

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA  
UNSTARRED QUESTION NO 2957

TO BE ANSWERED ON THE 3<sup>RD</sup> AUGUST, 2018(FRIDAY) / SHRAVANA 12, 1940 (SAKA)

**Financial Frauds/Scams in Banking Sector**

2957. <b>SHRI DEVENDRA SINGH BHOLE:</b>	<b>SHRI VIJAY KUMAR HANSDAK:</b>
<b>SHRI PANKAJ CHAUDHARY:</b>	<b>SHRI RAJU SHETTY:</b>
<b>SHRI C.N. JAYADEVAN:</b>	<b>SHRI HARISH MEENA:</b>
<b>SHRI A.P. JITHENDER REDDY:</b>	<b>SHRI SHIVKUMAR UDASI:</b>
<b>DR. K. GOPAL:</b>	<b>SHRI RAJENDRA AGRAWAL:</b>

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has conducted any survey to ascertain the nature and trend of financial frauds/scams in banking system and if so, the details thereof;;
- (b) whether the case of frauds/scams in the banking system particularly in Public Sector Banks (PSBs) has shown an increasing trend and if so, the number of such cases of frauds registered and the quantum of money involved during the last five years;
- (c) whether the cases of financial frauds committed in banks including nationalised banks are being inquired into by the Government and if so, the details thereof;
- (d) whether the Government is facing technical problems in conducting the inquiry and if so, the details thereof;
- (e) whether the Government is likely to include banking and tax experts to streamline the said inquiry and if so, the details thereof; and
- (f) whether the Prevention of Corruption Act needs amendment in this regard, if so, the details thereof?

**ANSWER**

MINISTER OF STATE IN THE MINISTRY OF FINANCE

**(SHRI SHIV PRATAP SHUKLA)**

**(a) to (f):** Reserve Bank of India(RBI) has constituted a Committee under the chairmanship of Shri Y H Malegam on February 20, 2018, to, inter-alia, look into factors leading to an increasing incidence of frauds in banks and the measures (including IT 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 divergence and frauds.

Further, Central Vigilance Commission, CVC has analysed 17 large value accounts, belonging to seven different sectors namely Gem & Jewellery, Manufacturing/Industry, Agro, Media, Aviation, Service/Projects and Discounting of Cheques. Public Sector Banks (PSBs)



have been advised to put in place suitable safeguards to protect their organisation's interests while transacting with these sectors.

Bank group-wise details of frauds reported during the last five financial years from FY2013-14 to FY 2017-18, provided by RBI is annexed.

Central Bureau of Investigation has informed that they are investigating 292 bank cheating/ fraud etc. scam cases as on 27.03.2018.

In May, 2015, the Government of India issued instructions to all the CMDs/MD & CEOs of Public Sector Banks (PSBs) on "Framework for timely detection, reporting, investigation etc. relating to large value bank frauds", which, inter-alia provides that all accounts exceeding Rs. 50 crore, if classified as Non-Performing Assets, should be examined by banks from the angle of possible fraud. A report would be placed before the Bank's Committee for review of NPAs on the findings of this investigation. The above instructions have been reiterated in February, 2018.

RBI has issued "Master Directions on Frauds-Classification and Reporting by commercial banks and select FIs" which provides a framework to banks enabling them to detect and report frauds early and taking timely consequent actions like reporting to the Investigative agencies so that fraudsters are brought to book early, examining staff accountability and effective fraud risk management.

CVC manual also provides that in the case of accounts categorized as NPAs, banks must initiate and complete a staff accountability exercise within six months from the date of classification as a NPA. The completion of the staff accountability exercise for frauds and the action taken may be placed before the Special Committee of the Board for monitoring and follow-up of Frauds (SCBF).

The investigating agencies take the help of professionals including banking and tax experts while conducting inquiry.

Prevention of Corruption Act, 1988 has recently been amended and Prevention of Corruption (Amendment) Act, 2018 has come into force on 26<sup>th</sup> July, 2018.

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Annexure

Bank Group-wise and Year-wise frauds reported for the last five financial years (Amount involved >= Rs 1 lakh)										
Bank Group Name	2013-14		2014-15		2015-16		2016-17		2017-18	
	No. of Frauds	Amount Involved in Rs Lakhs	No. of Frauds	Amount Involved in Rs Lakhs	No. of Frauds	Amount Involved in Rs Lakhs	No. of Frauds	Amount Involved in Rs Lakhs	No. of Frauds	Amount Involved in Rs Lakhs
Public Sector banks	2591	754309	3113	1680323	2789	1690999	2709	1952969	2883	2924655
Nationalised Banks	1879	581399	2220	1403695	2019	1361927	1915	1649327	1902	2670457
SBI and Its Associates	712	172909	893	276628	770	329072	794	303642	981	254198
Private Sector Banks	1148	172921	1111	212840	1416	126684	1625	398321	1940	237419
Foreign Banks	560	79177	401	27922	481	22331	725	8030	974	25609
Financial Institutions	7	10674	11	24402	7	29868	6	33496	12	16470
Local Area Banks	0	0	1	1	0	0	0	0	2	4
Small Finance Banks	0	0	2	18	0	0	2	202	65	619
Payment Banks	0	0	0	0	0	0	0	0	3	90
<b>Grand Total</b>	<b>4306</b>	<b>1017081</b>	<b>4639</b>	<b>1945507</b>	<b>4693</b>	<b>1869882</b>	<b>5067</b>	<b>2393017</b>	<b>5879</b>	<b>3204865</b>

Source: RBI