

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:69
ANSWERED ON:22.02.2013
BANK SCAMS
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Will the Minister of FINANCE be pleased to state:

- (a) whether the cases of scams in certain banks have come to the notice of the Government;
- (b) if so, the details thereof during each of the last three years and the current year, bank-wise along with the names of banks and the loss of revenue suffered as a result thereof;
- (c) whether the Government /Central Bureau of Investigation is conducting inquiry in these cases of scams;
- (d) if so, the details thereof scam-wise and the outcome of the inquiry as on date; and
- (e) the 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) & (b): RBI has informed that they do not have specific information about scams in the Banks. However, the bank-wise incidents of frauds along with the amount involved therein since financial year 2009-2010 is furnished in the statement at Annex-I. The amount involved in the frauds is not total loss to the banks as recovery also takes place in such cases.

(c)&(d) CBI has registered, 456 cases related to bank frauds during the years 2010, 2011 and 2012 (till 31.12.2012).

(e) 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 related reports from banks, various aspects 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 the fraud, claim insurance wherever applicable and streamline the system as also procedures so that frauds do not recur. Reserve Bank of India as a part of its supervisory process also 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 Bank's Association (IBA). IBA in turn will prepare caution lists of such parties for circulation among the banks.