प्रेस प्रकाशनी PRESS RELEASE

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RBI imposes monetary penalty on two banks; cautions three banks for violating KYC/AML Instructions

The Reserve Bank of India has imposed monetary penalty on the following two banks for violation of its instructions, among other things, on know your customer/anti money laundering Know Your Customer (KYC)/Anti Money Laundering(AML). The details of the penalty are:

Sl. No.	Name of the bank	Penalty Amount (in ₹ mn)
1	ICICI Bank Ltd.	5.00
2	Bank of Baroda	2.50

The penalties have been imposed in exercise of powers vested in the Reserve Bank under the provisions of Section 47(A)(1)(c) read with Section 46(4)(i) of the Banking Regulation Act, 1949.

Background

The Reserve Bank of India (RBI) received a complaint from a reputed statutory organisation in August, 2013 through which the details of a fraud perpetrated in five banks, namely, State Bank of India, ICICI Bank Ltd., Bank of Baroda, Axis Bank Ltd. and State Bank of Patiala, with the connivance of certain officials of the statutory organisation were brought to the Reserve Bank's notice. The fraudsters had managed to open fictitious accounts in the name of the statutory organisation in the above five banks and operated the accounts mainly for encashing cheques/demand drafts/postal orders of which they were not the rightful owners, for periods ranging from one month to two years, without being detected by the banks.

A scrutiny was undertaken in the above five banks in January, 2014 to ascertain the adherence to extant regulatory instructions by banks in the instant case. The findings of the scrutiny revealed violation of certain regulatory guidelines issued by the Reserve Bank, namely:

- non-adherence to certain aspects of know your customer Know Your Customer(KYC) norms like customer identification and acceptance procedure
- internal norms regarding customer identification procedure of a bank being violative of Know Your Customer(KYC) directions issued by Reserve Bank
- non-adherence to instructions on monitoring of transactions in customer accounts

Based on the findings of the scrutiny, the Reserve Bank issued a show cause notice to each of these banks, in response to which the individual banks submitted written replies. After considering the facts of each case and individual bank's reply, as also, personal submissions, information submitted and documents furnished, the

Reserve Bank came to the conclusion that some of the violations of serious nature were substantiated and warranted imposition of monetary penalty as determined above on two banks, namely, ICICI Bank Ltd. and Bank of Baroda. Failure on the part of these banks to take timely remedial measures had aggravated the seriousness of the contraventions and their impact.

In respect of the three remaining banks, namely, State Bank of India, Axis Bank Ltd. and State Bank of Patiala, where such scrutinies were conducted and banks' explanation called for, based on written and oral submissions, it was decided not to impose any monetary penalty as the banks' explanations regarding the circumstances which led to the fictitious accounts getting opened and operated without detection, was judged to be reasonable. However, these banks have been cautioned to put in place appropriate measures and review them from time to time to ensure strict compliance of Know Your Customer(KYC) requirements in future.

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