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# PNB fraud: Other banks may have to share scam burden

BY [DHEERAJ TIWARI](#), ET BUREAU | MAR 14, 2018, 06.50 AM IST

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NEW DELHI: Banks that lent money to jewellers [Nirav Modi](#) and [Mehul Choksi](#) based on fraudulent guarantees issued by [Punjab National Bank](#) will have to share the liability if they are found to be guilty of not following norms, a government official said.

“For now PNB will honour all commitments as and when they arise, but if the investigations reveal that there was impropriety on the part of other lenders they will have to share half the burden,” a senior finance ministry official said on condition of anonymity.

According to a parliamentary committee, as many as 30 banks, including some foreign lenders, are believed to have paid out funds to Modi, Choksi and their companies based on fraudulent letters of undertaking (LoUs) they allegedly made in collusion with PNB employees.

PNB’s exposure in the scam is estimated at Rs 12,700 crore. “We don’t think there is any confusion on the payments. PNB has already committed to honour all bonafide LoUs,” the finance ministry official said. He said all public sector banks have already agreed to give a commitment to PNB that if the investigations reveal there has been some slippage on their end they will share the burden.

“The government will support all state-run lenders and for now we don’t see that the payments on behalf of those Lo-U’s will endanger the bank (PNB),” he said, adding that whatever dispensation is allowed under the existing rules, PNB will be getting the same.

A senior PNB official said it expects banking regulator [Reserve Bank of India](#) to allow the lender to make provisions against the fraud. “We don’t see a major impact; besides, we are looking to raise resource through sale of our non-core assets,” the official said.

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PNB managing director Sunil Mehta had earlier said the bank will honour commitments arising from the alleged fraud but any final payout will be based on what's revealed in inquiries. "The matter is under investigation. We will see whatsoever our responsibility is and whatsoever the regulator says we will definitely comply," he had said. RBI has asked all lenders for details of the LoUs they had written, including the amounts outstanding, and whether the banks had pre-approved credit limits or kept enough cash on margin before issuing the guarantees.

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