
STATEMENT OF DISCIPLINARY ACTION

The Disciplinary Action

1. The Monetary Authority (MA) has taken the following disciplinary action against Indian Overseas Bank, Hong Kong Branch (IOBHK):
 - (a) reprimanded IOBHK, pursuant to section 21(2)(a) of the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong) (AMLO);
 - (b) ordered IOBHK, pursuant to section 21(2)(b) of the AMLO, by a date and in a manner to be specified by the MA:
 - (i) to conduct a look-back review on the transaction alerts generated by its transaction monitoring system and after the look-back review is completed, to report to the Hong Kong Monetary Authority (HKMA) of the result;
 - (ii) to submit to the HKMA a remedial plan to address the contraventions set out in paragraphs 2 to 6 below;
 - (iii) after the remedial plan is fully implemented, to submit a report prepared by an independent external advisor to the HKMA assessing whether the remedial measures are effective and sufficient to address the contraventions; and
 - (c) ordered IOBHK to pay a pecuniary penalty of HK\$8,500,000, pursuant to section 21(2)(c) of the AMLO.

Summary of Contraventions and Facts

2. The disciplinary action follows an investigation by the HKMA which found that IOBHK contravened three specified provisions, namely sections 23, 19(3) and paragraph (c) of section 5(1) (section 5(1)(c)) of Schedule 2 to the AMLO between May 2021 and January 2024 (Relevant Period). IOBHK's contraventions and the related findings are summarised below.

Section 23 of Schedule 2 to the AMLO

3. There was a significant failure by IOBHK to take all reasonable measures to ensure that proper safeguards exist to prevent its contraventions of sections 5(1) and 19(3) of Schedule 2 to the AMLO and to mitigate money laundering and terrorist financing risks effectively during the Relevant Period.
4. Specifically, IOBHK's management oversight of anti-money laundering and counter-financing of terrorism (AML/CFT) controls was inadequate. The senior management did not have a clear leadership role and responsibility over AML/CFT matters. They did not adequately discuss key AML/CFT control issues at relevant committee meetings and failed to appoint a competent person with sufficient AML/CFT knowledge as the Compliance Officer. As a result, the transaction alerts generated by IOBHK's transaction monitoring system were not properly followed up, resulting in a contravention of section 23 of Schedule 2 to the AMLO.

Section 19(3) of Schedule 2 to the AMLO

5. IOBHK failed to establish and maintain effective procedures for the purpose of carrying out its duties under section 5(1)(c) of Schedule 2 to the AMLO. The lapses in internal controls over transaction monitoring included a lack of policies and procedures in relation to the roles and duties of the relevant departments, and a failure to provide adequate training to staff.

Section 5(1)(c) of Schedule 2 to the AMLO

6. IOBHK contravened section 5(1)(c) of Schedule 2 to the AMLO in that it failed to (i) examine the background and purposes of transactions which were complex, unusually large in amount or of an unusual pattern, and had no apparent economic or lawful purpose, and (ii) set out its findings in writing, in respect of ten customers.

Conclusion

7. Having considered all the evidence and the representations of IOBHK, the MA has found that IOBHK contravened three specified provisions of the AMLO during the Relevant Period as set out in paragraphs 2 to 6 above.
8. In deciding the disciplinary action set out in paragraph 1 above, the MA has had regard to the *Guideline on Exercising Power to Impose Pecuniary Penalty*¹ and the *Guidance Note on Cooperation with the HKMA in Investigations and*

¹ This guideline was published by the HKMA on 29 June 2012 under section 23(1) of the AMLO. It sets out the factors that the MA will consider, where applicable, in determining whether to impose a pecuniary penalty and the amount of the pecuniary penalty if there has been a contravention of a specified provision as defined by section 5(11) of the AMLO. A revised version of this guideline was published on 27 April 2018.

*Enforcement Proceedings*². The MA has also taken into account all relevant circumstances of the case, including but not limited to:

- (a) the seriousness of the investigation findings;
- (b) the need to send a clear deterrent message to IOBHK and the industry about the importance of having effective controls and procedures to address money laundering and terrorist financing risks; and
- (c) IOBHK has no previous disciplinary record in relation to the AMLO and cooperated with the HKMA during the investigation and enforcement proceedings.

- End -

² The guidance note was issued by the HKMA on 22 August 2018 to provide an overview of how the HKMA considers and recognises cooperation in its investigations and enforcement proceedings, and highlight the benefits of cooperation.