

BANK REFORMS TO CHECK FRAUDS

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Ministry of Finance

Bank Reforms to Check Frauds

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Occurrence of frauds was enabled by laxity in the financial system, and the underlying causes have been systematically dealt with by the Government through comprehensive steps for reduction in occurrence of frauds, and their proactive checking and timely detection. The steps taken in this regard include, *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), for systemic and comprehensive checking of legacy stock of their non-performing assets (NPAs), which provides, *inter-alia*, that—
2. all accounts exceeding Rs. 50 crore, if classified as NPAs, 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;
3. examination be initiated for wilful default immediately upon reporting fraud to RBI; and
4. report on the borrower be sought from the Central Economic Intelligence Bureau in case an account turns NPA.
5. 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. The act 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.
6. PSBs have been advised to 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 and, decide on publishing photographs of wilful defaulters, in terms of Reserve Bank of India (RBI)’s instructions and as per their Board-approved policy and to strictly ensure rotational transfer of officials/employees. The heads of PSBs have also been empowered to issue requests for issue of Look Out Circulars.
7. For enforcement of auditing standards and ensuring the quality of audits, Government has established the National Financial Reporting Authority as an independent regulator.
8. Instructions/advisories have been issued by Government to PSBs to decide on publishing photographs of wilful defaulters, in terms of RBI’s instructions and as per their Board-approved policy, and to 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.
9. In order to bring transparency and accountability in the larger financial system, bank accounts of 3.38 lakh inoperative companies were frozen over the last two financial years.

The impact of the above steps is reflected in RBI’s Financial Stability Report (FSR) of June 2019. As per FSR, systemic and comprehensive checking of legacy stock of NPAs of PSBs for frauds has helped unearth frauds perpetrated over a number of years, which is getting reflected in increased number of reported incidents of frauds in recent years compared to

previous years. The details of frauds of Rs. 1 lakh and above that occurred during the last three financial years (FYs), reported by PSBs to RBI, as per inputs received from RBI, are as under:

FY of occurrence	Number of cases	Amount involved (in crore Rs.)
2016-17	1,745	24,291
2017-18	1,545	6,916
2018-19	739	5,149

Bank-wise details are at Annex.

Note: Figures cited above for PSBs include those for IDBI Bank Limited, which was recategorised as a private sector bank by RBI with effect from 21.1.2019.

This was stated by Shri Anurag Singh Thakur, Minister of State for Finance & Corporate Affairs in a written reply to a question in Lok Sabha today.

DSM/RM/PD

Annex

Details of frauds (Based on date of occurrence - Amount Involved Rs. 1 lakh and above) for Public Sector Banks

Amounts in crore Rs.

Bank Name	FY 2016-17	FY 2017-18	FY 2018-19	
Allahabad Bank	63	11	12	Comprehensive measures have been taken to prevent frauds including directions to banks to examine all NPA accounts above Rs. 50 crore from the angle of possible fraud, initiation of criminal proceedings, enactment of Fugitive Economic Offenders Act 2018,
Andhra Bank	36	37	11	
Bank of Baroda	140	84	32	
Bank of India	95	99	52	
Bank of Maharashtra	34	32	38	
Canara Bank	48	50	24	
Central Bank of India	59	56	45	
Corporation Bank	52	12	5	

Dena Bank	24	11	3	creation of Central Fraud Registry, empowering Bank Heads to request for issue of Look Out Circular, establishment of National Financial Reporting Authority, Straight through processing between Core Banking System and SWIFT, advice to banks to obtain certified copy of passport of promoters /directors of companies availing loan exceeding Rs. 50 crore etc.
IDBI Bank Limited	91	94	99	
Indian Bank	70	47	20	
Indian Overseas Bank	53	34	30	
Oriental Bank of Commerce	42	24	8	
Punjab and Sind Bank	22	3	0	
Punjab National Bank	101	108	33	
State Bank of India	469	618	236	
State Bank of Bikaner and Jaipur	5	Merged with SBI	Merged with SBI	
State Bank of Hyderabad	6			
State Bank of Mysore	12			
State Bank of Patiala	6			
State Bank of Travancore	15			
Syndicate Bank	127	78	27	
UCO Bank	31	41	27	
Union Bank of India	83	69	15	
United Bank of India	29	15	20	
Vijaya Bank	32	22	2	

Source: RBI

Note: IDBI Bank Limited was recategorised as a private sector bank by RBI with effect from 21.1.2019.

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