

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UNSTARRED QUESTION NO 2302

TO BE ANSWERED ON THE 11th MARCH, 2016 / PHALGUNA 21, 1937 (SAKA)

BANK SCAM

2302. SHRI NANDI YELLAIAH:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has received any complaint against banks siphoning off money, if so, the details thereof, State and bank-wise including State Bank of Hyderabad;
- (b) whether the Government has conducted an inquiry in this regard, if so, the details thereof; and
- (c) the steps taken/being taken by the Government to check such irregularities in future?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI JAYANT SINHA)

(a) & (b): Reserve Bank of India (RBI) has informed that a case was handled on fixed deposit related fraud in 2014 / 2015. After following due procedure in this case, monetary penalties have been imposed on the following three banks for violation of RBI instructions, inter-alia, on Know Your Customer (KYC) / Anti Money Laundering (AML). The details of penalty are:

S. No.	Name of Bank	Penalty Amount (Rs. in crores)
1.	Bank of Maharashtra	1.5
2.	Dena Bank	1.5
3.	Oriental Bank of Commerce	1.5

Eight other banks, namely Central Bank of India, Bank of India, Punjab and Sind Bank, Punjab National Bank, State Bank of Bikaner and Jaipur, UCO Bank, Union Bank of India and Vijaya Bank have been cautioned to put in place appropriate measures and review them from time to time to ensure strict compliance of KYC requirements in future.

(c): RBI has issued Master Circular on "Frauds – Classification and reporting" vide RBI. **DBS.CFMC.BC.No.1 / 23.04.001/2015 -16 dated July 01, 2015** containing all the details/aspects relating to frauds. On receipt of fraud reports from banks, various aspects related to the frauds are examined and concerned banks are advised to report the case to CBI/ Police/ SFIO, examine staff accountability, complete proceedings against the erring staff expeditiously, take steps to recover the amount involved in the fraud, claim insurance wherever applicable and streamline the system as also procedures so that frauds do not recur. To compress the time taken in detection of fraud, a new framework for handling loan frauds has been put in place. The framework stipulates continuous monitoring of loan accounts, time bound action at each stage of loan's life cycle and commencement of investigation on observing early warning signal in an account. Further the framework also prohibits banks from extending bank finance to borrowers who have defaulted and also committed a fraud for five years from the date of full payment of the defrauded amount.
