

Frauds at PSBs more than those at private banks

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As regards cumulative amount involved in frauds till March 31, 2018, PSBs accounted for around 85%, while the private sector banks accounted for a little over 10%. At the system level, frauds in loans, by amount, accounted for more than 75% of frauds involving amounts of Rs 1 lakh and above while frauds in deposit accounts were at just over 3%.

There was also a sharp increase in the total number of fraud cases reported by banks. In the last 10 years, the total number of fraud cases was hovering around 4,500, but this year 5,835 cases were reported by the banks. The sharp increase in the amount involved in frauds during 2017-18 was on account of a large value fraud committed in the gems and jewellery sector, mainly affecting one public sector bank (PSB).

New private sector banks accounted for more than 20% of the frauds related to ‘cash/cheques/clearing’ and ‘foreign exchange transactions’. New private sector and foreign banks accounted for 36% each of all cyber frauds reported in debit, credit and ATM cards, among others.

Out of the seven classifications of frauds in alignment with the Indian Penal Code, ‘cheating and forgery’ was the major component followed by ‘misappropriation and criminal breach of trust’. One of the new initiatives in recent times in fraud mitigation was the introduction of a Central Fraud Registry (CFR), a web-based online searchable database of reported frauds, for the use of banks.

In order to curb the steep increase in fraud cases, the central bank has proposed to initiate network analysis for the financial conglomerate (FC) groups to assess the systemic risks posed by them.

The analysis would cover the major entities of an FC group in each financial market segment and intra-group exposures would also be considered. The findings would be shared with the regulators and significant trends and/or concerns would be discussed in the meetings of the Inter-Regulatory Forum (IRF).

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