

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2982

ANSWERED ON:24.07.2009

FRAUD IN BANKS

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Will the Minister of FINANCE be pleased to state:

(a) whether Reserve Bank of India (RBI) has recently asked all the banks to take coordinated action against unscrupulous borrowers who are still enjoying loan facilities after defrauding the banks;

(b) if so, the details thereof;

(c) whether RBI has evolved any mechanism and set up an exclusive machinery to unearth frauds in the banks; and

(d) if so, the details thereof?

Answer

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

(a) & (b) Reserve Bank of India (RBI) vide its circulars dated September 19,2008 and June 24,2009 advised all the banks to strengthen sharing of information about status of borrowers enjoying credit facilities under multiple banking arrangements and to take coordinated action, based on commonly agreed strategy,for legal/criminal actions, follow up for recovery, exchange of details on modus operandi, achieving consistency in data/information on frauds reported to Reserve Bank of India. The bank which detects a fraud is required to immediately share the details with all other banks in the multiple banking arrangements.

(c) & (d) Reserve Bank of India has not evolved any mechanism and set up an exclusive machinery to unearth frauds in banks. However, as a part of its supervisory process, RBI has been sensitizing banks from time to time about common fraud prone areas, modus operandi and the measures to be taken by them to prevent/reduce the incidents of frauds in banks. On receipt of fraud reports from banks, RBI advised the concerned banks to report the case to CB/P/Police/SFIO, examine staff accountability and complete proceedings against the erring staff expeditiously, take steps to recover the amount involved in the fraud, claim insurance wherever applicable and also streamline the system and procedures so as to prevent recurrence of such frauds.