

account of freak orders from a particular member, the cash market was reopened with a pre-open phase after a halt of approximately 10 minutes and trading resumed at 10.05.00 am.

(e) and (f) NSE has informed SEBI that the decision to reopen the cash market after a halt of 10 minutes was taken by the stock exchange as F&O markets and other markets were functioning normally and the fall was apparently on account of freak orders from a particular member.

**Vijay Kelkar Committee on elimination of inequitable subsidies**

675. SHRI SANJAY RAUT: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Vijay Kelkar Committee has suggested elimination of inequitable subsidies;

(b) if so, the details of items on which elimination of subsidies was suggested; and

(c) whether it would not affect UPA Government's welfare programmes?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA): (a) and (b) Relating to subsidies Vijay Kelkar Committee has mainly emphasized on adjusting the price of petroleum products on regular basis in incremental steps towards eventual deregulation of diesel and an affordable level of subsidy on LPG and kerosene, increase the Marked Retail Price (MRP) of Urea etc. and linking Central Issue Price (CIP) increases to Minimum Support Price (MSP) increases.

(c) Government has broadly accepted the recommendations but with some reservations. Government is of the view that in country like ours, certain level of subsidies targeted towards poor is necessary and Government is committed to its commitment towards welfare programmes.

**Loss of economy due to frauds**

676. SHRI SANJAY RAUT: Will the Minister of FINANCE be pleased to state:

(a) whether Ernst and Young financial agency has reported that different types of frauds have caused Rs. 6,600 crore loss to Indian economy and banks in the last fiscal year;

- (b) if so, the reasons therefor and the details thereof; and
- (c) the effective steps that Government is taking to check these frauds?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA): (a) and (b) As per the report submitted by Ernst and Young total number of fraud case during the FY 2011-12 stood at 204 involving an amount of Rs. 6600 crore for the financial services sector. The exposure of banking sector in this regard stood at Rs. 3505.50 crore.

However, as per Reserve Bank of India's record the incidents of frauds reported by banks along with amount involved therein during 2011-12 was 5569 cases involving an amount of Rs. 4448 crore.

As reported by RBI, reasons for frauds are broadly as under:

1. Use of loan not for the purpose/s for which it was sanctioned.
2. Improper pre-sanction inspection.
3. Lack of due diligence before sanction of loan.
4. Submission of fake title deeds, fake KYC documents by the borrowers.
5. Submission of fake and fabricated financial statement by the borrowers.
6. Sale of asset created out of loan without the knowledge of the Bank.

- (c) The measures initiated by RBI are as under:

Reserve Bank of India has issued detailed instructions *vide* Master Circular dated July 01, 2012 on 'Frauds - Classification and Reporting' containing all the details/aspects relating to frauds. On receipt of fraud reports from banks, various aspect 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 this fraud, claim insurance wherever applicable and streamline the system and 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:

- (i) Introduce a system of concurrent audit;.
- (ii) Review working of internal inspection and audit machinery in banks by the Audit Committee of the Board of Directors;
- (iii) Constitute a Special Committee of the Board to exclusively monitor frauds of Rs. 1 crore and above.
- (iii) 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 Banks' Association (IBA). IBA in turn will prepare caution lists of such parties for circulation among the banks.

#### **Insurance protections to Below Poverty Line families**

677. DR. PRADEEP KUMAR BALMUCHU: Will the Minister of FINANCE be pleased to state:

- (a) whether Government is preparing to bring in legislation for the Insurance Regulatory Development Authority to bring the BPL (Below Poverty Line) families and give them insurance protection;
- (b) if so, the details thereof; and
- (c) the benefits being offered to BPL families under this scheme?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA): (a) No, Sir.

- (b) and (c) Do not arise in view of (a) above.

#### **Revision of norms with regard to Exchange Traded Funds**

678. DR. PRADEEP KUMAR BALMUCHU: Will the Minister of FINANCE be pleased to state:

- (a) whether Securities and Exchange Board of India (SEBI) has revised the norms for calculating the margins for Exchange Traded Funds; and if so the details thereof; and