

Sub.: Summary of Order-in-Original No. 7/DIR/FIU-IND/2019 in the matter of Prime Co-operative Bank Limited, Surat-reg.

In order to assess the compliance of Prime Co-operative Bank Limited, Surat (the Bank) with regard to its obligations under the Prevention of Money Laundering Act, 2002 (the Act) and the Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (the Rules, 2005), a review of the Bank was conducted in terms of the provisions of the Act.

2. Based on the findings of the review, vide Show Cause Notice dated January 24, 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 of the Act read with section 12 of the Act and rules 3, 5, 7, 8 and 9 of the Rules, 2005 for several non-compliances of the provisions of the Act and the Rules.
3. The Bank submitted its detailed reply to the SCN and in terms of the principles of natural justice, the Bank was granted opportunity of personal hearing through its authorised representatives.
4. After considering the submissions of the Bank, vide Order-in-Original No. 7/Dir/FIU-IND/2019 dated July 17, 2019, the Director, FIU-IND disposed of the adjudication proceedings initiated against the Bank vide the Show Cause Notice dated January 24, 2019, and in exercise of the powers conferred under section 13(2)(d) of the Act imposed monetary penalty of **Rs. Three Lakh Ninety Thousand Only (Rs. 3,90,000/-)** for non-compliances of section 12 of the Act read with rules 3, 5, 7 and 8 of the Rules, 2005 by the Bank, viz. failure to file CTRs and NTRs within the timeline prescribed by the Rules, 2005, failure to evolve and implement effective internal mechanism for suspicious transactions reports, failure to submit correct data to FIU-IND, etc.
5. Further, in exercise of the power conferred under section 13(2)(a) of the Act, the Director, FIU-IND issued warning to Prime Co-operative Bank Limited, Surat for non-compliances of section 12, 12A of the Act read with rule 9 of the Rules, 2005, viz. failure to determine beneficial owners in accounts of several of its customers, failure to furnish information depicting the number of updation of KYC records of its customers as well as its failure to furnish information pertaining to the risk categorization of its customers.

6. In terms of section 13(2)(b) of the Act, the Director, FIU-IND directed the Bank to complete the determination of beneficial ownership in applicable / pending accounts within 60 days from the receipt of this penalty order and to furnish evidence of the complete 'KYC updation' exercise undertaken by the Bank and relevant details thereof, within 90 days of receipt of this penalty order. The Bank has also been advised to exercise caution in future regarding compliance with the provisions of the Prevention of Money Laundering Act, 2002 and the Rules made thereunder.

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.