

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

RAJYA SABHA
UNSTARRED QUESTION NO. 191
ANSWERED ON – 30/11/2021

IRREGULARITIES IN FUNCTIONING OF BANKING SECTOR

191. DR. ANIL AGRAWAL:

Will the Minister of FINANCE be pleased to state:

- (a) whether specific cases of alleged irregularities in the functioning of banking sector have come to the notice of Government in the last three years, if so, the details thereof; and
- (b) the details of the findings of the investigation of these cases along with the further action taken by Government thereon?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(DR. BHAGWAT KARAD)

(a) and (b): RBI has apprised that compliance to RBI guidelines issued to banks is examined on sample basis during the supervisory assessment of the banks and also as part of scrutinies and off-site studies. Some of the findings/deficiencies observed by RBI in supervisory assessment and scrutinies conducted during the last three years include, *inter alia*, as under:

- (i) Non-adherence to Income Recognition and Asset Classification (IRAC) norms.
- (ii) Non-adherence to instructions on resolution of stressed assets.
- (iii) Gaps in compliance to Know Your Customer (KYC) / Anti Money Laundering (AML) norms.
- (iv) Information Technology (IT) related issues including Business Continuity Plan (BCP) / Disaster Recovery (DR).
- (v) Non-implementation of guidelines on Society for Worldwide Interbank Financial Telecommunication (SWIFT) and integration of SWIFT with the Core Banking Solution (CBS).
- (vi) Deficiencies in Risk Management (Governance, Credit, Liquidity, Operations, Market risk related, etc.)
- (vii) Deficiencies in Internal Audit.
- (viii) Issues in Internal Accounts.
- (ix) Deficiencies in Systems and Controls.
- (x) Deficiencies in Fraud Risk Management.
- (xi) Issues in Customer conduct.
- (xii) Erroneous and delayed reporting to CRILC (Central Repository for Information on Large Credit).
- (xiii) Deficiencies in system driven Early Warning Signals (EWS).

RBI has further apprised that observed areas of non-compliance are taken up with the banks for risk mitigation in a time bound manner, and supervisory/enforcement action is also taken in case of persisting deficiencies in a bank, as RBI deems fit.

RBI has also apprised that enforcement action have been taken against 47, 49 and 47 banks during July 2018 to June 2019, July 2019 to June 2020 and July 2020 to March 2021 respectively, and an aggregate penalty of Rs. 201 crore was imposed in these cases.
