

**Speech by Director CBI
at**

**5th Annual Conference of Chief Vigilance Officers of Public
Sector Banks & Financial Institutions and Officers of CBI**

at CBI(HQ), New Delhi on 21.08.2013

Dr. C. Rangarajan, Chairman, Economic Advisory Council to
the Prime Minister;
K. Saleem Ali,
Anil Kumar Sinha, Special Directors;
R.K. Dutta, Additional Director;
Chief Vigilance Officers,
Heads of EOWs from States,
Friends from media;
and dear colleagues.

It gives me great pleasure to welcome Dr. C. Rangarajan
on the occasion of the inauguration of the 5th Annual
Conference of CVOs of Government PSUs and officers from
CBI and EOWs of State Police Units.

A person of the eminence of Dr. Rangarajan needs no
introduction. We are all aware of his immense contribution in
the field of economic policy formulation and implementation in
different leadership positions that has enabled our country to
achieve a high growth trajectory.

Dr. Rangarajan is a Ph.D. in Economics from the
University of Pennsylvania and has taught at several
prestigious institutions like the Wharton School of Finance &
Commerce and the Indian Institute of Management at
Ahmedabad. He served as a Member of the Planning
Commission before being appointed as Governor, RBI in 1992.

He was one of the key architects of the financial sector reforms that were rolled-out during his tenure as the Governor.

He was appointed the Governor of Andhra Pradesh in 1997. He thereafter served as the Chairman of the Twelfth Finance Commission and presently is the Chairman of the Economic Advisory Council to the Prime Minister since January, 2005. He was awarded the **Padma Vibhushan** in 2002 in recognition of his outstanding contribution.

Sir, I take this opportunity today to briefly describe CBI's historic journey in the 50 years of its existence.

The Central Bureau of Investigation traces its origin to the Special Police Establishment that was set up in 1941 by the Government of India for investigating cases of bribery and corruption of War & Supply Department during World War-II. Thereafter, the Delhi Special Police Establishment Act was brought into force in 1946 for extending the jurisdiction of the Special Police Establishment to cover all Departments of Government of India. The Delhi Special Police Establishment was then named as the '*Central Bureau of Investigation*' through a Home Ministry resolution dated 1st April, 1963 which is now celebrated as the founding day by CBI.

Initially, CBI investigated cases of corruption by employees of Central Government. Gradually, the scope of the organization was increased to include employees of Public Sector Undertakings as well as the investigation of economic offences and conventional crimes of national importance. A specialized Bank Securities & Fraud Cell was set up under the Economic Offences Division in 1992 in the wake of the Security Scam for investigating bank frauds as well as frauds in the securities market.

CBI has entered its 50th year of existence on 1st April, 2013 and has evolved into the premier investigating agency of the country that is respected by the people of the nation for its professionalism in investigation and its relentless pursuit of truth and excellence.

A Conference is organized every year by CBI of the Chief Vigilance Officers of Public Sector Banks and Financial Institutions, with CBI being represented by officers of the Economic Offences and Anti-Corruption Divisions. The present annual Conference is the 5th in the series and is special to us as it forms a part of Golden Jubilee Celebrations of CBI. Thus, an endeavour has been made to widen the base of this Conference by inviting CVOs of Public Sector Insurance Companies in addition to the CVOs of Public Sector Banks. Similarly, Heads of the Economic Offences Wings of State Police Units based in large metropolitan cities have also been invited.

Sir, as we all know, over the years, along with the impressive growth in Indian economy, the Banking sector has also grown. However, with this growth, the amount involved in bank frauds has also increased substantially over the years.

According to an analysis by RBI, while the number of fraud cases has shown a decreasing trend from 24791 cases in 2009-10 to 13293 cases in 2012-13 i.e. a decline of 46.37%, the amount involved has quadrupled from Rs 2037.81 crores to Rs. 8646.00 crores i.e. an enormous increase of 324.27%.

Similarly, the large value fraud cases involving amount of Rs.50 crores and above, has also increased more than tenfold from 3 cases in 2009-10 (involving an amount of Rs 404.13 crores) to 45 cases in 2013 (involving an amount of Rs 5334.75 crores).

Another cause for concern is the high amounts of non-performing assets (NPAs) of public sector banks. According to govt. estimates gross Non Performing assets (NPAs) have risen substantially in last two years. From Rs. 59924 crores in 2010 they have gone up to Rs. 117262 crores in year 2012.

A bulk of the NPAs is from the top 30 accounts which is learned to be running into thousands of crores. CBI has already initiated investigation/ enquiries in some of the big defaulter accounts and **it is here that I seek cooperation from the CVOs present to play a pro active role in checking the losses to government exchequer and public money.**

A humorous definition of a banker in words of Mark Twain is:

I quote,

“A banker is a fellow who lends you his umbrella when the sun is shining, but wants it back the minute it begins to rain.”

(Unquote)

If we see the figures of NPAs and number of high value frauds, it seems to be raining quite heavily.

The question is whether the bankers will be able to get their umbrellas back or not? And further, if even if they get it will it be in its original shape?

It is in this background, the today's conference is the right occasion for evolving a joint strategy by CBI, Heads of EOWs of metropolitan cities and Vigilance officials of the banks for prevention and detection of frauds.

I may take this occasion to mention some issues which are currently hampering investigation by CBI in big ticket frauds.

At times, there appear to be reluctance on the part of banks to declare bad accounts as frauds despite there being clear cut manifestations. There is need to realize that the delay in reporting of a fraud will adversely affect the tracking and recovery of proceeds of crime as the initiative is lost due to delay.

Another issue is the fixing of accountability of staff and there are often differences of opinion between CBI and banks regarding role of public servants. In my view, there should be no reason for denial of sanction for prosecution wherever malafide acts by delinquent officials caused huge losses to the bank. CVOs present here may please keep this in mind while examining CBI reports in future. I will also request the CVOs to send their suggestions on CBI reports and on other issues concerning CBI investigations if any, which we shall examine for appropriate action.

We have to realize that fight against such financial frauds is a joint and coordinated effort of CBI, state police, concerned agencies and Banks, for which we have to work as a team to achieve the common objective.

I am sure that you all will put your heads together to formulate a joint strategy to address the challenges that lie before the Vigilance officers and the investigating agencies.

With these words, I now invite today's Chief Guest Dr. C. Rangarajan to enlighten us with his views on the need for vigilance in Public Sector Banks and Financial Institutions from his vast experience in banking and economic affairs.

Thank you.
