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HSBC India downs the shutters on private banking operations

Our Bureau

Bank says part of global rejig but operations had been under RBI, US Justice Dept lens

Mumbai, Nov 27:

HSBC Holdings is shutting down its private banking operations in India, a move interpreted in some quarters as a fallout of the investigation into allegations that the bank failed to prevent money laundering.

The bank, however, said this was part of its global reorganisation. HSBC will offer its existing private banking clients an option to move their accounts to the retail division.

HSBC conveyed its decision through an e-mail sent to its employees on Friday.

“After a strategic review of global private banking operations in India, we have decided to close the business,” an HSBC spokesperson said confirming the development.

“Our priority is to support our staff and clients through these changes, which are expected to be completed in the first quarter of 2016,” the spokesperson added.

The banking and financial services company employs about 70 personnel in its private banking division. They will be moved to its retail arm. The bank’s total employee strength in India will remain the same at 32,000, even after the closure of the division.

HSBC has been providing retail banking at six-seven of its branches in the country. However, neither the number of its customers nor the size of the bank’s business in India could be ascertained.

“India is a priority market for the HSBC group, where we continue to invest,” the spokesperson added.

The bank has been under the scrutiny of the US Justice Department and authorities in Geneva since 2009, while the Reserve Bank of India has also probed HSBC India’s operations for “purported irregularities” in its attempts to prevent money laundering.

The bank’s global operations have also been under a cloud as the US Senate Committee on Homeland Security and Governmental Affairs, in its July 17, 2012, report on HSBC’s Anti-money Laundering (AML) supervision, had said that the bank’s processes in this critical area were weak and vulnerable to the flow of money from terror elements.

It has been alleged that HSBC’s AML compliance department, which included employees in India, was highly understaffed.

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