

F. No. 9-5/2019/Compl./FIU-IND

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/2019

Name & Address of the Reporting Entity: Jharkhand State Co-Operative Bank Limited, Ranchi
3rd Floor, The Agriculture Marketing Board Building
Itki Road, Hehal
Ranchi – 834 005
Jharkhand

Show Cause Notice No. & Date: **F.No. 9-5/2019/Compl./FIU-IND**
Dated: February 27, 2019

Section under which order passed: Section 13 of the Prevention of Money Laundering Act, 2002

Date of Order: May 9, 2019

Authority passing the order: Director, Financial Intelligence Unit – India

This Order has been passed under Section 13 of the Prevention of Money Laundering Act, 2002 (hereinafter referred to as “the PMLA” or “the Act”). An appeal against this Order shall lie before the Appellate Tribunal, Prevention of Money Laundering Act at New Delhi within a period of forty five days from the date on which this Order is received by Jharkhand State Co-operative Bank Limited, Ranchi. The appeal should be in the form and manner prescribed under sub-section (3) of Section 26 of the Act.

1. Jharkhand State Co-operative Bank Limited, Ranchi (hereinafter referred to as the ‘Bank’) is a

Reporting Entity (RE) as defined under Section 2 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 *inter alia*, verify the identity of the clients, maintain records of specified transactions and report to the Director, Financial Intelligence Unit — India (hereinafter referred to as 'Director, FIU-IND') information relating to such transactions. These reports include reports on cash transactions, suspicious transactions, counterfeit currency transactions etc.
3. Rule 3 of the PML Rules, 2005 specifies the transactions, the records of which are to be maintained by every reporting entity; Rule 5, 7 and 8 of the PML Rules, 2005 prescribe the procedure, manner and time of maintaining and furnishing such information while, Rule 9 prescribes the procedure and manner of verification of records of identity of clients. Rule 7(3) requires that every reporting entity shall evolve an internal mechanism having regard to any guidelines issued by its Regulator, for detecting the transactions referred to in Rule 3 and for furnishing information about such transactions in such form as may be directed by its Regulator.
4. Further, Section 12A of the Act empowers the Director, FIU-IND to call for from any reporting entity any of the records referred to in sub-section (1) of Section 12 of the Act and any additional information as he considers necessary for the purposes of the Act. Further, every reporting entity is obligated to furnish to the Director, FIU-IND such information within such time and in such manner as he may specify.
5. Section 13 of the Act confers on the Director, FIU-IND powers to enquire into cases of failure to comply with the provision of Section 12 of the Act and the Rules thereunder and to:
 - (a) issue a warning in writing; or
 - (b) direct such reporting entity or its designated director on the Board or any of its employees, to comply with specific instructions; or
 - (c) direct such reporting or its designated director on the Board or any of its employees, to send reports at such intervals as may be prescribed on the measures it is taking; or
 - (d) by an order, impose a monetary penalty on such reporting entity or its designated director

on the Board or any of its employees, which shall not be less than ten thousand rupees but may extend to one lakh rupees for each failure.

6. In pursuance of the above and in terms of Section 12A of the Act, vide e-mail dated May 8, 2018, a Questionnaire for Review of Co-Operative Banks was forwarded to Deoghar Jamtara District Co-operative Central Bank Limited advising it to submit its reply to the said Questionnaire. Vide letter number 62 dated May 22, 2018, it was informed that Deoghar Jamtara District Co-operative Central Bank Limited had been amalgamated with Jharkhand State Co-operative Bank Limited, Ranchi w.e.f. April 1, 2017. Owing to this, it was decided to conduct the review of Jharkhand State Co-operative Bank Limited, Ranchi.
7. The Bank's Principal Officer (P.O.) and Designated Director were called for a review meeting on July 10, 2018 at FIU-IND, New Delhi which was attended by Shri Brajeshwar Nath, CEO and Principal Officer (PO) and Shri Awshesh Mukut Mani Kujur, Banking Assistant who submitted the reply of the Bank vide letter number 1266 dated May 30, 2018 enclosing the duly filled said Questionnaire for review, supportive documents and a password protected CD.
8. During the review meeting, the P.O. gave a brief overview about the Bank and informed that Jharkhand State Co-operative Bank Limited, Ranchi had been established vide State Cabinet Resolution in the year 2002 and that, as per the Notification of the Registrar of Co-operative Societies, Jharkhand, Ranchi which the Bank submitted vide its letter number 62 dated May 22, 2018, Reserve Bank of India had granted its final approval to the proposal of Government of Jharkhand for the amalgamation of 7 (seven) District Central Co-operative Banks (DCCBs) namely, Ranchi-Khunti Central Co-operative Bank, Dumka Central Co-operative Bank, Deoghar – Jamtara Central Co-operative Bank, Singhbhum District Central Co-operative Bank Ltd., Gumla-Simdega Central Co-operative Bank Ltd., Giridih Central Co-operative Bank Ltd., Hazaribagh Central Co-operative Bank Ltd. with the Jharkhand State Co-operative Bank Limited, Ranchi w.e.f. April 01, 2017. The P.O. further submitted that Jharkhand State Co-operative Bank Limited, Ranchi has a total of 105 branches with 69 of them located in rural areas and the remaining branches located in semi urban / urban areas. The data submitted by the Bank during the review meeting was examined in the light of filing information of the Bank available with FIU-IND. The analysis of the information/data submitted by the Bank to the afore-mentioned Questionnaire revealed, *inter alia*,

as under:

- (a) The information submitted by the Bank with regard to the number of reports, namely, Suspicious Transaction Reports (STR), Cash Transaction Reports (CTR), Transaction Reports involving Non-Profit Organisations (NTR), Cross Border Wire Transfer Reports (CBWTR) and Counterfeit Currency Reports (CCR) filed by it during each of the last five financial years (F.Y.) showed that the Bank had not filed any valid reports with FIU-IND, New Delhi and that the Bank had never informed FIU-IND, New Delhi of any issues being faced by it while report filing or otherwise.
- (b) The Bank was asked to submit the data pertaining to top 50 depositors / customers which had recorded the highest cash turnover during the demonetization period (November-December 2016) for the erstwhile Deoghar Jamtara District Co-operative Central Bank Limited (one of the seven amalgamated banks with the RE). On perusal of the information submitted by the Bank, it was observed that, for the month of **November 2016, 1 (one) CTR in respect of 1 account** had not been reported by the Bank wherein more than Rs. 10.00 lakh cash was deposited.
- (c) Vide the afore-mentioned Questionnaire, the Bank was also asked to submit the data pertaining to top 50 depositors / customers which had recorded the highest cash turnover during the demonetization period (November-December 2016) as also for F.Y. 2017-18 in respect of Jharkhand State Co-operative Bank Limited, Ranchi (the RE in the present case). On perusal of the data furnished by the Bank, it was observed that, for the month of **November 2016, 4 (four) CTRs in respect of 4 accounts** had not been filed by the Bank, while **129 CTRs in respect of 35 accounts** for the F.Y. 2017-18 had not been filed by the Bank.
- Therefore, total CTRs not filed by the Bank = 134 (1+4+129) in respect of 40 bank accounts (1+4+35).**
- (d) On perusal of the information submitted by the Bank vide the said Questionnaire, it was also observed that, the Bank had not filed any valid STR during any of the previous F.Y. The Bank admitted that it did not have an AML module software installed in its CBS system to

generate alerts / Red Flag Indicators (RFIs). The Bank further admitted its failure to incorporate all the RFIs issued by FIU-IND from time to time, such as RFIs as prescribed in the guidance note issued in February 2016 to co-operative banks for effective detection and identification of STRs, the subsequent guidance note dated October 24, 2017 and June 21, 2018 prescribing revised RFIs, RFIs pertaining to shell companies, TBML, demonetisation and those relating to CFT. In addition, perusal of the Bank's KYC / AML Policy submitted by it, indicated the Bank's failure to have an effective internal mechanism in place for detecting, monitoring and reporting the suspicious transactions defined in Rule 2(1)(g) of the PML Rules, 2005.

- (e) As per the reply of the Bank to the Questionnaire, it has furnished either **'No Report'** or **'NIL'** NTR for any of the last 5 F.Ys'. The Bank admitted to rely on the list of NGOs provided by NABARD for identification of such non-profit organisations.
 - (f) The Bank claimed to have 739323 customers. The Bank submitted KYC documents of some of its customers as opposed to the information sought by it vide the afore-said Questionnaire that evidenced last 'KYC updation' exercise undertaken by the Bank, depicting the number and percentage of achievement in terms of updation of KYC records of its customers. Thus, the Bank had failed to provide the relevant information evidencing its last 'KYC updation' exercise depicting the number and percentage of achievement in terms of updation of KYC records of its customers.
 - (g) In addition, the Bank had failed to provide relevant information evidencing 'beneficial owner (BO) identification' exercise undertaken by it depicting the number and percentage of customers in which BO is yet to be identified.
9. In view of the foregoing, vide Show Cause Notice (SCN) dated February 27, 2019, the Bank was called upon to show cause as to why suitable directions including direction of imposition of penalty should not be passed against the Bank under Section 13 read with Section 12, 12A of the Act and Rules 3, 5, 7, 8 and 9 of the PML Rules, 2005 for:

- (a) Non-compliance with Section 12(1) (a) and (b) of the Act read with Rule 3(1)(A), 3(1)(B), 4,

5(1), 7(2) and 8(1) of the PML Rules, 2005 – Alleged failure of the Bank to furnish 134 CTRs in respect of 40 bank accounts.

(b) Non-compliance with Section 12(1) (a) and (b) of the Act read with Rule 2(1)(g), 3(1)(D), 4, 5(2) and 7(3) of the PML Rules, 2005 – Alleged failure of the Bank:

- to have effective internal mechanism for detecting all suspicious transactions as enumerated under Rule 3(1)(D) of the PML Rules, 2005;
- to effectively configure and implement all the requisite RFIs in its internal mechanism for identification, detection and reporting of suspicious transactions, viz. RFIs as prescribed in the guidance note issued in February 2016 to co-operative banks for effective detection and identification of STRs, the subsequent guidance note dated October 24, 2017 and June 21, 2018 prescribing revised RFIs, RFIs pertaining to shell companies, TBML, demonetisation and those relating to CFT, etc.

(c) Non-compliance with Section 12(1) (a) and (b) of the Act read with Rule 2(1)(cd), 3(1)(BA), 4, 5(2), and 7(3) of the PML Rules, 2005 - Alleged failure of the Bank to have effective internal mechanism for detecting, monitoring and reporting all transactions involving receipts by non-profit organisations as enumerated under rule 3(1)(BA) of the Rules.

(d) Non-compliance with Section 12(1)(c) of the Act read with Rule 9(1)(a)(i) of the PML Rules, 2005 and Section 12(1)(d) of the Act read with Rule 9(1)(a)(ii) and 9(3) of the PML Rules, 2005 - Alleged failure of the Bank to identify and verify ultimate beneficial owner for trust, legal entities and similar other customers; and

(e) Non-compliance with Section 12A(2) of the Act read with Section 12(1)(c), Rule 2(1)(cb), 2(1)(cc), 9(12) and 9(13) of the PML Rules, 2005 - Alleged failure of the Bank to furnish relevant documents evidencing last 'KYC updation' exercise undertaken by the Bank, depicting the number and percentage of achievement in terms of updation of KYC records of its customers.

10. Vide the afore-mentioned SCN, the Bank was advised to submit its reply within a period of 21 days

from the receipt of the said SCN, failing which it shall be presumed that the Bank has nothing to say in this matter. The Bank was also asked to indicate whether it desires to be personally heard in this case.

11. Vide its letter number 3538 / Ranchi dated March 26, 2019, the Bank has submitted its reply against the allegations in the SCN dated February 27, 2019. The submissions of the Bank are summarized as under:
 - (a) The Bank has admitted that its officials had attended the review meeting held on July 10, 2018 wherein, the information sought by FIU-IND, New Delhi was submitted by its concerned officials.
 - (b) As regards, the failure of the Bank to file 134 CTRs, the Bank has admitted its failure for not filing valid CTR / STR reports due to technical problems faced by it during the relevant period.
 - (c) In addition, the Bank has reiterated its position as regards furnishing CTR/STR reports that the Bank's CBS software has not been in a position to generate CTR / STR report as an AML module software has not been installed in its CBS system.
 - (d) The Bank has iterated its position regarding its merger with seven District Central Co-operative Banks (DCCB) w.e.f. 01/04/2017 and that data merger of all DCCBs' been done on 30/06/2017. According to the Bank, it has faced several difficulties regarding compliance of 'rules and regulations' as legacy issues existed in erstwhile DCCBs'.
 - (e) The Bank has requested for condonation and sought a personal hearing in this regard.
12. In compliance with the principles of natural justice, the Bank was granted an opportunity of personal hearing before me on April 18, 2019 through its duly authorized representatives, and the same was communicated to the Bank vide another letter number F.No. 9-5/2019/Compl./FIU-IND dated April 3, 2019. Accordingly, vide e-mail dated 15/04/2019, the Bank enclosed authorisation letter dated April 12, 2019 granting approval to Shri. Rajendra Prasad Sharma, C.A. and Shri. Awshesh Mukut Mani Kujur, Banking Assistant, to attend the personal hearing before

me on April 18, 2019. The said authorized representatives of the Bank appeared before me and made arguments in line with the earlier written submissions filed by the Bank and, in addition, made the following submissions on behalf of the Bank:

- (a) admitting that the Bank has failed to furnish 134 CTRs for 40 bank accounts as mentioned in the SCN dated February 27, 2019;
- (b) contending that an AML module has not been installed in the Bank's CBS system as the same is pending for approval from its Board of Directors and assured that the same be installed within one month from the date of personal hearing;
- (c) claiming that no NPO accounts are at present with the Bank and therefore, the Bank did not file any NTRs as per the provisions of the Act and the Rules thereunder;
- (d) admitting that the Bank has accounts of legal entities, trusts etc. in respect of which the Bank has failed to identify BO in respect of such accounts; and
- (e) averring that 'KYC updation' exercise has been undertaken by the Bank every 2 years and wherever KYC has been pending for more than 2 years, transactions for such accounts have been frozen by the Bank.

13. I have gone through the facts and circumstances of the case, charges levied in the SCN dated February 27, 2019, written submissions made by the Bank vide its letter number 3538 / Ranchi dated March 26, 2019 and additional submissions made by its authorised representatives during the personal hearing before me.

14. The first allegation against the Bank is with respect to its failure to furnish 134 (One Hundred and Thirty Four) CTRs in respect of 40 bank accounts. A detailed analysis of the cash transaction data pertaining to the Bank's top 50 depositors / customers in terms of highest cash deposited / highest cash turnover recorded for the demonetization period as also for F.Y. 2017-18 and submitted by it as part of the said Questionnaire for Review is as follows:

- (a) 5 CTRs pertaining to 5 bank accounts wherein, highest amount of cash was deposited during the period of demonetization (November 09 to December 30, 2016); cash transactions above

Rs. 10.00 lakh and integrally connected cash transactions where the monthly aggregate exceeded Rs. 10.00 lakh for the months of November and December 2016 have not been reported by the Bank. Out of the 5 bank accounts, 1 bank account pertains to Deoghar Jamtara District Co-operative Central Bank Limited (one of the seven amalgamated banks with the RE) wherein, 2 integrally connected cash transactions for the month of November 2016 have not been reported by the Bank in terms of Rule 3(1)(B) of the PML Rules, 2005. The rest 4 bank accounts pertain to Jharkhand State Co-operative Bank Limited (the RE in the present case) wherein, 4 cash transactions above Rs. 10.00 lakh for the month of November 2016 have not been reported by the Bank.

(b) 129 CTRs in respect of 35 bank accounts wherein, highest amount of cash was deposited during the F.Y. 2017-18; 1572 cash transactions above Rs. 10.00 lakh or integrally connected cash transactions where the monthly aggregate exceeded Rs. 10.00 lakh for each of the months in F.Y. 2017-18 have not been reported by the Bank in terms of Rule 3(1)(A) and 3(1)(B) of the PML Rules, 2005.

(c) Therefore, the Bank has failed to file a total of **134 (One Hundred and Thirty Four) CTRs [(5+129) CTRs]** in respect of 1578 cash transactions above Rs. 10.00 lakh or integrally connected cash transactions where the monthly aggregate exceeded Rs. 10.00 lakh for 40 bank accounts.

15. Considering the above, I deem it appropriate to state that in terms of Rule 3(1)(A), 3(1)(B) read with Rule 8(1) of the PML Rules, 2005, a reporting entity is obligated to furnish CTR reports to FIU-IND, New Delhi by the 15th day of the succeeding month in respect of all cash transactions exceeding Rs. 10.00 lakh as also for all series of integrally connected cash transactions individually valued below Rs. 10.00 lakh and where such series of cash transactions have taken place within a month with the monthly aggregate exceeding Rs. 10.00 lakh. Thus, it is trite to say that CTR report filing is a threshold based report and the obligation of a reporting entity to detect and report cash transactions exceeding the threshold limit is absolute and mandatory in terms of the relevant provisions of the Prevention of Money Laundering Act, 2002 and the Rules thereunder.

16. In the instant case, the Bank was obligated to file 134 (One Hundred and Thirty Four) CTRs for 40 bank accounts having 1578 cash transactions during the demonetization period (November 09 – December 30, 2016) as well as for the F.Y. 2017-18, which have not been filed by the Bank till date. I also note that the Bank has not filed a single CTR report in the last 5 F.Ys'. In addition, the Bank in its written submissions vide letter dated March 26, 2019 and oral submissions made during the personal hearing before me, has admitted to have failed to file the said CTRs for the relevant period. Considering the above, I, conclude that the Bank has failed to file 134 (One Hundred and Thirty Four) CTRs relating to 1578 cash transactions in respect of 40 bank accounts for the demonetization period as well as for F.Y. 2017-18 thereby, violating Section 12(1)(a) and 12(1)(b) of the Act read with Rule 3(1)(A), 3(1)(B) and Rule 8(1) of the PML Rules, 2005.
17. The second allegation against the Bank is, that it has failed to put in place an effective internal mechanism to monitor, detect and report suspicious transactions as enumerated under Rule 3(1)(D) of the PML Rules, 2005. It has been brought to my notice that the Bank has no system of alert generation and that no RFIs have been implemented in the CBS system of the Bank. I also note that the Bank has not installed any AML software for enabling alert generation and reporting suspicious transactions. The Bank in its written submissions has contended that CTR/NTR/STR are observed at branch level that report all transactions 'up to certain limit' according to which the Bank marks the transactions as suspicious. The Bank in its written and oral submissions has further contended that it is in the process to install AML module software in its CBS for generating alerts on time and that the same is pending for approval from its Board of Directors.
18. It is relevant to state that, in terms of Rule 5(2) and 7(3) of the PML Rules, 2005, a reporting entity is mandated to evolve an effective internal mechanism having regard to the guidelines issued for detecting and reporting suspicious transactions by FIU-IND, New Delhi according to the timeline prescribed under Rule 8(2) of the PML Rules, 2005. A system to detect and monitor suspicious transaction does not include only an alert generation module. The alert generation system must also take into consideration all Red Flag Indicators issued by the RBI and FIU-IND. Further, such system must also have rules laid down for disposal of alerts so generated. In the instant case, written submissions made by the Bank vide its letters dated May 30, 2018 enclosing the duly filled Questionnaire for Review and supportive documents and its reply to the SCN vide

letter dated March 26, 2019 do not indicate the mechanism the Bank has implemented to identify, monitor, detect and report suspicious transactions to FIU-IND, New Delhi. The submissions of the Bank vide its above-mentioned letters also do not specify the number of alerts or RFIs the Bank has implemented in its internal mechanism to detect and report suspicious transactions, while the Bank is devoid of a distinct and dedicated AML / CFT cell. In addition, the AML / KYC Policy submitted by the Bank lacks relevant details and robustness about its internal mechanism having regard to the guidelines issued by FIU-IND, New Delhi from time and again in terms of Rule 5(2) and 7(3) of the PML Rules, 2005. The authorised representatives of the Bank during the personal hearing before me on April 18, 2019 have further admitted that an AML module has not been installed in the Bank's CBS system and the same is pending for Board approval. In view of the above, I conclude that the Bank has failed to put in place an effective internal mechanism for detection and reporting of suspicious transactions in terms of Rule 5(2) and 7(3) of the PML Rules, 2005.

19. The third allegation against the Bank is for its alleged failure to have effective internal mechanism in place to detect, monitor and report all transactions involving receipts by non-profit organisations as mandated under the relevant provisions of the Act and the Rules thereunder. It may be relevant to state that Rule 3(1)(BA) read with 8(1) of the PML Rules, 2005 mandates every reporting entity to maintain and furnish records of all transactions involving receipts of value more than Rs. 10.00 lakh or its equivalent in foreign currency, by non-profit organisations (NPOs) that are defined under Rule 2(1)(cd) of the PML Rules, 2005. I note that the Bank has not filed a single NTR with FIU-IND for the last 5 F.Ys'. I also note that the Bank has contended to rely on the list of NGOs provided by NABARD for identification of such organizations. The Bank vide its authorized representatives has claimed before me that there are no NPO accounts with the Bank. In view of the fore-going and under the powers conferred upon me under Section 13(2)(b) of the Prevention of Money Laundering Act, 2002, I deem it necessary to direct Jharkhand State Co-operative Bank Limited, Ranchi to take steps to re-examine whether the Bank has any accounts relating to non-profit organizations (NPOs) as defined under the provisions of Rule 2(1)(cd) of the PML Rules, 2005 and furnish the details thereof to FIU-IND, New Delhi within 30 days (1 month) from the receipt of this Order.

20. The penultimate allegation against the Bank is with respect to its failure to identify and verify ultimate beneficial owner (BO) for trust, legal entities and similar other customers in terms of the provisions of Section 12(1)(c) of the Act read with Rule 9(1)(a)(i) of the PML Rules, 2005 and Section 12(1)(d) of the Act read with Rule 9(1)(a)(ii) and 9(3) of the PML Rules, 2005. It is brought to my notice that the Bank, in its duly filled Questionnaire for Review had averred to have determined beneficial ownership in the cases of corporate, trusts and other juridical persons as per the rules and KYC norms while, failing to provide relevant documents evidencing 'BO identification' exercise undertaken by it depicting the number and percentage of customers in which the BO is yet to be identified. In addition, the authorized representatives of the Bank admitted during the personal hearing before me, that the Bank has accounts of such legal entities, partnership firms, associations, trusts etc. During the personal hearing, the authorized representatives further admitted that the Bank has not identified beneficial owners in respect of such accounts. It is trite to say that in terms of the relevant provisions of the Prevention of Money Laundering Act, 2002 and the Rules thereunder, a reporting entity has been mandated to strictly adhere to client due diligence norms and to determine whether its client is acting on behalf of a beneficial owner, identify the beneficial owner and to take all steps to verify the identity of such beneficial owner. In view of the submissions made by the Bank, I conclude that the Bank has failed to identify and verify ultimate beneficial owner (BO) for trust, legal entities and similar other customers as per the relevant provisions of the Act, and in terms of the powers conferred upon me under Section 13(2)(b) of the Prevention of Money Laundering Act, 2002, I, hereby direct Jharkhand State Co-operative Bank Limited, Ranchi to complete the determination of beneficial ownership in applicable accounts within 30 days (1 month) from the receipt of this Order.

21. As regards, the allegation against the Bank for its failure to furnish relevant documents evidencing last 'KYC updation' exercise undertaken by the Bank, depicting the number and percentage of achievement in terms of updation of KYC records of its customers, I note that the Bank has admitted to have 739323 customers with total deposits of Rs. 1813.98 Crore (as on March 31, 2018). I also note that the Bank has submitted its KYC Policy detailing its customer identification and acceptance policy as per the RBI's Master circular on KYC / AML of July 1, 2015. The authorized representatives of the Bank, during the personal hearing before me, have averred that 'KYC updation' exercise has been undertaken by the Bank every 2 years and that, wherever KYC is pending for more than 2 years, transactions for such accounts are frozen by the Bank. However,

the Bank in its duly filled Questionnaire and in its reply to the SCN vide letter dated March 26, 2018 has not provided relevant documents evidencing last 'KYC updation' exercise undertaken by the Bank, depicting the number and percentage of achievement in terms of updation of KYC records of its customers. In view of the above, I conclude that the Bank has failed to provide relevant information in terms of Section 12A of the Prevention of Money Laundering Act, 2002, and under the powers conferred upon me under Section 13(2)(b) of the Prevention of Money Laundering Act, 2002, I, deem it appropriate to direct Jharkhand State Co-operative Bank Limited, Ranchi to furnish evidence of the last 'KYC updation' exercise undertaken by the Bank and relevant details thereof within 30 days (1 month) from the receipt of this Order.

22. In view of the foregoing, and considering all the facts and circumstances herein above, I deem it appropriate to conclude the instant proceedings by imposing a monetary penalty on the Bank in the manner as summarised below:

Sl. No.	Failure of the Bank	Penalty	Amount
1.	Non-filing of 134 (One Hundred and Thirty Four) CTRs relating to 1578 cash transactions in respect of 40 bank accounts for the demonetization period and F.Y. 2017-18 – violation of Section 12(1)(a) and 12(1)(b) of the Act read with Rule 3(1)(A), 3(1)(B) and Rule 8(1) of the PML Rules, 2005	Rs. 10,000/- for each non-filing of 134 CTRs	Rs. 10,000 X 134 = Rs. 13,40,000/-
2.	Failure to have effective internal mechanism in place for detection and reporting of suspicious transactions – violation of Rule 5(2) and 7(3) of the PML Rules, 2005	Rs. 1,00,000/-	Rs. 1,00,000/-
Total			Rs. 14,40,000/-

23. In view of the above, I, in exercise of the powers conferred upon me under Section 13(2)(d) of

the Prevention of Money Laundering Act, 2002 impose a total fine of **Rs. 14,40,000/- (Rupees Fourteen Lakh Forty Thousand Only)** on Jharkhand State Co-operative Bank Limited, Ranchi which will be commensurate with the violations committed by the Bank. The Bank shall pay the said amount of fine within **60 days** of receipt of this Order by way of Demand Draft in favour of "Pay & Account Officer, Department of Revenue" failing which the provisions of Section 69 of the Act shall apply.

24. Further, by virtue of powers conferred upon me under Section 13(2)(b) of the Prevention of Money Laundering Act, 2002, I, find it expedient to direct Jharkhand State Co-operative Bank Limited, Ranchi to:

- (a) report all transactions since April 1, 2017 i.e., date of amalgamation of 7 DCCBs with Jharkhand State Co-operative Bank Limited, Ranchi that qualify to be reported as CTRs under Rule 3(1)(A) and 3(1)(B) of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005 within **60 days** of the receipt of this Order;
- (b) prepare a detailed AML Policy and get it approved by its Board of Directors, putting in place an effective internal mechanism to detect and report suspicious transactions within **30 days** of the receipt of this Order and report compliance thereof to FIU-IND, New Delhi. Any such mechanism must take into account all Red Flag Indicators (RFIs) issued by RBI/FIU-IND from time to time for generation of alerts, rules for disposal of alerts so generated and subsequent detection and reporting of suspicious transactions;
- (c) re-examine whether the Bank has any accounts relating to non-profit organizations (NPOs) as defined under the provisions of Rule 2(1)(cd) of the PML Rules, 2005 and furnish the details thereof to FIU-IND, New Delhi within **30 days** from the receipt of this Order;
- (d) complete the determination of beneficial ownership in applicable accounts within **30 days** from the receipt of this Order, and
- (e) furnish evidence of the last 'KYC updation' exercise undertaken by the Bank and relevant details thereof within **30 days** from the receipt of this Order.

25. I also find it expedient to advise Jharkhand State Co-operative Bank Limited, Ranchi to exercise caution in future regarding compliance with the obligations under the Prevention of Money Laundering Act, 2002 and the Prevention of Money Laundering (Maintenance of Records) Rules, 2005. The show cause notice dated February 27, 2019 is accordingly, disposed of.

(Pankaj Kumar Mishra)
Director
Financial Intelligence Unit - India

Through:

The Principal Compliance Officer
Jharkhand State Co-Operative Bank Limited, Ranchi
3rd Floor, The Agriculture Marketing Board Building
Itki Road, Hehal
Ranchi – 834 005
Jharkhand