

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:78
ANSWERED ON:05.12.2003
HAWALA SCAM IN LORD KRISHNA BANK LTD.
A.K. PREMAJAM

Will the Minister of FINANCE be pleased to state:

- (a) the details of the internal probe conducted into the Rs.336 crore Hawala Scam in Lord Krishna Bank Ltd.;
- (b) whether even after the passage of three years since the Hawala transactions has originated, only one junior level officer has been dismissed
- (c) whether the authorities of the Lord Krishna Bank at the Head Quarters were not aware of the violations of RBI regulations in the aforesaid transactions;
- (d) if so, the reasons therefor;
- (e) the steps taken to complete the probe promptly; and
- (f) the further steps envisaged by the Government to prevent such fraudulent transactions in future?

Answer

MINISTER OF FINANCE [SHRI JASWANT SINGH]

(a) to (f) : A statement is placed on the Table of the House.

STATEMENT FOR LOKSABHA STARRED QUESTION NO 78 FOR 5th DECEMBER 2003 REGARDING HAWALA SCAM IN LORD KRISHNA BANK LTD. TABLED BY PROF. A.K. PREMAJAM

(a) to (e): Reserve Bank of India (RBI) inquiry has revealed that banking channels were utilized by certain people for transfer of large volume of money from Mumbai branch of Lord Krishna Bank Ltd. to various places in Kerala and Coimbatore. Money was deposited in cash at branches in Mumbai and transferred to Kerala and Coimbatore by telegraphic transfers and was withdrawn in cash immediately. Major portion of funds viz Rs.232.74 crore out of 377.39 crore was transferred from Main Branch, Mumbai of Lord Krishna Bank Ltd. The bank staff failed to inform their controlling officers regarding cash transactions, as required under RBI guidelines. A penalty of Rs.5.00 lakh was imposed on the bank for violating the RBI instructions. The bank has dismissed two officers in connection with this lapse.

(f) In order to prevent recurrence of such transactions, banks have been again advised to strictly adhere to the Know Your Customer guidelines issued by RBI on August 16, 2002. A copy of these guidelines is available on RBI website www.rbi.org.in.