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Money laundering: RBI to share banks' inspection report

By PTI | Updated: Jan 05, 2016, 03.49 PM IST

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NEW DELHI: Bowing down to pressure, the Reserve Bank of India has agreed to share relevant extracts of its banks' inspection reports with a central economic intelligence wing to help it check money laundering and violations of other banking laws.



The central bank is expected to soon sign a Memorandum of Understanding with the Central Economic Intelligence Bureau (CEIB), an apex intelligence agency under the Finance Ministry, in this regard, official sources said.

The matter was referred to the Law Ministry, which said provisions of the Banking Regulations Act, 1949 and other banking laws do not restrain RBI from sharing extracts of inspection or scrutiny report with law enforcement agencies or CEIB.

The RBI had repeatedly refused to share inspection reports with the bureau citing legal hurdles despite the matter being raised time and again during the meetings of Economic Intelligence Council (EIC) headed by Finance Minister Arun Jaitley.

The matter was referred to the Law Ministry, which said provisions of the Banking Regulations Act, 1949 and other banking laws do not restrain RBI from sharing extracts of inspection or scrutiny report with law enforcement agencies or CEIB.

"RBI has agreed to share relevant extracts of inspection reports of banks with CEIB and has sent a draft of the MoU to CEIB. The draft has been accepted by CEIB and RBI with some minor modifications. The MoU is expected to be signed by RBI and CEIB shortly," as per the agenda note for the meeting of "working group on intelligence apparatus pertaining to EIC".

The RBI was required to share relevant extracts of inspection reports with law enforcement agencies and CEIB to check black money and other financial crimes where gross violations of Know Your Customer (KYC) guidelines and Prevention of Money Laundering Act were noticed, the sources said.



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RBI had objected to sharing the reports with CEIB on the ground that the latter was not a statutory body. The central bank, however, was sharing these reports with Intelligence Bureau (IB), which is also not a statutory body, they said.

The matter of misuse of Urban Cooperative Banks, over which there is dual control by central and state governments, for money laundering has been a matter of concern for central intelligence agencies. Violations of banking laws by other banks have also been noticed, the sources said.

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