

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3866

ANSWERED ON:22.08.2003

IRREGULARITIES IN BANKS

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Will the Minister of FINANCE be pleased to state:

- (a) the number of cases of frauds referred to the Central Bureau of Investigation by the banks during the last two years;
- (b) the details of such cases and the banks to which these cases were related to;
- (c) the number of bank officers dismissed from service in this regard alongwith the bank-wise details thereof; and
- (d) the steps taken by the Government to check bank frauds?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO V. ADSUL)

(a) & (b): A statement showing number of cases of frauds of rupees one crore and above and amount involved therein as reported by public sector banks to Reserve Bank of India and which were referred to Central Bureau of Investigation by banks during the years 2001 and 2002 is given in the Annexure 1.

(c): A statement showing details of officials of public sector banks dismissed/discharged/ removed from service during the years 2001 and 2002 for their involvement in fraud cases is given at Annexure II.

(d): RBI and Government have taken several measures to prevent frauds in banking industry. Banks have been advised from time to time about the common fraud prone areas, modus operandi employed by fraudsters and the measures required to be taken to prevent their recurrence. A comprehensive review of frauds and malpractices in banks was undertaken by a committee headed by Shri A. Ghosh, the then Dy. Governor, RBI and the recommendations made by the Committee have been advised to the banks for implementation. Banks have been directed to institute a system of concurrent audit covering 50% of their business and ensuring that the work of the inspection and audit machinery is monitored at the top level by the Audit Committee of the Board of Directors. Based on the modus operandi observed in frauds reported by banks, RBI has issued instructions in regard to exercising caution while opening deposit accounts, implementation of the concept of 'Know Your Customer', proper custody and maintenance of security forms, keeping a close watch over the operations of newly opened accounts, exercising caution while opening LCs and issue of guarantees, intensive screening of candidates at the time of recruitment, initiating disciplinary action promptly, and awarding exemplary and deterrent punishment to the delinquent employees, etc. RBI has also advised all scheduled commercial banks to implement the recommendations relating to in-house preventive measures of Mitra Committee which was set up to deal with Legal Aspects of Bank Frauds.