, to levy a monetary penalty of **Rs. 1,00,000 (Rupees One Lakh Only)** on the Society for its violation of the above stated obligations under Chapter IV of the PMLA read with the appropriate PML Rules.

- (iv) In addition, issue specific remedial directions to the Society to take certain actions, in a time-bound manner, to mitigate risks flowing from the above contraventions.

Disclaimer: The summary of the referenced order of Director, FIU-IND is only representational in nature. It does not hold any legal significance and cannot be relied upon or referred to as precedent in any other case.