

12:55 PM 21 DEC MARKET STATS ▾	SENSEX 26,357 ▲ 49.23	NIFTY 50 8,097 ▲ 14.50	GOLD (MCX) (Rs/10g.) 27,179 ▲ 49.00	USD/INR 67.86 ▼ -0.18	CREATE PORTFOLIO	Download ET MARKETS APP	CHOOSE LANGUAGE ENG
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Axis Bank denies local media report of threat to its banking licence

By Reuters | Updated: Dec 12, 2016, 05:37 PM IST

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MUMBAI: [Axis Bank](#) on Monday slammed a regional newspaper report stating authorities were preparing to revoke the bank's licence as "false and malafide", saying it had strong systems and controls in place as per central bank rules.

[Axis](#), India's third-biggest private sector bank, said last week it had suspended some 19 employees over alleged breaches at one of its branches in implementing a government-ordered exchange of high-value bank notes.

The statement by Axis was in response to a report on Saturday in local Hindi daily [Dopahar](#) that suggested the bank could lose its licence over alleged money laundering activities involving the suspended employees.

"We firmly believe that said news is intended to spread panic amongst the general public, demoralise the staff and damage the reputation of the bank," the lender said in a stock exchange filing.

Shares in Axis Bank were down 2.5 percent at 445 rupees a share in afternoon trading on the National Stock Exchange.

Stung by accusations that its employees have been involved in laundering black money, the bank has temporarily [suspended the accounts of some bullion dealers](#) as part of "enhanced due diligence" to stamp out any attempt to make black money white.

Sources said the exercise was begun after large sums in old notes were deposited into accounts that had been opened without proper documentation in a few of the bank's branches in New Delhi after demonetisation. The money was subsequently transferred from these accounts, some of which were linked to the bullion trade.

Banks have been cracking down on suspect behaviour by staff. Axis Bank has suspended nearly 30 employees for violating rules. Hundreds of crores have been unearthed in income tax raids in the past few weeks.

One of these at the Chandni Chowk branch of Axis Bank reportedly led to the discovery of over Rs 100 crore in 44 suspect accounts. Earlier, the Enforcement Directorate arrested two Axis Bank managers from the bank's Kashmere Gate branch for alleged money laundering. "The suspicion is that if the bullion trade was linked to some of these accounts in a few branches, the same could be the case in other branches of the bank," said one of the people cited above. "Consequently, the bank has suspended accounts across the trade. Honest bullion dealers are paying the price for the malafide acts of a few."

Axis Bank said it conducts checks before accounts are opened.

"The bank has a robust account opening process with requisite checks and balances," the spokesperson said. "The entire account opening scrutiny is done by a team of experts in a centralised setup. Also, we have not delivered bullion to any new relationship account opened since demonetisation." The bank expects to complete the due diligence in the next few days.

"A team of senior bank officials are looking into every aspect of KYCAML (know your customer anti-money laundering) standards for all the accounts and transactions handled by the bank in the post-demonetisation period. KPMG has also been involved in this process," it said. "The bank has a zero-tolerance policy for any violations of the laid-down norms."

India imports about 800 tonnes of gold in a normal year. Much of these imports on consignment basis are made through 21 banks authorised by the Reserve Bank of India. They sell it to bullion dealers who, in turn, supply bars to smaller dealers and the jewellery trade.

Jewellers and bullion dealers have drawn government scrutiny for keeping their establishments open and selling gold at hefty premiums against Rs 500 and Rs 1,000 notes just after the announcement on November 8 and even beyond. The central excise department sent notices to 650 jewellers demanding details of sales volume and value between November 7 and 11.

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