

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:261

ANSWERED ON:08.12.2006

BANK FRAUDS

Chowdhury Shri Adhir Ranjan;Tripathy Shri Braja Kishore

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has set up/ proposes to set up an independent body on the lines of the Central Vigilance Commission (CVC) to investigate and prosecute cases relating to frauds in banks and financial institutions;

(a) if so, the details thereof;

(b) whether the creation of Commercial Courts is also under consideration to deal with cases relating to frauds in banks and financial institutions;

(c) if so, the details thereof; and

(d) the other steps contemplated to check frauds in banks and financial institutions?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE MINISTER (P.CHIDAMBARAM)

(a) to (e): A statement is laid on the Table of the House.

Statement referred to in reply to Part (a) to (e) of Lok Sabha Starred Question No.261 for 8.12.2006 by Shri Braja Kishore Tripathy and Shri Adhir Chowdhury regarding Bank Frauds.

(a) to (e) There is no proposal under consideration of the Government to set up an independent body on the lines of the Central Vigilance Commission (CVC) to investigate and prosecute cases relating to frauds in banks and financial institutions or for creation of Commercial Courts to deal with such frauds.

However, Government and the Reserve Bank of India (RBI) have taken several measures to prevent the occurrence of frauds in Banks. Banks have been advised from time to time to strengthen the vigilance set up and introduce preventive and prohibitive measures. The Fraud Monitoring Cell of RBI receives reports on all frauds involving Rs. 1 lac and above detected at Commercial Banks and Financial Institutions. The names of borrowers in frauds of Rs.5 lacs and above are circulated among all banks advising them to carry out in depth inquiries before granting any credit facilities to them. Modus operandi of frauds are also circulated amongst banks to alert them against perpetration of such frauds. In all the cases of frauds, banks are advised to file complaints with Police/CBI, make efforts to recover the amount involved, examine staff accountability, review systems and procedures in order to prevent recurrence of similar frauds and get all cases of frauds of Rs. One crore and above reviewed by the Special Committee of the Board. RBI has been advising Banks/ FIs from time to time about the common fraud prone areas and the measures to be taken by them to prevent/reduce the incidence of frauds.