

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3492
ANSWERED ON:14.12.2012
FRAUD CASES IN BANKS QUESTION
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Will the Minister of FINANCE be pleased to state:

- (a) the number of cheating and fraud cases reported in banks during the last three years and current year, bank-wise;
- (b) the details of amount estimated to be involved in above said cases;
- (c) the bank-wise number of the bank employees found involved in cheating and fraud cases during the said period;
- (d) the details of action taken against such employees, bank-wise; and
- (e) the steps taken by the Government to check the reoccurrence of cheating and fraud cases in banks?

Answer

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

(a) & (b) :As per the records available with RBI, the incidents of frauds reported by Public Sector Banks (PSBs) along with amount involved therein for the last three financial years and current financial year (till September 30) are as under:

(Amount involved in Rs. crore)

Sr. No.	Calendar Year	No. of frauds cases reported	Amount involved
1.	2009-10	3369	1609.05
2.	2010-11	3718	2569.01
3.	2011-12	3392	4025.30
4.	2012-13	1714	5210.56

(Till Sep 30th)

Bank wise details in this regard are furnished in Annex-1.

(c)&(d): The information about that total number of officials probed in various frauds cases is furnished in Annex - II. The bank initiate/probe staff accountability and staff involvement in all the fraud cases and on completion of investigation, the commensurate punishment is awarded to the delinquent employees based on the seriousness of the wrongdoings which includes censuring, administrative warning, suspension of the employees, reduction in scales of pay, monetary penalty and recovery of losses, compulsory retirement, termination from service, dismissal with disqualification from future employment etc.

(e):The measures initiated by RBI are as under-Reserve Bank of India has issued detailed instructions vide Master Circular dated July 02, 2012 on 'Frauds - Classification and Reporting' containing all the details/aspects relating to frauds. On receipt of fraud reports from banks, various aspect 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 this fraud, claim insurance wherever applicable and streamline the system and also procedures so that frauds do not recur.

Reserve Bank of India 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 advises in respect of borrowers who have defaulted the banks.

In the past considering various concerns arising out of bank`s operations, including incidence of frauds, RBI has advised 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 to exclusively monitor frauds of Rs. 1 crore and above.

d) In order to make third parties and professionals accountable, who have played a vital role in credit sanction/disbursement or facilitated the perpetration of frauds, banks have been advised vide circular dated March 16, 2009 to report to Indian Banks Association (IBA). IBA in turn will prepare caution lists of such parties for circulation among the banks.