

**SPEECH OF THE DIRECTOR, CBI ON THE OCCASION OF
6th CONFERENCE OF CHIEF VIGILANCE OFFICERS OF PUBLIC SECTOR
BANKS & FINANCIAL INSTITUTIONS AND OFFICERS OF CBI'**

July 17, 2015 at CBI HQ, New Delhi

I extend a very warm welcome to Shri Jayant Sinha, who has very graciously agreed to inaugurate the conference despite arriving late last night from a hectic tour of Ethiopia. Friends, as you know Shri Jayant Sinha's professional and academic credentials in the field of finance and corporate management are world-class. He brings exceptional calibre to the highest echelons of the government and is deeply committed to the building of a truly globally- competitive and progressive India. I am indeed grateful to him that he has taken time to address the sixth conclave of this multi-institutional forum on bank frauds and related issues. I also welcome the delegates to the Conference comprising the CVOs of banks, RBI, Department of Financial Services and also heads of EOWs of metropolitan cities. Their presence today in full strength is a testimony to their partnership with the CBI in devising strategies for detection, reporting and investigation of bank frauds.

Ladies and gentlemen, the Sixth Conference today meets in the backdrop of a rather serious scenario vis a vis bank frauds. The period from 2009-2014 saw a sharp increase in bad loans and advances leading to an alarming rise in non-performing assets (NPAs) across the banking sector. As per the RBI Handbook of Statistics on Indian Economy, the NPAs have grown from around Rupees 45,000 crores in 2009, to more than 2 Lakh 22 thousand crores in 2014. Even in percentage terms, the NPAs have grown from 2% of gross advances in 2009 to more than 3.8% of gross advances in 2014. If we add to the NPAs, the poorly performing restructured loan accounts and other sub-standard assets, the situation becomes even more grim. Even while the NPAs were growing in the last five years, there was under-reporting of frauds for a variety of reasons which is linked to the larger issue of corporate governance in banks. While acknowledging the impact of market dynamics of a globalised economy, we cannot also be oblivious to the deliberate undue accommodation in big ticket lendings. A strict regimen that instils financial discipline and deep-rooted sense of probity percolating down to the lowest rungs in the financial sector, especially Banks and other financial institutions engaged in lendings, is the need of the hour. Probably, this may see a rise in the detection of frauds and bad debts, not to forget the NPAs, that have remained hitherto under the carpet, like the proverbial skeletons tumbling out of the cupboard. While advocating strong action with surgical precision, the imperatives require caution against both, the tendency to bury our heads in sands of time like ostriches and also the eagerness to cry wolf without seeing one. We need not be kind to the mercenaries, at the same time we must also be wary of unleashing terror in the market.

However, the Government has recognised the seriousness of the situation and the Honorable Prime Minister held Gyan Sangam, a workshop with CMDs of banks and all other stakeholders in January this year. CBI also contributed to the Government's assessment of various issues connected with bank frauds. The Government has thereafter come out with a robust framework for timely detection, reporting and investigation of bank fraud cases. RBI has identified 45 early warning signals in loans and advances and has introduced the concept of 'Red Flag Accounts'. The new framework also seeks to incentivize declaration of frauds by banks in order to dissuade the existing tendency to hide frauds. Evergreening of sub-standard assets through restructuring or grant of additional facilities has also been now prohibited.

The consequences of these new initiatives are going to be multiple. On one hand, the number of bank fraud cases, including big-ticket frauds getting registered with the CBI is expected to see a substantial increase, while on the other, there is going to be an increased responsibility on the CVOs of banks to ensure that the complaints filed with CBI are comprehensive and contain a full disclosure of all facts so that the investigations can be concluded expeditiously and the wrong-doers are brought to justice swiftly. This will pose certain new challenges for the CBI as well. The complexities of cases to be investigated would demand a still higher level of domain expertise from the CBI investigators. Sensing this, CBI has already taken steps to augment the capabilities of its investigators and prosecutors. The first batch of 30 CBI Officers will begin training in handling advanced financial crimes from July 27th at IIM Bangalore and a total of 185 officers shall be trained at IIM, Bangalore and National Law School, Bangalore during this year. We are also in the process of setting up a Centralised Technology Vertical to support our investigations in areas of cyber forensics, mobile forensics and forensic fraud examination. The implementation of these measures will further enhance the quality of our investigations. We are grateful to you Sir, for making budgetary provisions for the aforementioned requirements. The increased number of cases may also necessitate opening up of new bank fraud investigation units and we may again request you for your valuable support.

Friends, the Chief Vigilance Officers present here have a very important role to play in the process of detecting and reporting bank frauds. Recognising their key role, the Ministry of Finance has recently designated the CVO as the nodal officer for reporting of frauds over 50 crores. However, the institution of CVOs needs to be further strengthened and suitably empowered to ensure impartial reporting of bank frauds.

Sir, today's conference will brainstorm on the changed scenario vis a vis bank frauds and come out with actionables which will, in due course, build deterrence against bank frauds, improve the financial health of the banking sector and strengthen the economy.

I once again thank you Sir for giving strength to this forum by your presence and look forward to your continued guidance in taking the agenda forward.

Thank you.
