GOVERNMENT OF INDIA
MINISTRY OF FINANCE
RAJYA SABHA
UNSTARRED QUESTION NO-215
ANSWERED ON- 19/07/2022

FINANCIAL FRAUD CASES IN PSBs

215. DR. V. SIVADASAN

Will the Minister of FINANCE be pleased to state:-

(a) the number of cases of financial fraud in Public Sector Banks(PSBs) in the country, year-wise data for the last five years;

(b) the amount of money involved in such cases, year-wise data for the last five years; and

(c) the steps taken by Government to address the frauds?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(DR. BHAGWAT KARAD)

(a) to (c): As per Reserve Bank of India data, year-wise details of frauds in PSBs, by the year of occurrence, during the last five financial years are as under.

Amounts in crore Rs.

Financial Year (FY)	Number	Amount Involved
FY2017-18	5,624	28,884
FY2018-19	9,092	26,720
FY2019-20	11,074	21,170
FY2020-21	4,680	7,306
FY2021-22	2,369	3,204

Comprehensive steps that have been taken to tackle the banking frauds, include, *inter-alia*, the following —

(1) An online searchable database of frauds reported by banks, in the form of Central Fraud Registry, has been set up to enable timely identification, control and mitigation of fraud risk and also to carry out due diligence during the credit sanction process.

(2) RBI has issued Master Directions on Frauds, which requires banks, to report frauds beyond a threshold amount to the police, monitoring and follow-up of cases by a special committee, quarterly placement of information before Audit Committees of bank Boards, and annual review of frauds by banks. These reviews cover, inter alia, preventive measures, fraud detection systems, systemic lacunae, remedial action, monitoring of progress of investigation and recovery, and staff accountability.

(3) For management of fraud risk and for early detection of loan frauds, prompt reporting to RBI and investigative agencies, and timely initiation of staff

accountability proceedings, RBI has issued a framework for dealing with loan frauds and red flagged accounts (RFA), requiring banks to classify potential fraud accounts as RFAs based on observation or evaluation of early warning signals noticed.

(4) RBI has issued a circular to all banks in February 2018 to implement security and operational controls, such as straight-through process between the bank’s core banking solution or accounting system and the SWIFT messaging system, enable time-based restrictions in SWIFT, review logs at regular intervals, undertake reconciliation, etc. in a time-bound manner.

(5) RBI has instructed banks to report deficient third-party services (such as legal search reports, property valuers’ reports, etc.) and collusion of these service providers with fraudsters to the Indian Banks’ Association, which maintains a caution list of such service providers.

(6) Issuance by the Government in 2015 of “Framework for timely detection, reporting, investigation etc. relating to large value bank frauds” to PSBs for dealing with suspected frauds involving sum of money in excess of Rs. 50 crore.

(7) A National Cyber Crime Reporting Portal has been launched by the Ministry of Home Affairs to enable public to report incidents pertaining to all types of cybercrimes, and a toll-free number has also been operationalised to get assistance in lodging online complaints.

(8) For immediate reporting of financial frauds and to stop siphoning-off of funds by the fraudsters, Financial Cyber Fraud Reporting and Management System module has been made operational by the Indian Cyber Crime Coordination Centre, working under the Ministry of Home Affairs.

(9) The Indian Computer Emergency Response Team (CERT-IN) under the Ministry of Electronics and Information Technology issues alerts and advisories regarding latest cyber threats and countermeasures on regular basis to ensure safe usage of digital technologies, and is working in coordination with service providers, regulators and LEAs to track and disable phishing websites and facilitate investigation of fraudulent activities.

(10) Public sector banks (PSBs) have been advised to strictly ensure rotational transfer of officials/employees.

(11) Institution of comprehensive, automated Early Warning Systems (EWS) in PSBs, with ~80 EWS triggers and use of third-party data for time-bound remedial actions.

*****