

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA  
UNSTARRED QUESTION NO 699

TO BE ANSWERED ON THE 14<sup>TH</sup> DECEMBER, 2018 / AGRAHAYANA 23, 1940 (SAKA)

**Cases of Bank Frauds**

699. **SHRI VINCENT H. PALA, DR. SHASHI THAROOR:**

Will the **Minister of FINANCE** be pleased to state:

- (a) whether the Government has received a list of high profile cases of bank fraud from former Governor of the Reserve Bank of India;
- (b) if so, the details thereof and the date on which the list was sent to the Government and the names of the persons or entities mentioned in the list;
- (c) whether the Government referred the list for urgent investigation to the CBI or any other investigation agency, if so, the details thereof, including the date on which it was sent to the concerned agency; and
- (d) if not, the reasons therefor?

**ANSWER**

MINISTER OF STATE IN THE MINISTRY OF FINANCE

**(SHRI SHIV PRATAP SHUKLA)**

**(a) to (d)** The then Governor, RBI had written to the Government about large value banking fraud cases in February, 2015.

In all the cases referred to by the former Governor RBI, cases have been registered by Central Bureau of Investigation (CBI)/ Enforcement Directorate (ED).

The Government has instructed all Public Sector Banks (PSBs) to take action regarding frauds as prescribed by RBI Master Circular dated July 1, 2014 which was supplemented by RBI Circular dated 07.05.2015.

Government of India has also issued instructions dated 13.05.2015 to all PSBs reiterating the framework for timely detection, reporting, and investigation etc. relating to large value bank frauds. It was emphasized that banks should be prompt in identification of frauds and taking following actions:

- Complaints to be lodged with CBI in accordance with prescribed checklist.
- CVOs of Banks will be designated as nodal officer for vetting of complaint & future coordination with CBI.
- Once fraud is reported, the banks will immediately initiate examination of the issue of wilful default.
  
- All accounts exceeding Rs.50 Cr, if classified as NPA, shall simultaneously be examined by banks from fraud angle.
- The CBI will put in place mechanism for reviewing and monitoring progress in investigations etc. of all banking frauds exceeding Rs.10 Cr and achieving inter-agency coordination.
- Banks at the time of lodging a complaint with the CBI would also lodge a complaint with the Enforcement Directorate in those accounts where money laundering and

FEMA violations also appear to be there. Similarly where the fraud also appears to involve violations in the export and / or import of goods and services, a report will also be lodged with DRI.

All PSBs were re-sensitized on 27.02.2018, by reiterating the contents of letter dated 13.05.2015, to ensure effective management of operational risk including technology risk.

The other measures taken by Government to control and prevent frauds in the banks, inter-alia, are as follows:

- PSBs have been advised to obtain a certified copy of the passport of the Promoters/ Directors and other authorized signatories of the companies availing loan facilities of more than Rs. 50 crore and above.
- Banks have been asked to decide on publishing photographs of wilful defaulters, in terms of RBI's instructions, and as per their Board-approved policy.
- Banks have also been advised to ensure rotational transfer of officials / employees strictly.
- Central Fraud Registry (CFR)- a web based searchable database of frauds reported by the banks, containing data for the last 13 years, has been made operational in RBI with effect from January 20, 2016. The Registry is shared with the reporting entities and intended to serve as a tool for timely identification, control and mitigation of fraud risk as also for carrying out due diligence during credit sanction process.
- RBI has imposed penalty on banks for deficiencies observed in internal control leading to frauds in deposit accounts, cheque misuse etc. It had also issued 'Letter of Warning' to some banks with regard to the lapses in following the procedures / guidelines / reporting etc.
- Banks have been advised through circulars for rotation and mandatory leave of staff in sensitive positions and the same was advised to be covered in internal audit also in 2011.
- In the wake of SWIFT related frauds, RBI vide Press Release dated 20.02.2018 has reiterated its confidential instructions and mandated the banks to implement, within the stipulated deadlines, the prescribed measures for strengthening the SWIFT operating environment in banks.

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