

## CVC shares report on 100 bank frauds with govt, RBI

The Central Vigilance Commission has shared an analysis report on 100 bank frauds across several sectors with the government, the RBI and investigating agencies for further action. It has asked banks to carry out due diligence of major debtors by “direct visits, direct balance confirmation” and even engaging external agencies for fact finding.

The CVC has suggested several measures to banks, including strengthening SOPs (standard operating procedure) and monitoring systems besides highlighting the role of controlling offices. The sectors analysed included gems and jewellery, agro, media, exports, aviation, trading and services.

“Due diligence of major debtors should be carried out by direct visit, direct balance confirmation, engaging agencies and comparing the realisation of receivables as per stock statements with routing of funds through lending banks to ascertain diversion through non-lending banks,” the commission said in a note sent to the RBI and the finance ministry.

Vigilance commissioner T M Bhasin said the RBI has taken the CVC report seriously and the finance ministry has forwarded it to all government banks for vigilance. The commission has neither named borrowers nor published the names of banks where these frauds took place. “Steps are being taken for all-encompassing action such as investigation by premier investigating agencies, fixing staff accountability and recovery measures etc for effective action,” Bhasin said.

The CVC analysed the modus operandi of obtaining loans, identified loopholes and made industry specific suggestions for systemic improvement. For instance, in a case in the aviation sector, the CVC found that an airline, which had 21% market share in domestic operations, cheated the bank by suppressing facts in financial statements and diverting funds to related entities for purposes other than those for which finance was made.

“The company wilfully cheated the banks with an intention to siphon off funds. The money apparently was diverted to several shell companies in seven countries,” the CVC report said without naming the airline.

*(Economic Times)*