



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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RBI/2014-15/393

DCBR.BPD PCB Cir. No. 10/12.05.001/2014-15

January 7, 2015

The Chief Executive Officer
All Primary (Urban) Co-operative Banks

Madam / Dear Sir,

Monitoring of Large Value Frauds by the Board of Directors

Please refer to our circular UBD.No.Plan.(PCB).9/09.06.00-94/95 dated July 25,1994 advising all UCBs to constitute an apex level Audit Committee of Board (ACB). ACB may consist of the Chairman and three/four directors, one or more such directors being Chartered Accountants or having experience in management, finance, accounting and audit systems etc. The ACB is required to oversee the internal inspection, statutory audit, inter branch / inter-bank accounts, balancing of books, major areas of house-keeping, etc. The Committee is also required to focus attention on preventive aspects as well as follow up action on frauds.

2. As delay in various aspects of frauds like detection, reporting to regulatory and enforcement agencies and action against the perpetrators of the frauds has been causing concern, the need is felt for paying focused attention on monitoring of frauds at the highest level and suggested constituting a subcommittee of the Board which would be exclusively dedicated to the monitoring of fraud cases. There is also a need to assign a well defined role to the Board of the banks in monitoring of fraud cases. It has, therefore, been decided that the Boards of banks should constitute a Special Committee for monitoring and following up cases of frauds involving amounts of Rs.1 crore and above exclusively, while ACB may continue to monitor all the cases of frauds in general.

सहकारी बैंक विनियमन विभाग, केंद्रीय कार्यालय, गारमेंट हाऊस, पहली मंज़िल, डॉ ए बी रोड, वरली, मुंबई- 400018 भारत
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बैंक हिन्दी में पत्राचार का स्वागत करता है —

चेतावनी: भारतीय रिज़र्व बैंक द्वारा ई-मेल, डाक, एसएमएस या फोन कॉल के जरिये कोई भी व्यक्तिगत जानकारी जैसे बैंक खाते का ब्यौरा, पासवर्ड आदि नहीं माँगा जाता है। यह धन रखने या देने का प्रस्ताव भी नहीं करता है। ऐसे प्रस्तावों का किसी भी प्रकार से जवाब मत दीजिए।

Caution: RBI never sends mails, SMSs or makes calls asking for personal information like bank account details, passwords, etc. It never keeps or offers funds to anyone. Please do not respond in any manner to such offers.



3. The broad guidelines regarding constitution and functions of the Special Committee of the Board are given in the following paragraphs :

a) Constitution of the Special Committee

The Special Committee may be constituted with five members of the Board of Directors who will include,

- * Chairman of Urban Cooperative Banks,
- * Two members from ACB, and
- * Two other members from the Board.

b) Functions of Special Committee

The major functions of the Special Committee would be to monitor and review all the frauds of Rs.1 crore and above so as to;

- * Identify the systemic lacunae if any that facilitated perpetration of the fraud and put in place measures to plug the same;
- * Identify the reasons for delay in detection, if any, reporting to top management of the bank and RBI;
- * Monitor progress of CBI / Police Investigation, and recovery position and;
- * Ensure that staff accountability is examined at all levels in all the cases of frauds and staff side action, if required, is completed quickly without loss of time.
- * Review the efficacy of the remedial action taken to prevent recurrence of frauds, such as strengthening of internal controls.
- * Put in place other measures as may be considered relevant to strengthen preventive measures against frauds.



c) Meetings

The periodicity of the meetings of the Special Committee may be decided according to the number of cases involved. However, the Committee should meet and review as and when a fraud involving an amount of Rs.1 crore and above comes to light.

d) Review of the functioning of the Special Committee

The functioning of the Special Committee of the Board may be reviewed on a half yearly basis and the reviews where applicable may be put up to the Board of Directors.

The above instructions may please be implemented with immediate effect. Action taken in this regard may be intimated to us.

Yours faithfully,

(P K Arora)
General Manager