

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
LOK SABHA

UNSTARRED QUESTION NO. †2513

TO BE ANSWERED ON THE 9TH MARCH 2018/ PHALGUN 18, 1939 (SAKA)

PNB Scam

†2513. SHRI RAKESH SINGH:	SHRI SATAVRAJEEV:
SHRI SUSHIL KUMAR SINGH:	SHRIMATI SUPRIYA SULE:
PROF. SAUGATA ROY:	SHRIMATI V. SATHYA BAMA:
SHRI DHANANJAY MAHADIK:	SHRI ASADUDDIN WAISI:
DR. PRITAM GOPINATH MUNDE:	SHRI P.R. SUNDARAM:
SHRI B. SENGUTTUVAN:	DR. J. JAYAVARDHAN:
SHRI ADHALRAO PATIL SHIVAJIRAO:	
SHRI MOHITE PATIL VIJAYSINH SHANKARRAO:	

Will the Minister of FINANCE be pleased to state:

- whether the State run lender Punjab National Bank (PNB) has reported unauthorized transactions worth Rs. 11500 crore in one of its branches, if so, the details thereof and the quantum of loss to the PNB therein along with the guilty persons who have been arrested;
- whether the Government has constituted any inquiry in the matter and if so, the details thereof;
- whether the Government agencies including Central Bureau of Investigation (CBI) registered a case in this regard and started the enquiry and if so, the details of the agencies which are enquiring the case;
- the extent to which this fraud is likely to affect PNB and other banks along with the steps taken or being taken by the Government in consultation with Reserve Bank of India (RBI) and banks to recover money which has already been sent to foreign countries; and
- the number of employees and their level in hierarchy of bank who have been found guilty/ to be in connivance and the action taken against them and the further steps taken by the Government to check and stop such type of unauthorized transaction?

ANSWER

The Minister of State in the Ministry of Finance
(SHRISHIV PRATAP SHUKLA)

(a) to (e): As per Reserve Bank of India (RBI) inputs, Punjab National Bank (PNB) reported fraudulent issuance of Letters of Undertaking/ Foreign Letters of Credit for payments of import bills, amounting to Rs. 12,645.97 crore, to RBI through its Fraud Monitoring Reporting System.

Central Bureau of Investigation (CBI) has registered two cases relating to the matter and, as of 6.3.2018, had arrested 18 persons. On the basis of FIRs registered by CBI, Directorate of Enforcement (ED) has filed two cases under the provisions of the Prevention of Money Laundering Act, 2002 and conducted searches at various locations and seized movable properties.

and attached immovable properties. Further, mutual funds and bank accounts have been frozen. Letter of Request to 13 countries have been issued by the court seeking details of properties, bank accounts of companies, etc. ED has moved the court for obtaining non-bailable warrant against accused persons. Further investigation is in progress.

Ministry of Corporate Affairs has apprised that it has ordered investigation into the affairs of 107 companies and 7 Limited Liability Partnerships (LLPs) belonging to Nirav Modi and Mehul Choksi Groups, to be carried out by the Serious Fraud Investigation Office. Investigation is in progress. The Ministry has also filed a petition/application against the individuals, groups and their entities belonging to Nirav Modi and Mehul Choksi Groups before National Company Law Tribunal, Mumbai Bench and the tribunal has passed an injunction against all the respondents and other companies, LLPs, trusts and individuals from removal, transfer or disposal of funds, assets and properties of the individuals until further orders.

With regard to effect of the fraud on PNB and other banks, RBI has stated that it does not have specific information. PNB has stated that it has adequate assets / capital to meet any liability which may crystallise on the bank.

As per CBI inputs, as of 6.3.2018, eight public servants belonging to PNB had been arrested ranging from the rank of General Manager to Single Window Operator. The matter is under investigation. A total of 21 PNB employees have been suspended.

RBI has issued instructions mandating banks to implement, within stipulated deadlines prescribed measures for strengthening the SWIFT operating environment in banks. Further, it has constituted an Expert Committee under the chairmanship of Shri Y. H. Malegam to look into, *inter alia*, factors leading to increasing incidence of frauds in banks and the measures (including information technology interventions) needed to curb and prevent it, and the role and effectiveness of various types of audits conducted in banks in mitigating the incidence of such frauds.

Government has issued an advisory to nationalised banks to take immediate action as per extant legal/regulatory framework to ensure that such/similar fraudulent activity (as reported by PNB) is not prevalent in the bank. They have also been asked to ensure that robust systems and procedures are in place for confirming due approvals, necessary applications/documents and entry in the bank's system in respect of all Letters of Undertakings/Comfort and SWIFT messages, and ensuring scrutiny and reconciliation of Nostro accounts, and to take all necessary steps to safeguard against occurrence of such frauds. Government has further advised nationalised banks to collectively prepare a report for effective management of operational risks including technology risk, so as to safeguard against occurrence of frauds. Government has also asked nationalised banks to examine all accounts exceeding Rs. 50 crore, if classified as Non-Performing Asset (NPA), from the angle of possible fraud.
