

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UNSTARRED QUESTION NO. 3867
ANSWERED ON MONDAY, MARCH 16, 2026/PHALGUNA 25, 1947 (SAKA)

Misuse of Mule Accounts for Diversion of Funds

3867. SHRI KALI CHARAN SINGH:

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has taken any cognizance of the large-scale misuse of mule accounts for diversion and layering of funds in cyber frauds across the country;

(b) if so, the number of such mule accounts identified and frozen during the last three years, bank-wise and State-wise;

(c) whether investigations have revealed alleged involvement of officials of certain banks, including officials of RBL (Ratnakar Bank Limited) at Surat, Gujarat, in facilitating the opening or operation of mule accounts in violation of KYC/AML (Know Your Customer/Anti-Money Laundering) norms;

(d) if so, the action taken against such officials, including arrests, suspensions or departmental proceedings;

(e) the steps taken by the Government and the Reserve Bank of India to fix accountability of senior management and strengthen monitoring systems to prevent fund diversion through the banking channel; and

(f) the details of proposal made by RBI to provide relief to customers/victims against such frauds?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI PANKAJ CHAUDHARY)

(a) & (b): With the rapid increase in digital payment transactions, instances of digital payment fraud have also risen. The Government has been constantly engaging with the Reserve Bank of India (RBI) and other concerned Regulators/ stakeholders. To curb the misuse of mule accounts for diversion and layering of funds in cyber frauds across the country, RBI has rolled out “MuleHunter.AI” an artificial intelligence/ machine learning-based solution for mule account detection. The solution is currently live in 26 banks and is being scaled up further. RBI has also issued advisories delineating specific actions to be taken by the banks in mitigating the misuse of banking channel through robust systems and controls for the prevention and detection of cyber enabled frauds & suspected money mules., Financial Intelligence Unit (FIU-IND) has issued a detailed guidance/advisory document on mule accounts, which included common characteristics/financial signature of mule accounts and various technology-based solutions on detection and suppression of mule accounts.

Further, the banks have been advised to ensure deployment and adoption of robust software for real-time transaction monitoring and use of AI / ML tools in detecting suspicious and fraudulent transaction patterns as well as use of network analytics in identifying mule networks.

(c) & (d) Ratnakar Bank Ltd (RBL) has informed that based on the police investigations, eight employees (including one erstwhile employee) were arrested by the Udhna Police, Surat on July 29, 2025, for allegedly facilitating the sourcing of mule accounts and receiving monetary benefits. Further, RBL based on its internal investigation has initiated actions against staff/employees involved with such activities including termination of such employees.

(e) As per RBI' Master Directions on Fraud Risk Management, all Commercial Banks are required to have in place a Board-approved Policy on fraud risk management, delineating roles and responsibilities of Board/Board Committees and Senior Management. Banks are also required to set-up an appropriate organisational structure for institutionalisation of fraud risk management. Banks are also required to immediately report the incidence of fraud to law enforcement agencies. Further, RBI has also issued various confidential advisories delineating specific actions to be taken by the banks in mitigating the misuse of banking channel, including initiation of criminal proceedings under the Prevention of Corruption Act 1988, wherever there is sufficient evidence that mule accounts are opened by banks staff in connivance with the fraudsters.

(f) To help customers recover the loss on account of fraudulent transactions, RBI vide circular dated 6th July, 2017 issued instructions to the banks on limiting the liability of customers (viz. Zero liability, Limited liability and Liability as per Board approved policy) in cases of unauthorised electronic banking transactions. RBI has also conducted public awareness campaigns (PACs) on the theme of Money Mules. These PACs have been launched through TV, print, digital and SMS modes in 2024.
