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Market Watch

Suspected big bank fraud cases to be vetted by panel before probe

BY ET BUREAU | JAN 16, 2020, 11.25 PM IST

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New Delhi: All big suspected bank fraud cases will have to be vetted by a panel before lenders agencies such as the Central Bureau of Investigation (CBI) to initiate action. The framework has been designed to allow [bankers](#) to take decisions without fear and free up credit flows, a top government official told ET.

The Advisory Board on [Banks](#) and Financial Frauds has been set up by the Central Vigilance Commission (CVC) to examine complaints against bankers in consultation with the [Reserve Bank of India](#) (RBI) and Niti Aayog. It will be headed by former vigilance commissioner TM Bhasin.

The five-member board will function as the first level of examination for all alleged cases of fraud involving Rs 50 crore or more and executives of the rank of general manager or above. The board will decide on matters within a month.

“This is being done to ensure that banks lend without any fear,” the official said. “Bankers have been apprehensive of coming under the glare of investigative agencies for even a bonafide decision going wrong.”

The idea behind the move is to ringfence such executives and ensure there is no curtailment in credit flow for fear of enquiries later on. Even the investigating agencies will be required to refer cases they come across for review by the panel before taking any action.

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Ring-Fencing Bankers



THE MANDATE

All cases over ₹50 cr to be vetted by 'Advisory board for banking and financial frauds'

No probe agency can initiate investigation

PSBs to refer suspected fraud cases to the board for GM & above

THE BOARD

- ▶ Chairperson: **TM Bhasin** (Ex-vigilance commissioner, CVC)
- ▶ Member: **M Prasad** (former secy, ministry of urban development)
- ▶ Member: **DK Pathak** (former director general, BSF)
- ▶ Member: **Suresh N Patel** (Ex MD & CEO, Andhra Bank)

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Bank credit grew 7.1% last year, the second slowest in the last decade.

The move comes close on the heels of finance minister Nirmala Sitharaman sending a strong message to banks to lend without fear of the “three Cs” at a meeting last month that was also attended by the CBI director. This refers to the CBI, Comptroller and Auditor General of India and the CVC.

Sitharaman had assured bankers that a distinction would be made between genuine

commercial failure and deliberate wrongdoing.

“All PSBs (public sector banks) shall refer all matters of suspected frauds involving sums of money in excess of Rs 50 crore in respect of public servants equivalent in rank to the general managers... to the board constituted under para 9 above advice before initiating enquiry or inquiry or investigation,” said a January 15 office order issued by the CVC.

If the involvement of a public servant employed in PSBs or public financial institutions above the rank of general manager comes to the notice of an investigation agency in the course of inquiries, they may refer the matter to the board for advice before proceeding further, it said.

“State vigilance organisations are also advised to adopt a similar framework or refer the matter to the board constituted in the interest of harmonious and uniform application with respect to matters relating to the provisions of the central act that is the Prevention of Corruption Act for matters under their respective jurisdiction,” the CVC said.

The newly constituted board will decide on its internal procedures and keep the commission informed about its activities on a quarterly basis, the CVC said, adding that the guidelines will henceforth apply in all bank fraud cases.

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