

CAB Training Cards



key points related to Fraud Monitoring and Reporting – UCBs

There have been instances of frauds with different modus operandi in the urban banks, and in order to avoid their recurrence it is important that the UCBs have a robust fraud monitoring and reporting system. The key points in the fraud monitoring and reporting systems are:

1. UCBs are not required to individually report the cases of frauds less than ₹ 1.00 lakh to the RBI.
2. UCBs are required to report cases of individual frauds of ₹ 1.00 lakh and above but less than ₹ 1.00 crore to DCBR, RO, RBI (under whose jurisdiction the Head Office of UCBs falls).
3. UCBs are required to report cases of individual frauds of ₹ 1.00 crore and above to Central Frauds Monitoring Cell, Department of Banking Supervision, of RBI situated at Bengaluru. Further, for these frauds a flash report in the form D.O letter may have to be submitted within a week's time from date of notice.
4. Based mainly upon the provisions of the Indian Penal Code and with a view to have uniformity in reporting, UCBs need to classify frauds in either of the seven categories specified RBI viz. (a) Misappropriation and criminal breach of trust, (b) Fraudulent encashment through forged instruments, manipulation of books of account or through fictitious accounts and conversion of property, (c) Unauthorised credit facilities extended for reward or for illegal gratification, (d) Negligence and cash shortages, (e) Cheating and forgery, (f) Irregularities in foreign exchange transactions and (g) Any other type of fraud not coming under the specific heads as above.
5. UCBs are required to report cases of frauds involving amounts of ₹ 1.00 lakh and above, in FMR-1 format through e-mail, within three weeks of date of detection to the RBI. The staff accountability in respect of delays in reporting fraud cases may be fixed.

6. UCBs may specifically nominate a senior official who will be responsible for adhering to the reporting timelines fixed by the RBI.

7. The cases of cash shortages of more than ₹5,000 detected by management /auditor /inspecting officer must be reported as fraud even if fraudulent intention is not suspected/proved. Further, all cash shortages of more than ₹10,000 needs to be reported as fraud.

8. In order to monitor all the frauds of ₹1 crore and above, a Special Committee may be constituted with five members of the Board of Directors including Chairman, two members from ACB, and two other members from the Board.

9. Audit Committee of Board (ACB) should review the individual cases of attempted fraud involving ₹25 lakhs or more. Further, it should also review consolidated yearly report of such cases within three months of end of relative year. In addition, ACB should review quarterly position related to all frauds except for quarter ending March.

10. The board should review individual cases of frauds of ₹ 1.00 lakh and above immediately after its detection. In addition, Board should conduct a yearly review of all fraud cases.

11. The bank has to make provision for the entire amount due to it or for which it is liable (irrespective of security available). The creation of provision may be spread out in four quarters, if there is no delay in reporting, else 100% of provision is to be done in a lumpsum.

12. All cases of fraud committed by bank employees above ₹10,000 and fraud committed by outsider of ₹ 1.00 lakh and above should be reported to the State Police.

13. All fraud cases closed along with the reasons may have to reported on quarterly basis to the concerned RO of the RBI.

14. Cases of theft, burglary, dacoity and robbery should not be reported as fraud but may be reported separately.

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