

PNB fraud, a failure of internal control: RBI

Reuters

The Reserve Bank of India (RBI) said the failure of internal controls was the main reason for the Rs. 11,500 crore fraud that occurred in Punjab National Bank (PNB).

'Operational risk'

The banking regulator, in its first reaction since the issue came to light on Wednesday, described the fraud as a case of operational risk arising out of delinquent behaviour by the bank's employees.

"The fraud in PNB is a case of operational risk arising on account of delinquent behaviour by one or more employees of the bank and failure of internal controls," the central bank said.

RBI said it was assessing the situation and would take appropriate supervisory action.

"RBI has already undertaken a supervisory assessment of control systems in PNB and will take appropriate supervisory action," it said. RBI denied directing PNB to pay other banks.

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