

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1010
ANSWERED ON:28.11.2014
RISK MANAGEMENT SYSTEM
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has any proposal to professionalize the management and strengthen the risk management system of nationalized banks;
- (b) if so, the details thereof;
- (c) whether the Government has received any complaint against banks with regard to sanctioning of loans;
- (d) if so, the details thereof during the last three years and current year and action taken by the Government thereon; and
- (e) the steps taken by the Government to check such irregularities in banks?

Answer

The Minister of State in the Ministry of Finance (SHRI JAYANT SINHA)

(a) & (b): As a regulator of the Banking Sector, Reserve Bank of India (RBI) issues guidelines on management of various risks in the Banking Sector. The RBI supervisory oversight also ensures compliance with these guidelines. RBI has in the past issued guidelines on (i) Exposure Norms (ii) Asset Liability Management (iii) Forex Risk Management and Derivatives (iv) Credit Risk Management. To monitor and manage these risks, the Banks have Board level Committees such as the Risk Management Committee, Asset Liability Management Committee and Audit Committee which also examines Non Performing Assets and Frauds.

For management of default risk, RBI has recently issued guidelines on Early Recognition of Financial Distress, Loan Steps for Resolution and Fair Recovery. In addition, RBI has also created a Central Repository of Information of Large Credits (CRILC). Management of NPAs and Restructuring also covered by RBI Master Circulars on Income Recognition and Asset Classification. RBI has moved to Risk Based Supervision (RBS) framework during 2013-14 and 28 Banks covering 60% of Assets of Indian Banking System have already been covered. By adopting RBS, RBI has shifted the focus from a compliance based and transaction testing approach to Risk Based Supervision.

(c) & (d): Yes, Bank-wise details of complaints received by RBI in respect of Public Sector Banks during last three years and current year are Annexed.

All these complaints were resolved as per the provisions of the Banking Ombudsman Scheme.

(e): RBI has already issued guidelines/instructions for all Scheduled Commercial Banks (SCBs) for taking due diligence while the appraising and sanctioning the loan applications to obviate complaints. RBI has also advised all the SCBs to establish grievance redressal system and to monitor all complaints through this mechanism.