Order in Original No. 13/DIR/FIU-IND/2024 in the matter of Union Bank of India u/s Section 13 dated 01.10.2024

1. Union Bank of India by virtue of operating as a bank, is a 'reporting entity' for the purposes of Section 2(1)(wa) of the Prevention of Money Laundering Act (PMLA), 2002 (hereinafter referred to as 'the Act') and is registered as such with FIU-IND.

2. Pursuant to an observation by FIU-IND, a comprehensive review of the bank's operations was undertaken, which uncovered certain irregularities related to KYC/AML compliance. An independent examination of specific current accounts maintained at Union Bank of India, Hill Road Branch, Mumbai, revealed that the accounts of an NBFC and its associated entities were engaged in substantial circular fund transfers, orchestrated through entities under common control.

3. The FIU-IND identified several critical irregularities involving entities with a common registered address and identical beneficial owners. Despite their authorized capital being only ₹1 lakh each these entities exhibited credit turnovers disproportionate to their declared business operations, with significant RTGS inflows from the accounts of the NBFC in question. These funds were swiftly transferred to other group entities of the NBFC. The Bank's scrutiny of these accounts appeared insufficient, as only one Suspicious Transaction Report (STR) was filed, despite the high volume of transactions and a number of alerts that were generated in the concerned account. Additionally, the alerts generated in these accounts were closed with minimal justification, raising concerns about the adequacy of the Bank's due diligence and monitoring. The handling of these transactions and alerts suggested the need for further examination to ensure the Bank met its regulatory obligations.

4. Based on the observations above, and other information available on record, the Bank was issued a detailed Notice was issued for non-compliance to Section 12 of the Act read with relevant Rules.

5. 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 Union Bank of India were substantiated. Consequently, the Director FIU-IND vide order dated 01st October, 2024 in exercise of powers under Section 13 PMLA, imposed a total fine of **₹ 54,00,000 (Rupees Fifty Four Lakh Only)** on the Bank with reference to the following violations committed by the Bank :

   - Violation of Section 12(1) of PMLA, 2002 read with Rule 7(2), Rule 8(2), Rule 3(1)(D) and Rule 7(3) of PMLR, 2005 - Failure to report suspicious transactions as required under the PMLA and PMLR in respect of the account/s of said entities and in respect of several alerted transactions.

- Violation of Section 12(1) of PMLA, 2002 read with Rule 9(12)(i) of PMLR, 2005 for failure to carry out ongoing due diligence and to examine the transactions to ensure that they are consistent with the knowledge of the client, its business, risk profile and the source of funds in respect of the accounts in question.
- Violation of Section 12(1) of PMLA, 2002 read with Rule 9(12)(ii) of PMLR, 2005 for failure to review the due diligence measures including verifying again the identity of the clients and obtaining information on the purpose and intended nature of the business relationship in respect of the accounts in question.
- Violation of Section 12(1) of PMLA, 2002 read with Rule 9(12)(iii) of the PMLR, 2005 for failure to conduct client due diligence of existing clients on the basis of materiality and risk in respect of the accounts in question.
- Violation of Section 12(1) of PMLA, 2002 read with Rule 7(3), Rule 3(1)(D) and Rule 8(2) of PMLR, 2005 for failure to evolve an internal mechanism to detect and report suspicious transactions in respect of the accounts in question.

6. In addition, in exercise of the powers under Section 13(2)(b), the Bank was directed to implement the following measures:

    a. The Bank shall undertake a comprehensive review of its due diligence procedures. It is recommended that enhanced diligence be performed, particularly where newly opened accounts exhibit transaction volumes and velocities that are inconsistent with their declared business activities and turnover.
    b. The Bank shall reassess its internal mechanism and transaction monitoring approach, especially where a significant number of alerts are generated on a client account but are subsequently closed in a cursory manner.

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.