

1	2	3
20.	Punjab	3,477
21.	Rajasthan	1,862,736
22.	Sikkim	14,900
23.	Tamil Nadu	2,170
24.	Telangana	515,084
25.	Tripura	139,090
26.	Uttar Pradesh	7,980,568
27.	Uttarakhand	248,751
28.	West Bengal	732,290
TOTAL		26,284,350

Fraud prevention wing to detect fraud in banking system

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

(a) whether it is a fact that there is a sharp rise of willful defaulters in public sector banks and private sector banks despite threat of new bankruptcy law;

(b) if so, the details thereof, bank-wise;

(c) whether Government has found any fraud by willful defaulters, if so, Government's reaction thereto;

(d) whether Government is considering to set up a separate fraud prevention wing to detect willful defaulters/fraud in the banking system at an early stage; and

(e) if so, the details thereof?

THE MINISTER OF FINANCE (SHRIMATI NIRMALA SITHARAMAN): (a) to (e) Comprehensive measures have been taken with a view to deter and check wilful defaulters and perpetration of fraud, including, inter-alia, the following:

- (1) As per data reported by Public Sector Banks (PSBs), till 31.3.2019, suits for recovery have been filed in 10,022 cases. In cases involving secured assets, action under the provisions of the Securitisation and Reconstruction of

Financial Assets and Enforcement of Security Interest Act, 2002 has been initiated in 8,067 cases. Further, in accordance with RBI instructions of initiation of criminal proceedings wherever necessary, FIRs have been registered in 3,154 cases.

- (2) To deter wilful defaulters, as per RBFs instructions, wilful defaulters are not sanctioned any additional facilities by banks or financial institutions, and their unit is debarred from floating new ventures for five years. Further, *vide* Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Second Amendment) Regulations, 2016, wilful defaulters and companies with wilful defaulters as promoters/directors have been debarred from accessing capital markets to raise funds. In addition, the Insolvency and Bankruptcy Code, 2016 has debarred wilful defaulters from participating in the insolvency resolution process.
- (3) For effective action against wilful defaulters fleeing Indian jurisdiction, the Fugitive Economic Offenders Act, 2018 has been enacted to provide for attachment and confiscation of property of fugitive offenders and has disentitled them from defending any civil claim.
- (4) Government has advised PSBs to decide on publishing photographs of wilful defaulters, in terms of RBI's instructions and as per their Board-approved policy.
- (5) Government has advised PSBs to obtain certified copy of die passport of the promoters/directors and other authorised signatories of companies availing loan facilities of more than ₹ 50 crore.
- (6) Heads of PSBs have also been empowered to request for issue of Look Out Circulars.
- (7) Government has issued "Framework for timely detection, reporting, investigation etc. relating to large value bank frauds" to PSBs, for systemic and comprehensive checking of legacy stock of their NPAs, which provides, *inter-alia*, that—
 - (i) all accounts exceeding ₹ 50 crore, if classified as NPAs, be examined by banks from the angle of possible wilful default and fraud;

- (ii) examination be initiated for wilful default immediately upon reporting fraud to RBI; and
 - (iii) report on the borrower be sought from the Central Economic Intelligence Bureau in case an account turns NPA.
- (8) For enforcement of auditing standards and ensuring the quality of audits, Government has established the National Financial Reporting Authority as an independent regulator.
- (9) In order to bring transparency and accountability in the larger financial system, bank accounts of 3.38 lakh inoperative companies were frozen over the last two financial years.

Government's direction to PSBs to proactively check NPA accounts of ₹ 50 crore and above for possible fraud, and to initiate examination for wilful default immediately upon reporting fraud to RBI, has resulted in better detection and reporting of wilful default. As per RBI inputs, the accretion in number of wilful defaulter declarations of ₹ 25 lakh and above, over the financial years 2016-17, 2017-18 and 2018-19 (till December 2018) was at an average annual rate of 9.5% for PSBs and 12.2% for Private Sector Banks. Bank-wise details of the number of wilful defaulters are given in the Statement (*See below*).

With regard to fraud on the part of wilful defaulters, RBI has apprised that out of 765 unique wilful defaulters with exposure of ₹ 5 crore and above as on 31.3.2019, 188 were also reported as frauds.

PSBs have dedicated fraud monitoring units for prevention, detection, declaration and reporting of frauds. Further, as per RBI's Master Direction on Frauds, Private Sector and Foreign Banks are required to report frauds of ₹ 1 crore and above to Serious Fraud Investigation Office, and Public Sector Banks are required to report frauds of ₹ 3 crore and above to the Central Bureau of Investigation, which has a specialised Banking Security and Fraud Cell.

Statement*Number of wilful defaulter of ₹ 25 lakh and above by Public and Private Sector Banks*

Bank	As on 31.3.2017	As on 31.3.2018	As on 31.3.2019	
Allahabad Bank	99	246	286	Wilful defaulters have been acted against comprehensively. As per data reported by Public Sector Banks (PSBs), till 31.3.2019, suits for recovery have been filed in 10,022 cases. In cases involving secured assets, action under the provisions of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 has been initiated in 8,067 cases. Further, in accordance with RBI instructions of initiation of criminal proceedings wherever necessary, FIRs have been registered in 3,154 cases.
Andhra Bank	401	394	448	
AU Small Finance Bank	0	5	9	
Axis Bank Limited	542	741	713	
Bank of Baroda	249	309	597	
Bank of India	324	422	445	
Bank of Maharashtra	94	206	203	
Canara Bank	471	491	580	
Catholic Syrian Bank	32	45	47	
Central Bank of India	780	785	783	
City Union Bank Limited	3	3	5	
Corporation Bank	123	120	125	
DCB Bank Limited	2	2	2	Moreover, to deter wilful defaulters, as per RBI's instructions, wilful defaulters are not sanctioned any
Dena Bank	206	228	234	

Dhanlaxmi Bank Limited	75	77	79	additional facilities by banks or financial institutions, and their unit is debarred from floating new ventures for five years. Further, <i>vide</i> Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Second Amendment) Regulations, 2016, wilful defaulters and companies with wilful defaulters as promoters /directors have been debarred from accessing capital markets to raise funds. In addition, the Insolvency and Bankruptcy Code, 2016 has debarred wilful defaulters from participating in the insolvency-resolution process.
HDFC Bank Limited	57	57	57	Additionally, for effective action against wilful defaulters fleeing Indian jurisdiction, the Fugitive Economic Offenders Act, 2018 has been enacted to provide for attachment and confiscation of property of fugitive
ICICI Bank Limited	18	32	32	
IDBI Bank Limited	74	116	191	
Indian Bank	58	58	60	
Indian Overseas Bank	0	505	526	
IndusInd Bank Limited	124	128	126	
ING Vysya Bank Limited	0	0	0	
Karnataka Bank Limited	6	17	66	
Karur Vysya Bank Limited	90	79	79	
Kotak Mahindra Bank	61	64	71	
Naitital Bank Limited	9	8	8	
Oriental Bank of Commerce	434	424	480	
Punjab and Sind Bank	27	23	22	
Punjab National Bank	1,009	1,089	1,126	
State Bank of India	997	1,678	1,675	
State Bank of Bikaner and Jaipur	166	Merged with SBI		

Bank	As on 31.3.2017	As on 31.3.2018	As on 31.3.2019
State Bank of Hyderabad	214		offenders and has disintitiled them from defending any civil claim. Further, Government has advised PSBs to decide on publishing photographs of wilful defaulters, in terns of RBI's instructions and as per their Board-approved policy, and to obtain certified copy of the passport of the promoters/directors and other authorised signatories of companies availing loan facilities of more than ₹ 50 crore. Heads of PSBs have also been empowered to request for issue of Look Out Circulars (LOCs)
State Bank of Mysore	84		
State Bank of Patiala	219		
State Bank of Travancore	79		
Syndicate Bank	203	203	207
Tamilnad Mercantile Bank Limited	62	65	64
The Federal Bank Limited	204	203	207
The Jammu and Kashmir Bank	2	2	2
The Lakshmi Vilas Bank Limited	10	10	10
The Ratnakar Bank Limited	16	13	11
The South Indian Bank Limited	32	31	35
UCO Bank	642	656	666
Union Bank of India	671	836	855
United Bank of India	357	349	342
Vijaya Bank	130	134	152
Yes Bank	5	5	6

Source: RSI