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Banks tighten vigilance to curb illegal diversion of new notes by staff

By [Joel Rebello](#), ET Bureau | Updated: Dec 12, 2016, 11.02 AM IST

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MUMBAI: Banks are tightening internal vigilance systems and hiring outside help to track down and prevent corrupt employees from indulging in illegal diversion of new currency notes in excess of withdrawal limits to customers.

[Axis Bank](#) has hired KPMG to conduct a forensic audit and suspended 19 employees for alleged malpractices. [State Bank of India](#), the country's largest bank, has warned that illegal activities will be tracked down and identified.

"There are so many people working on this exercise and so, there are bound to be some incidents," Arundhati Bhattacharya, chairman, SBI told ET.

However, all banks are doing preventive vigilance to see this does not happen. Officials caught have been suspended and FIRs have been lodged and if there is doubt they have been transferred to other jobs.

The one month old process to unearth black money in the system has now turned the focus on retail bankers like never before. While banks earned accolades for selfless service and long hours behind the counter in the first few days, the story has changed in the last one week or so as criminal incidents linked to bankers have come to light.

In the last week or so IT raids across the country have found bank officials from different branches misusing their position to help crooks swindle money.

On Friday, income tax officials found 44 fake accounts with Rs 100 crore deposited through [old notes](#) in [Axis Bank's](#) Chandni Chowk branch just days after enforcements directorate seized 3 kg of gold bars from the same bank's branch in Delhi, unearthing a racket for converting old currency in connivance with bank officials.

The bank has suspended 19 employees across India for allegedly being involved in corrupt practices in exchanging currency post withdrawal of high value notes. It has also hired consultancy firm KPMG to conduct a forensic audit to strengthen its processes.

Also on Friday, a first information report (FIR) was lodged against [HDFC Bank](#) officials in Gurgaon for illegally exchanging currency.

These incidents follow those of public sector lenders [Syndicate Bank](#) and [Oriental Bank of Commerce](#) last month when officials were caught exchanging money without taking ID proofs.

Bankers say vigilance has been heightened following these incidents though they are few and far between. Banks are also auditing their own branches through mystery shopping or auditing currency chests. They are also working overtime to fix loopholes.

"The bank has zero tolerance towards any deviation on the part of any of its employees from the set model code of conduct. Strict action will be taken against any employee found deviating from the guideline," [Axis Bank](#) said, in a media release on Friday.

"There is a digital audit trail in this exercise which everyone is using," [Bhattacharya](#) said.

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