

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1072

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FRAUDS IN BANKS AND FINANCIAL INSTITUTIONS

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Will the Minister of FINANCE be pleased to state:

- (a) whether incidents of frauds, dacoity, theft and other criminal activities in banks, Automated Teller Machines (ATMs) and other financial institutions have been reported from different parts of the country;
- (b) if so, the details of such incidents reported including the funds involved therein during the last three years and the current financial year, State-wise and bank-wise and financial institution-wise;
- (c) whether the Government has conducted any inquiry in this regard;
- (d) if so, the details thereof alongwith the details of action taken against the erring officials/persons; and
- (e) the other corrective measures taken/being taken by the Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

- (a) RBI has reported that the incidents of frauds, dacoity, theft, robbery in banks and their ATMs have increased in different parts of the country.
- (b) The details of the incidents of frauds for the last three financial years (2007-08, 2008-09, 2009-10) and current financial year (April-June) statewise and bank wise are furnished in Annex-1 and 2, respectively. The dacoities/thefts/robberies during the last three calendar years and the current year (up-to June 2010) state-wise and bank-wise is furnished at Annex 3 and 4 respectively.
- (c), (d) and (e): On receipt of fraud reports from banks, RBI after examining various aspects, advises the concerned banks 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.

Reserve Bank of India as part of its supervisory process takes the following measures to prevent / reduce the incidence of frauds:

- i. Sensitizes banks from time to time about common fraud prone areas through issuance of modus operandi circulars on various types of frauds and the measures to be taken by them.
- ii. Issues Caution Advices to banks to exercise due diligence while sanctioning fresh loan facilities to the borrowers mentioned in such advice.
- iii. In the past, considering various concerns arising out of banks' operations, including incidents of frauds, RBI had advised the banks to:

- (a) Introduce a system of concurrent audit.
- (b) Review working of internal inspection and audit machinery in banks by the Audit Committee of the Board of Directors.
- (c) Constitute a Special Committee of the Board exclusively for monitoring frauds of Rs. 1 crore and above.

Measures initiated by RBI and Indian Banks Association to strengthen security arrangements of bank branches are as under:

I. RBI issues circulars to banks on security arrangements from time to time advising them to be more vigilant, tighten up security arrangements and take preventive action against robberies/ dacoities in their branches.

II. Indian Banks' Association had circulated guidelines on security arrangements in banks in July 2004 for protection of banks' properties.

III. RBI had requested Indian Banks association (IBA), in November 2008, to review the entire gamut of security management of bank branches encompassing crucial aspects of security management such as access control, visitor's control management, surveillance, alert, strict norms for cash holding limit, escorting cash valuables, accountability of failing to adhere to such norms etc. in consultation with the banks.

IV. IBA has reiterated to banks that emphasis should be given to accord top priority on security as laxity in security measures could not only make banks soft targets for attacks from anti-social / extremist organizations but also de-stabilise the economic progress of the country. Besides, IBA has suggested that banks may also consider putting in place an effective crisis / disaster management plan to safeguard the bank's assets and assist agencies like state police, fire brigade etc. to carry out relief operations expeditiously and effectively.

V. Some of the banks have confirmed the steps taken towards security management. Keeping in mind the guidelines / instructions issued from time to time banks have drawn their own security policies. The monitoring authorities / security officers of banks supervises the security arrangements during their visits to bank / branch premises and ensure that the laid down norms are implemented and lapses, if any, are rectified.

VI. Security measures implemented by banks are reviewed in the State Level Security Committee meetings held periodically by the Regional Directors of RBI in all the states. The meetings are attended by bankers and State Government officials including senior Police officials. The Committee takes stock of the security environment in the State, discusses steps needed to be taken to strengthen security in banks and advise issue of requisite guidelines/instructions to banks.