

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4064

ANSWERED ON:20.03.2015

BANKING FRAUDS

Choudhary Shri Ram Tahal;Dhotre Shri Sanjay Shamrao;Fatepara Shri Devajibhai Govindbhai;Khairi Shri Chandrakant Bhaurao;Lokhande Shri Sadashiv Kisan;Mahtab Shri Bhartruhari;Patole Shri Nanabhau Falgunrao

Will the Minister of FINANCE be pleased to state:

- (a) whether several incidents of banking frauds and other irregularities have been reported by the Government in Public Sector Banks (PSBs)/ Cooperative Banks in the recent past;
- (b) if so, the details of such incidents/cases reported alongwith the amount involved therein during the last three years and the current year, bank and State/UT-wise;
- (c) whether the Government has conducted any inquiry in this regard, if so, the details thereof along with the number of bank officials involved and the action taken against them during the said period;
- (d) the details of the amount of public sector banks which has turned into non-performing assets due to the said frauds/ irregularities during the said period; and
- (e) the remedial steps taken/ being taken by the Government to check such incidents in future?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JAYANT SINHA)

(a) & (b); Reserve Bank of India (RBI) has informed that Banks report fraud cases of Rs1 lakh and above to RBI. Details of the fraud reported by Public Sector Banks (PSBs) for the last three years and current year are given in Annex.

(c): Banks examine staff accountability and staff involvement in all the fraud cases and on completion of investigation, the Bank takes action against erring officials as per the applicable disciplinary rules.

(d): While Non-Performing Assets (NPAs) are recognized based on the record of recovery, frauds can happen in standard accounts also. If fraudulent activities take place in a Standard account and the bank has reported the account as fraud, they need to make 100% provision for the account, irrespective of the classification as standard based on Income Recognition and Asset Classification (IRAC) norms. As per data received from RBI, for fraud cases of Rs. 1 Lakh and above, reported by PSBs for the last three years and current year the aggregate position is as follows:-

(Rs. in Crores)					
2011-12	2012-13	2013-14	April-14 to Dec-14		
No of Cases	Amount	No of Cases	Amount	No of Cases	Amount
2669	4074.71	2724	8234.88	2593	7541.95
				2166	11022.32

(e); The following measures initiated by RBI to check such incidents are given below:

i. RBI has issued Master Circular on "Frauds – Classification and reporting" vide Circular No.DBS.CFMC.BC.No.1 / 23.04.001/2014 -15 dated July 01, 2014 containing all the details/aspects relating to frauds.On receipt of fraud 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.

ii. A working group on `Information Security, Electronic Banking, Technology Risk Management and Tracking Cyber Frauds` had been set up by RBI in April 2010. RBI vide their circular dated DBS.CO.ITC.BC.No. 6/31.02.008/2010-11 dated April 29, 2011 has stated that the Group examined various issues arising out of the use of Information Technology in banks and made its recommendations. Banks with extensive leverage of technology to support business processes were advised to implement all the stipulations outlined in the circular. The guidelines are fundamentally expected to enhance safety, security, efficiency in banking processes leading to benefits for banks and their customers. Top management of the banks was advised to monitor the progress in implementation of recommendations on an ongoing basis and implementation status was advised to be put up to the Board at quarterly intervals.

iii. RBI had also issued a caution Circular No. DBS CO IS Audit BC No. 3/31.02.03/ 2005-06 dated February 16, 2006 to all commercial banks on phishing attacks (i.e. creating fake website of banks and collecting customer details such as user ID, password etc. and thereby fraudulently withdrawing money from the customer's account using fake credit card). The circular contained details of the modus operandi of such attacks and minimum set of preventive/detective measures to tackle phishing attacks.