

# Rejigged Advisory Board will first examine all large fraud cases in PSBs

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## CVC reconstitutes body with four members, who will have a 2-year tenure

The Central Vigilance Commission (CVC) has reconstituted the Advisory Board on Bank, Commercial and Financial Frauds as the Advisory Board for Banking Frauds (ABBF).

“The Commission has, in consultation with the Reserve Bank of India based on the consultation of an expert committee on NPAs and frauds, constituted under the chairmanship of YM Malegam by the RBI, reviewed the matter and decided to reconstitute,” the commission said in an office order. The Commission has also appointed a chairman and members.

A former Chairman-and-Managing Director of Indian Bank and a former Vigilance Commissioner, TM Bhasin, will be the Chairman of the board. Former Urban Development Secretary Madhusudan Prasad, former DG of the Border

Security Force DK Pathak, and former MD and CEO of Andhra Bank Suresh N Patel will be the members. They will each have two-year tenures with effect from August 21.

The board will conduct the first level of examination in all major fraud cases before recommendations or references are made to investigative agencies such as the Central Board of Investigation by the respective public sector banks.

The board's jurisdiction would be confined to cases involving officers of General Manager cadre and above in respect of an allegation of a fraud in a lending case. Individual PSBs would refer all large fraud cases above ₹50 crore to the board; on receipt of recommendation, the bank concerned would take further action.

### Fraud cases above ₹50 crore

The government has already issued the 'framework for timely detection, reporting, and investigation relating to large-value bank frauds' to PSBs, which makes it clear that all accounts exceeding ₹50 crore, if classified as an NPA, should be examined by banks from the angle of possible fraud, and a report be placed before the bank's Committee for Review of NPAs based on the findings of the investigation. An examination of wilful default will be initiated immediately upon reporting the fraud to the RBI. A report on the borrower will be sought from the Central Economic Intelligence Bureau in case an account turns an NPA.

The PSBs have been advised to obtain a certified copy of the passport of promoters/directors and other authorised signatories of companies taking loan facilities of more than ₹50 crore. They can decide on publishing photographs of wilful defaulters in terms of the RBI's instructions, and as per their board-approved policy. They must strictly ensure rotational transfer of officials/employees.

Normally, frauds and NPAs are considered a consequence of each other, but they are different. The distinction between a bank fraud and an NPA is that while a fraud is a criminal offence, an NPA is a loan or advance wherein the interest

and/or instalments of the principal remain overdue for over 90 days.

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