

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:6938  
ANSWERED ON:07.05.2010  
VIOLATION OF RBI GUIDELINES  
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**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Reserve Bank of India (RBI) has issued guidelines to the banks to be aware of certain organisations / companies for their fraudulent and corrupt practices of availing loans from banks;
- (b) if so the details thereof;
- (c) the number of banks found violating the said guidelines during the last three years bank-wise;
- (d) the action taken by the Government against these banks for non-compliance of the said guidelines during the said period;
- (e) whether the RBI/Government has taken action against the persons found responsible for such violations; and
- (f) if so, the details thereof?

**Answer**

The Minister of State in the Ministry of Finance (Shri Namo Narain Meena)

(a) & (b) : Reserve Bank of India (RBI) has not issued any guideline to the banks to be aware of certain organisations / companies for their fraudulent and corrupt practices of availing loans from banks. However, RBI has put in place a system whereby names of individual proprietary / partnership concerns / public limited companies found to have perpetrated frauds in banks and modus operandi adopted by the borrowers are circulated to all the banks so that they are cautious while extending any credit facility to such individuals / entities. The Caution Advice so issued also contains the names and addresses of partners and directors of partnerships and private / public limited companies respectively.

Besides, in general, banks have been advised to put in place the following measures to strengthen their internal controls to prevent irregularities in operations including perpetration of frauds –

- (i) Introduce a system of concurrent audit.
  - (ii) Review working of internal inspection and audit machinery in banks by the Audit Committee of the Board of Directors.
  - (iii) Constitute a Special Committee of the Board exclusively for monitoring frauds of Rs. 1 crore and above.
  - (iv) Examine staff accountability and institute disciplinary action expeditiously against the staff involved in frauds.
- (c) to (f) : Do not arise.