

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
LOK SABHA  
UNSTARRED QUESTION NO- †2065  
ANSWERED ON- 14/03/2022

**BANK FRAUDS**

†2065. KUNWAR DANISH ALI

Will the Minister of FINANCE be pleased to state:-

- (a) the details of the number of cases of bank frauds during each of the last five years and the current year, bank-wise;
- (b) whether the Government has asked banks to strengthen their fraud risk management mechanism and whether incidents of fraud are on the rise despite it; and
- (c) if so, the details thereof along with the steps taken by the Government/banks to remove security flaws and ensure proper investigation of banking frauds?

**ANSWER**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(DR. BHAGWAT KARAD)

(a) to (c): The Reserve Bank of India (RBI) has issued Master Directions on Frauds in 2016, and Government has instituted wide-ranging structural and procedural reforms to check frauds in banks. Such systematic and comprehensive checking for frauds, including of the legacy stock of non-performing assets (NPAs), led to unearthing of frauds perpetuated over the years. While such systematic and comprehensive checking has increased the annually reported amount involved in frauds, as reported to RBI by scheduled commercial banks (SCBs), the improved detection and reporting accompanied with the comprehensive steps taken to check frauds have resulted in sharp decline in the occurrence of such frauds, from Rs. 61,229 crore in the financial year (FY) 2016-17 to Rs. 11,583 crore in FY2020-21, and to Rs. 648 crore during the first nine months of the current financial year. As per RBI data, bank-wise and year-wise details of number of frauds in SCBs, in respect of amount involved of Rs. 1 lakh and above in each fraud, by the year of occurrence, for the last five financial years and the current financial year are at Annex.

With regard to strengthening of fraud risk management, as per RBI's Master Direction on Frauds, banks are required to frame internal policy for fraud risk management and fraud investigation function, duly approved by their respective Boards. Further, it is also stated in the said Direction that the fraud risk management, fraud monitoring and fraud investigation function must be owned by the bank's CEO, Audit Committee of the Board and the Special Committee of the Board.

Comprehensive steps have been taken to keep a check on frauds in banks, including, steps to address security flaws and to ensure investigation of such frauds. These steps, 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.

In addition, measures have also been taken to deter fraudsters, which include, *inter alia*, the following:

- (i) The Fugitive Economic Offenders Act, 2018 has been enacted to provide 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.
- (ii) Heads of PSBs have been empowered to issue requests for issuance of Look-Out Circulars.
- (iii) Advisory has 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 policies.
- (iv) 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.

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## Lok Sabha Unstarred question no. †2065, regarding Banking Frauds

Number of frauds reported by scheduled commercial banks  
in respect of amount involved of Rs. 1 lakh and above, by the year of occurrence

Bank	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22 (up to Dec. 2021)
Aditya Birla Idea Payments Bank Limited	--	--	24	--	--	--
Airtel Payments Bank Limited	--	--	--	--	58	--
American Express Banking Corp.	170	337	226	163	78	37
AU Small Finance Bank Limited	1	4	9	9	8	1
Australia and New Zealand Banking Group Limited	--	--	--	1	--	--
Axis Bank Limited	270	366	354	324	481	235
Bandhan Bank Limited	39	45	47	22	22	7
Bank of America, National Association	1	16	10	4	2	2
Bank of Bahrain & Kuwait B.S.C.	2	--	--	--	--	1
Bank of Baroda	213	202	117	110	80	37
Dena Bank	24	11	3	Amalgamated into Bank of Baroda		
Vijaya Bank	32	22	2			
Bank of India	123	144	129	73	37	19
Bank of Maharashtra	63	63	80	28	16	7
Bank of Nova Scotia	1	1	--	--	--	--
Barclays Bank Plc	--	--	--	1	--	--
BNP Paribas	--	--	--	3	1	--
Canara Bank	83	104	94	52	22	2
Syndicate Bank	179	169	78	37	Amalgamated into Canara Bank	
Capital Small Finance Bank Limited	--	--	--	--	1	--
Catholic Syrian Bank Limited	9	30	24	30	58	14
Central Bank of India	94	92	92	102	73	22
Citibank N.A	190	209	275	247	117	52
City Union Bank Limited	5	12	9	11	15	5
Coastal Local Area Bank Limited	--	--	1	--	--	--
Cooperative Rabobank U.A.	--	2	--	--	--	--
CREDIT SUISSE AG	--	--	--	--	1	--
DBS Bank India Limited	2	--	9	6	5	6
DCB Bank Limited	2	9	10	14	8	3
Deutsche Bank Ag	1	8	3	9	3	1
Doha Bank Qsc	1	--	--	--	--	--
Equitas Small Finance Bank Limited	4	19	28	19	27	5
ESAF Small Finance Bank Limited	--	5	7	8	8	--
Federal Bank Limited	25	45	45	36	54	16
Fincare Small Finance Bank Limited	--	2	19	4	5	7
Fino Payments Bank Limited	--	3	19	30	23	18
FirstRand Bank Limited	1	1	--	--	--	--
HDFC Bank Limited	352	395	439	431	311	151
Hongkong And Shanghai Banking Corp. Limited	45	302	221	239	139	61
ICICI Bank Limited	557	557	488	664	530	518
IDBI Bank Limited	146	146	176	150	109	51
IDFC First Bank Limited	13	33	62	84	50	9
India Post Payments Bank Limited	--	--	1	7	2	1

Indian Bank	99	75	67	66	53	24
Allahabad Bank	147	143	56	10	Amalgamated into Indian Bank	
Indian Overseas Bank	86	87	94	57	31	12
Indusind Bank Limited	17	44	79	117	310	377
Jammu & Kashmir Bank Ltd	13	12	10	4	2	2
Jana Small Finance Bank Limited	13	15	32	57	28	19
Jpmorgan Chase Bank National	--	--	--	--	1	--
Karnataka Bank Limited	6	16	14	48	4	4
Karur Vysya Bank Limited	22	30	23	24	4	13
KEB Hana Bank	2	1	--	--	--	--
Kotak Mahindra Bank Limited	135	289	383	652	826	642
Krishna Bhima Samruddhi Lab Ltd.	3	--	--	--	1	--
Lakshmi Vilas Bank Limited	53	43	49	31	5	
Nainital Bank Limited	10	4		5	4	2
North East Small Finance Bank Limited	--	--	2	3	6	1
Paytm Payments Bank Limited	--	--	--	1	--	--
Pt Bank Maybank Indonesia Tbk	1	--	--	--	--	--
Punjab and Sind Bank	63	21	11	37	32	1
Punjab National Bank	174	195	128	107	64	35
Oriental Bank of Commerce	51	29	14	8	Amalgamated into Punjab National Bank	
United Bank of India	31	22	65	25		
RBL Bank Limited	21	26	27	53	34	19
SBM Bank (India) Limited	--	2	1	1	1	--
Shinhan Bank	--	--	--	--	2	--
Sonali Bank	--	--	--	1	--	--
South Indian Bank Limited	14	29	50	29	29	25
Standard Chartered Bank	320	96	91	227	113	50
State Bank of India	751	923	931	673	283	159
State Bank of Bikaner And Jaipur	5	Merged with State Bank of India				
State Bank of Hyderabad	6					
State Bank of Mysore	12					
State Bank of Patiala	6					
State Bank of Travancore	15					
Subhadra Local Area Bank Limited	1	--	--	--	--	--
Sumitomo Mitsui Banking Corporation	--	--	--	--	1	--
Suryoday Small Finance Bank Limited	5	7	1	12	12	2
Tamilnad Mercantile Bank Limited	25	39	40	38	38	2
The Bank of Tokyo-Mitsubishi Ufj	1	1	1	--	--	--
The Dhanalakshmi Bank Limited	11	8	19	4	--	--
UCO Bank	45	59	82	139	95	5
Ujjivan Small Finance Bank Limited	15	11	13	27	20	6
Union Bank of India	171	166	95	107	73	33
Andhra Bank	62	57	37	4	Amalgamated into Union Bank of India	
Corporation Bank	55	20	12	4		
United Overseas Bank Limited	--	1	--	--	--	--
Utkarsh Small Finance Bank Limited	5	8	10	5	8	
Woori Bank				1		
Yes Bank Limited	31	48	57	38	30	10

Source: RBI

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