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Bank panels to monitor probe progress

BY ET BUREAU | JAN 29, 2020, 06.43 AM IST

New Delhi: The government on Tuesday directed banks to set up committees of senior officials to monitor progress in pending disciplinary and internal vigilance cases and set timelines for their completion to prevent hurting staff morale.

The move comes close on the heels of a revamp of the framework under the Central Vigilance Commission (CVC) that mandates that all big suspected bank fraud cases have to be vetted by a panel before investigating agencies such as the Central Bureau of Investigation (CBI) can initiate action.

Finance minister Nirmala Sitharaman sent a strong message to banks to lend without fear of the 'three Cs' at a meeting last month which was also attended by the CBI director. The 'three Cs' refer to the CBI, Comptroller and Auditor General of India and the CVC. Sitharaman also assured bankers that a distinction would be made between genuine commercial failure and deliberate wrongdoing.

A statement from the department of financial services (DFS) said the government has also delegated powers to the boards of public sector banks (PSB) to set mechanisms to ensure compliance with fraud reporting timelines set by the central bank and the CVC.

The government has directed banks to "set up a committee of senior officers to monitor progress of pending disciplinary and internal vigilance cases as procedural delay, on one hand, adversely affects morale of the employees and on the other, breeds inefficiencies in the system," said the release.

The release said the move was part of government efforts to "protect honest commercial decisions" taken by bankers and distinguish between genuine commercial failures and culpability."

The government has also modified the framework on dealing with suspected large value frauds to remove personal liability of managing directors and chief executive officers of banks for adherence to timelines related to identifying and reporting cases of fraud.

The DFS has also directed that all nonperforming asset (NPA) accounts exceeding Rs 50 crore at PSBs be initially referred to the Advisory Board for Banking and Financial Fraud (ABBFF) set up by the CVC for preliminary examination before launching enquiries or investigations.

This move brings the DFS guidelines in line with those set by the CVC. The DFS had in 2018 mandated that PSB's check all NPAs over Rs 50 crore for fraud.

The release noted that the government had taken several steps to protect honest commercial decisions by bankers including the incorporation of Section 17A in the Prevention of Corruption Act which requires prior approval from the government before the initiation of an investigation against a public servant.