

belonging to EWS whose parental/family income is upto ₹ 4.50 Lakh, an interest subsidy scheme, namely Central Sector Interest Subsidy Scheme (CSIS), is operational under which full interest subsidy, on educational loans upto ₹ 7.50 lakh, is available during the period of moratorium on loans availed under the Indian Banks' Association (IBA) Model Education Loan Scheme from Scheduled Banks. CSIS scheme benefits all categories of economically weaker students for pursuing professional/technical courses in India and intends to provide affordable higher education.

#### **Increase of banking fraud cases**

331. DR. K.V. P. RAMACHANDRA RAO: Will the Minister of FINANCE be pleased to state:

- (a) whether it is a fact that there is a manifold increase in banking fraud cases during the last three years;
- (b) if so, the details thereof;
- (c) the number of fraud cases registered and the amount involved in these cases, year-wise; and
- (d) the remedial measures taken up by Government to prevent these frauds?

THE MINISTER OF FINANCE (SHRIMATI NIRMALA SITHARAMAN): (a) to (c) No, sir. Details of frauds involving amount of ₹ 1 lakh and above that occurred during the last three financial years (FYs), reported by Scheduled Commercial Banks and select financial institutions, as per inputs received from Reserve Bank of India (RBI), are as under:

FY of occurrence	Amount involved (in crore ₹)	Number
2016-17	25,884	3,927
2017-18	9,866	4,228
2018-19	6,735	2,836

- (d) Comprehensive measures have been taken to prevent frauds in banks including, *inter alia*, the following:

- (1) Government has issued "Framework for timely detection, reporting, investigation etc. relating to large value bank frauds" to Public Sector Banks (PSBs), which provides, *inter alia*, that-
  - (i) all accounts exceeding ₹ 50 crore, if classified as Non-Performing Assets (NPAs), be examined by banks from the angle of possible fraud, and a report placed before the bank's Committee for Review of NPAs on the findings of this investigation.
  - (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.
- (2) As per RBI's instructions on wilful defaulters, lenders may initiate criminal proceedings against wilful defaulters, wherever necessary. Proactive action has been taken against wilful defaulters, with FIRs being registered by PSBs against 3,154 wilful defaulters.
- (3) Fugitive Economic Offenders Act, 2018 has been enacted to deter economic offenders from evading the process of Indian law by remaining outside the jurisdiction of Indian courts. The act provides for attachment of property of a fugitive economic offender, confiscation of such offender's property and disentitlement of the offender from defending any civil claim.
- (4) PSBs have been advised, 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 and, decide on publishing photographs of wilful defaulters, in terms of RBI's instructions and as per their Board-approved policy and to strictly ensure rotational transfer of officials/employees. The heads of PSBs have also been empowered to issue requests for issue of Look Out Circulars (LOCs).
- (5) Central Fraud Registry (CFR), based on Fraud Monitoring Returns filed by banks and select financial institutions, has been set up by RBI as a searchable online central database for use by banks. 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.

- (6) For enforcement of auditing standards and ensuring the quality of audits, Government has established the National Financial Reporting Authority as an independent regulator.
- (7) For management of fraud risk and to direct the focus of banks to early detection of loan frauds, prompt reporting to RBI and investigative agencies and timely initiation of staff accountability proceedings, RBI has issued a framework for dealing with loan frauds and Red Flagged Accounts (RFA), with timelines for actions incumbent on banks, for dealing with loan frauds of ₹ 50 crore and above, requiring banks to classify potential fraud accounts as RFAs based on observation/evaluation of Early Warning Signals noticed. The red flagging is done on an information technology platform where all banks report large exposure to entities/individuals so that other banks can be forewarned about fraud risk.
- (8) RBI has issued a circular to all banks in February, 2018 to implement security and operational controls such as straight-through process between the Core Banking Solutions/accounting system and the SWIFT messaging system, enable time-based restrictions in SWIFT, review logs at regular intervals, undertake reconciliation, *etc.* in a time-bound manner.
- (9) RBI has instructed banks to report deficient third party services (such as legal search reports, property valuers' reports *etc.*) and ineffective action against collusion of these providers with fraudsters to the Indian Banks' Association, which maintains a caution list of such service providers.
- (10) Instructions/advisories have been issued by Government to PSBs to decide on publishing photographs of wilful defaulters, in terms 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.
- (11) Government has formed an inter-agency coordination committee to look into the large value bank frauds.

*Note: Figures cited above for PSBs include those for IDBI Bank Limited, which was recategorised as a private sector bank by RBI with effect from 21.1.2019.*