

THE CURIOUS
CASE OF

BANK PENALTIES

In 2020 Banks paid more than **\$12 Billion** globally in fines for various violations.

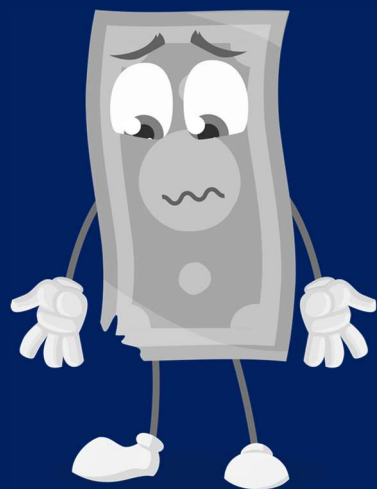
India also saw many large banks being penalised.

Why do banks end up paying fines?



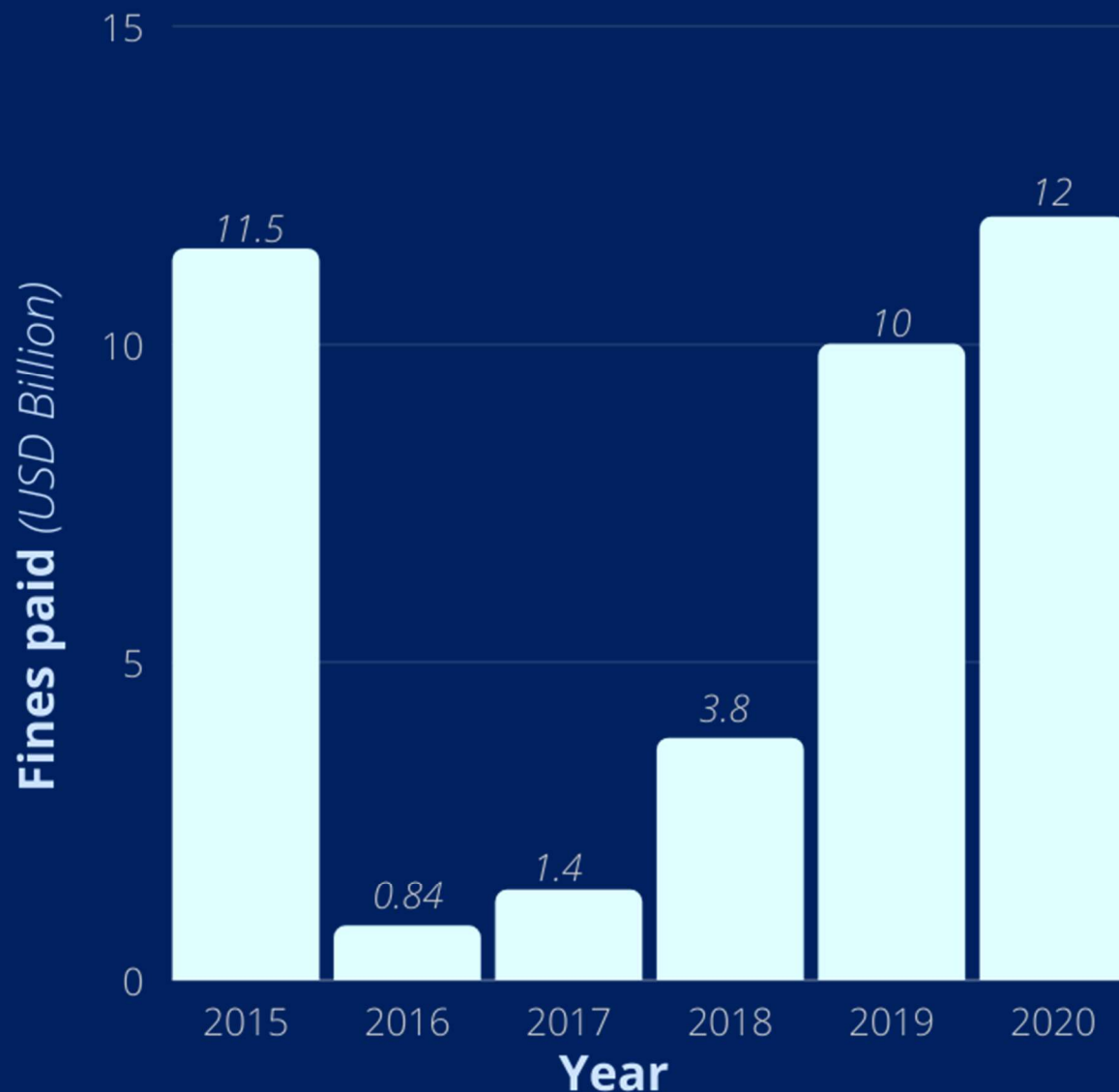
While fines are imposed for a wide range of lapses, there are some common threads

- KYC, AML and CFT violations
- Sanction Country/Entity transactions
- Market Manipulation/Cartelisation
- Risk Management, Loan classification
- Other Procedural lapses



Since 2008,
Banks have
paid more
than **\$40 Bn**
in fines

Fines paid by Banks globally



Biggest fines of 2020

And Top 5 in India

Bank	How much (₹ Crores)	Why
Bank of India	5	Asset classification and Account opening lapses
IndusInd Bank	4.5	Asset classification and exposure norms lapses
Citibank NA	4	Process violations in lending and multiple banking without due process
Karnataka Bank	1.2	Asset classification
HDFC Bank	1	KYC lapses

Global Top 10

Bank	Country	How much (\$ BN)	Why
Goldman Sachs	US	6.25	1MDB scandal in Malaysia, different jurisdictions
Wells Fargo	US	3.00	Fake accounts scandal
JP Morgan	US	1.16	LIBOR market manipulation. 2nd fine due to lapses in internal controls and audit
Westpac	Australia	0.92	AML lapses
Bank Hapoalim	Israel	0.90	Assisting customer in evading taxes
Swedbank	Sweden	0.43	AML lapses
Citigroup	US	0.40	Risk management, regulatory reporting data management lapses
Deutsche	Germany	0.15	Helping a convicted offender process hundred of transactions
Scotiabank	Canada	0.13	Manipulation of metal prices and misleading investigators
The Cherry Hill (TD Hill subsidiary)	US	0.12	Wrongly levy of fees to customers

Further in India Story

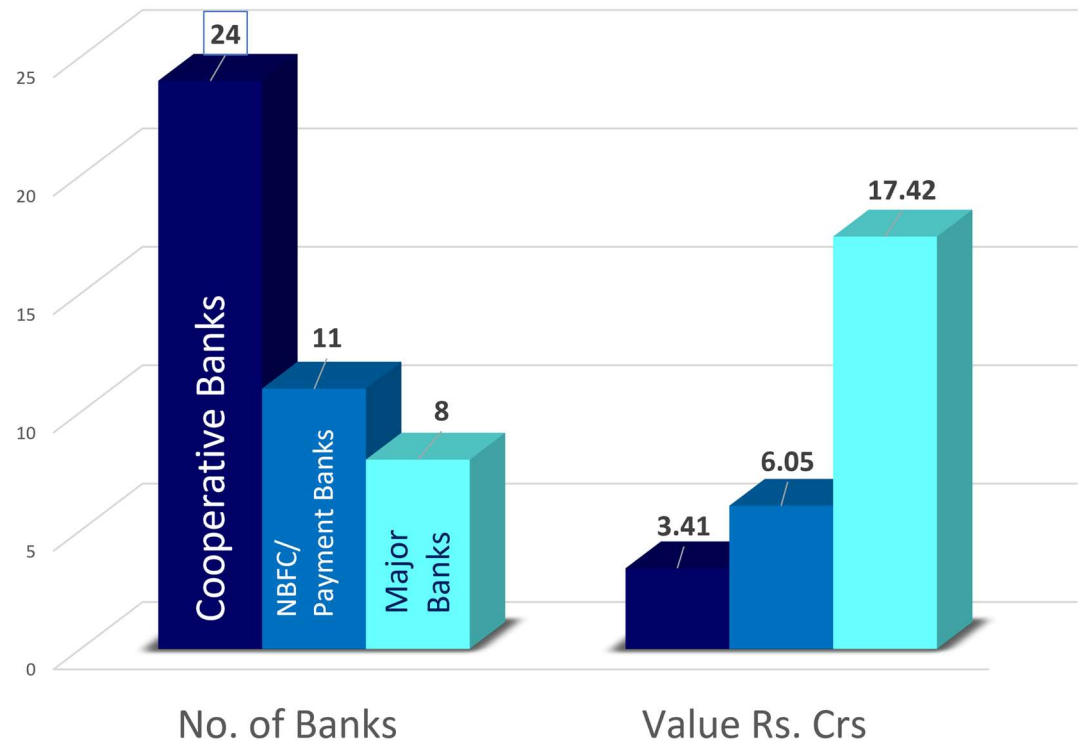


Penalties were imposed on as many as 24 Cooperative Banks. The reasons range from violations on asset classification to giving loans to directors.

We hope the recent enhancement in RBI's powers to monitor them improves the corporate governance!

In 2020, RBI passed 40+ penalty orders totalling to ₹ 26 crores

RBI monetary penalties in 2020



PENALTY

If its happening year on year, Aren't banks taking it seriously?

It would seem so! Episodes like the LIBOR market scandal in which many large banks including Deutsche Bank, Barclays, Citi, JPMorgan, and RBS, were implicated, indicates all is not well with Banks.

However, there is more to the story.

Post 9/11, the regulatory environment has changed dramatically and continues to evolve. Some estimates put bank spending on AML and other compliances anywhere between \$25 to 50 Bn. And it may still be a conservative number!

Regulators are proactive, even unrelenting, while Banks continue to grapple with ever tightening regulations.

The current geo-political scenario and COVID impact will further tighten the noose of compliance.

March 2010:
FATCA (Foreign Account Tax Compliance Act)

2012
Revised FATF (Financial Action Task Force) 40-point recommendations for AML/CFT

Dec 2020
European Union 6AMLD – revised AML guidelines

Dec 2020
US AML Act 2020 passed



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