

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

UNSTARRED QUESTION NO: 3653

TO BE ANSWERED ON THE 16th MARCH 2018/PHALGUNA 25, 1939 (SAKA)

QUESTION
WHITE PAPER ON HEALTH OF THE BANKING SECTOR

3653: DR. THOKCHOMMEINYA:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is bringing out a White Paper on the health of the banking sector;
- (b) if so, whether it would also publish a complete list of the Non-Performing Assets (NPAs) of all banks both public and private as on 31 Dec. 2017 and if so, the details thereof;
- (c) whether the Government has a comprehensive procedure to deal effectively with fraudulent or *malafide* NPAs;
- (d) if so, the details thereof; and
- (e) if not, whether the Government is contemplating for a stringent law and procedure to deal with fraudulent NPAs?

ANSWER

**To be answered by
THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHIV PRATAP SHUKLA)**

- (a) and (b): The Reserve Bank of India (RBI) is the regulator and supervisor of the banking system, as per powers conferred by relevant provisions of the Banking Regulation Act, 1949, the Reserve Bank of India Act, 1934, and other relevant statutes. RBI brings out a detailed Financial Stability Report as a biannual publication, presenting, *inter alia*, its overall assessment of the soundness and resilience of the banking sector, and a discussion of performance, credit and deposit growth, asset quality, profitability etc. With regard to publishing of complete list of NPAs, RBI has stated that in terms of section 45E of the Reserve Bank of India Act, 1934, it is prohibited from disclosing credit information. Section 45E provides that credit information submitted by a bank shall be treated as confidential and not to be published or otherwise disclosed.
- (c) to (e): Comprehensive arrangements and measures, including procedures, have been instituted to deal effectively with frauds and wilful defaulters responsible for NPAs.

To deal with frauds, RBI has issued a Master Circular on Frauds to banks, requiring reporting of 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 cover, *inter alia*, preventive measures, fraud detection systems, systemic lacunae, remedial action, monitoring of progress of investigation and recovery, and staff accountability. Other measures taken by RBI include the following:

- (i) a framework for dealing with loan frauds of Rs. 50 crore and above, under which banks classify potential fraud accounts as red-flagged accounts based on observation/evaluation of early warning signals, and take time-bound action;
- (ii) an online searchable database of frauds reported by banks, in the form of Central Fraud Registry, as a tool of timely identification, control and mitigation of fraud risk and for carrying out due diligence during credit sanction process;
- (iii) issuance of caution advices by RBI, detailing names of fraudsters and their *modus operandi*;
- (iv) issuance of various master circulars to banks, with a view to restricting imprudent practices and ensuring sound procedures; and
- (v) subjecting the systems and procedures in banks to supervisory review by RBI.

To deal with wilful defaulters, as per RBI's instructions, they are not sanctioned any additional facilities by banks or financial institutions, their unit is debarred from floating new ventures for five years, and lenders may initiate criminal proceedings against them, wherever necessary. As per SEBI Regulations, wilful defaulters and companies with wilful defaulters as promoters/directors are debarred from accessing capital markets to raise funds. The Insolvency and Bankruptcy Code has been amended to debar wilful defaulters from participating in the insolvency resolution process.

To deter economic offenders from evading the process of Indian law by remaining outside the jurisdiction of Indian courts, Government has introduced the Fugitive Economic Offenders Bill, 2018 in Parliament.
