

# MEASURES BEING TAKEN TO CONTROL AND PREVENT FRAUDS IN BANKS

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Banking, NPAs and RBI

Ministry of Finance

## Measures being taken to Control and Prevent Frauds in Banks

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A number of measures being taken to control and prevent frauds in banks, including, *inter alia*, the following:

1. Government has issued “Framework for timely detection, reporting, investigation etc. relating to large value bank frauds” to Public Sector Banks (PSBs), which provides, *inter-alia*, that
  2. All accounts exceeding Rs. 50 crore, if classified as Non-Performing Assets be examined by banks from the angle of possible fraud, and a report placed before the bank’s Committee for Review of NPAs on the findings of this investigation;
- ii. Examination be initiated for wilful default immediately upon reporting fraud to RBI; and
  - iii. Report on the borrower be sought from the Central Economic Intelligence Bureau in case an account turns NPA.

Fugitive Economic Offenders Act, 2018 has been enacted to deter economic offenders from evading the process of Indian law by remaining outside the jurisdiction of Indian courts. It provides for attachment of property of a fugitive economic offender, confiscation of such offender’s property and disentitlement of the offender from defending any civil claim.

Central Fraud Registry (CFR), based on Fraud Monitoring Returns filed by banks and select financial institutions, has been set up by RBI as a searchable online central database for use by banks.

For enforcement of auditing standards and ensuring the quality of audits Government has initiated establishment of National Financial Reporting Authority as an independent regulator.

PSBs have been instructed to—

1. ensure implementation, within stipulated deadlines, measures prescribed by RBI for strengthening the SWIFT operating environment in banks,
- ii. decide on publishing photographs of wilful defaulters, in terms of RBI’s instructions and as

- per their Board-approved policy,
- iii. meticulously follow RBI's framework for dealing with loan frauds and Red Flagged Accounts,
  - iv. implement RBI guidelines to prevent skimming of ATM/debit/credit cards, and
  - v. ensure legal audit of title documents in respect of large value loan accounts,
  - vi. obtain certified copy of the passport of the promoters/directors and other authorised signatories of companies availing loan facilities of more than Rs. 50 crore,
  - vii. strictly ensure rotational transfer of officials/employees.

As per the Reserve Bank of India (RBI), Scheduled Commercial Banks (SCBs) report cases of fraud where the amount involved is above Rs. 1 lakh to RBI. Frauds reported over the last three financial years and current financial year (till 30.9.2018) are at Annexure.

### Annexure

Frauds (amount involved Rs. 1 lakh and above) reported by Scheduled Commercial Banks over the last three financial years and current financial year (till 30.9.2018)

Year of reporting of fraud	Number of frauds reported*	Amount involved (in crore Rs.)*	* Fraud data is by the year of reporting and not the year of occurrence of the fraud or sanction of loan, Letter of Undertaking etc., which may be of an earlier period. <i>E.g.</i> , the fraud in PNB's Brady House branch was reported in February 2018 but is a continuing fraud since 2011.
			2015-16
2016-17	5,076	23,934	
2017-18	5,917	41,168	
2018-19	3,416	30,420	
(up to 30.9.2018)			
<i>Source: RBI</i>			

This was stated by Shri Shiv Pratap Shukla, Minister of State for Finance in a Written Reply to a

Question in Lok Sabha Today.

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**DSM/RM/KA**

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