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# SBI, BoB and other PSBs creating anti-money laundering framework for overseas branches

By [Sachin Dave](#), ET Bureau | Jan 30, 2016, 04.19 AM IST

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MUMBAI: In what appears to be a reaction to stricter norms by banking regulators across the world, India's public sector banks, including [State Bank of India](#) and [Bank of Baroda](#), are creating a separate and stronger anti-money laundering (AML) framework for their branches outside India.

While the priority is to have [AML framework](#) in place in Europe and the United States, the framework is also being created in Dubai, South Africa, Mauritius and Singapore, where there is a high risk, people close to the development said.

Industry trackers said that in the last couple of months, many regulators have warned many banks including Indian ones to make their AML framework stricter.

In many cases, the regulators have said that transactions to countries against whom sanctions were in place have been routed through Indian banks.

"Many Indian banks, including public sector banks, in last few months have been increasingly looking at enhancing their AML compliance framework due to stringent compliance regulations in some countries. This is an acknowledgement that not only an enhanced framework, but also a new target operating model for AML compliance would be the need of the hour," said KV Karthik, partner, forensic, financial advisory, [Deloitte](#) India. "Such a model or framework can ensure compliance with regulations in India and in the jurisdictions where banks operate," he said.

Hong Kong had slapped a fine of \$1 million (Rs 6.6 crore) on SBI last year for breaching anti-money laundering and counter-terrorism financing rules.

SBI has now roped in Deloitte HK to create an AML framework, industry sources said.

In Europe, too, both SBI and BoB have been talking to consultants for creating stricter AML framework that can stop or at least detect cash and suspicious transactions.

An email sent to SBI did not elicit any response as of press time. BoB in an email response said it is creating an AML framework.

AML framework mainly includes checking the credentials of all the people who have a bank account. Apart from this, the banks are also required to know the source of the money that is being deposited, withdrawn or transferred.

"As part of the Bank Secrecy Act and anti-money-laundering (BSA/AML) regulatory environment, examiners often require financial institutions (banks) to perform extensive reviews of customer accounts and transactions over a defined historical time period," said Dhruv Phophalia, managing director, India leader, global forensics and disputes, Alvarez & Marsal.

Many banks are also in the hiring mode in countries where they are implementing AML framework. Some of the banks are also transferring some people from India to these places.

"Many public sector banks are looking to hire specialised skill sets for AML compliance in places like Dubai, Mauritius, Singapore and Hong Kong," said Vikram Babbar, executive director, fraud investigation & dispute services, EY.

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"While Indian banks don't have a huge presence outside the country, compliance to specific requirements like identification of beneficial ownership and sanction screening including PEP is imperative and may often become challenging. With increased risk around trade-based [money laundering](#), the relevance of enhanced AML processes and systems further gains importance," he said.

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