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Finance Ministry asks PSU bank CEOs to check frauds in NPAs or face penal action

BY PTI | UPDATED: AUG 22, 2018, 07.56 PM IST

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In a stern warning to bankers, the [Finance Ministry](#) has asked chief executives of public sector banks (PSBs) to check all [NPA](#) accounts exceeding Rs 50 crore for fraud or they could face criminal conspiracy charges, according to official sources.

This missive comes in the light of arrest of Bhushan Steel's erstwhile promoter Neeraj Singal by the Serious Fraud Investigation Office (SFIO) for allegedly siphoning off funds.

The sources said that bankers could be held accountable under Section 120B of Indian Penal Code if they fail to report fraud in an account which is later unearthed by investigating agencies, sources said.

If the investigating agencies find diversion of funds in those defaulting accounts, bankers may be liable to face criminal proceedings, the sources said, adding that this advisory is like an extra precaution to keep bankers from getting into legal tangles.

More than a dozen companies undergoing bankruptcy resolution are being reviewed by banks and investigating agencies for fraudulent activities including diversion of funds.

Indian banks are facing mounting non-performing assets (NPAs) or [bad loans](#), especially at PSBs, which have reached over Rs 8 lakh



During the resolution process, the extensive audit of bankrupt companies has thrown up financial irregularities in several cases.

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crore. In addition, several banking frauds have been unearthed, including the Rs 14,000 crore scam at PNB, carried out allegedly by diamond jeweller Nirav Modi and his associates.

A senior government official confirmed the development and said that some discrepancies have been pointed out in the case of a steel maker and a real estate firm among 10-12 companies.

"There were some inputs and lenders who have been asked to provide transaction details of last five years. If required, banks will also undertake forensic audit," he said.

Earlier this month, SFIO arrested Singal for alleged diversion of Rs 2,000 crore, raised through loans from state-owned banks.

"Similar modus operandi has been used by other promoters also," said another government official, adding that there have been intelligence inputs on associate companies being used for similar transactions.

SFIO is also looking into the books of companies which are currently undergoing debt resolution, he said, adding that this has been done on the basis of specific inputs provided by the ministry of corporate affairs.

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In June 2017, the Reserve Bank of India (RBI) had identified 12 stressed accounts, each having more than Rs 5,000 crore of outstanding loans and accounting for 25 per cent of total non-performing assets (NPAs) of banks for immediate referral under the

Insolvency and Bankruptcy Code (IBC). In August, RBI had sent a list of 28 more firms to lenders for resolution by December 2017.

"These accounts also have some firms from the second list and those where later banks filed cases in NCLT (National Company Law Tribunal)," said a bank executive aware of the developments.

The NCLT benches handle banks' bad debt resolution under Insolvency and Bankruptcy Code (IBC).

Banks have to undertake a two-year transaction audit when they start the resolution process through IBC. In case there are any issues or specific information, banks also conduct a forensic audit.

In August 2017, SFIO was given powers to arrest people for company law violations. SFIO is a multidisciplinary organisation having experts for prosecution of white-collar crimes and frauds under the company law.

NCLT has so far taken decision on 655 cases under IBC that include more than 200 that have been admitted to various NCLT benches.

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