

Minutes of the Annual Zonal /Sectoral review meeting with Chief Executives and CVOs of Banking Sector held on 19.05.2011 in Mumbai.

List of participants is at Annex.

A. Introductory remarks

1. Shri J.M. Garg, Vigilance Commissioner,[VC(G)], highlighted the importance of vigilance administration in banks and indicated that it should not be seen in a negative sense, as effective vigilance administration is very helpful for an organisation . He further expressed concern on delay in finalization of disciplinary cases and laid emphasis on total coordination between Chief Executives and CVOs. He also put emphasis on code of conduct of Board of Directors and stated that it is the responsibility of the Chief Executive to ensure adherence to code of conduct in the organization so that correct messages go down the line. He also advised the participants to implement rotation policy so that vested interests do not develop. While mentioning the importance of CTE's intensive examinations, he viewed that it should also be treated as learning process by banks employees which would be helpful in conducting such inspections on their own.
2. Shri R. Sri Kumar, Vigilance Commissioner, [VC(S)], emphasized on leveraging of technology which is growing fast and in such situation, information sharing is important and organization should focus on up-gradation of technology and responsibility to share information. He further made a presentation on utility and importance of Metrics, Project VIGEYE and online vigilance clearance mechanisms being developed in CVC. While mentioning the significance of vigilance clearance & good vigilance management, he stated that it is an important management tool which ultimately benefits the organization. On funding of infrastructure projects by the Public Sector Banks (PSBs) he stressed that such projects should be monitored regularly to ensure proper outcomes resulted from such huge outlays and assets did not become non productive.
3. Shri Anil Sinha, Additional Secretary,[AS(A)], laid emphasis on risk management and viewed that none of the PSBs have such an effective system. It becomes more important in case of mobile banking as there are 50 crore active mobile connections and in this situation Risk Management has an important role. He also observed that complaints reach the Commission just before the starting of appointment procedure for higher posts and in some cases allegations were found to be valid. On this, he opined that if such complaints were already in the notice of the banks, it should have come to the notice of the Commission earlier.
4. Shri Anil Singhal, CTE made a presentation highlighting the shortcomings of tendering process, online submission of QPR and conducting of CTE type inspections by the CVOs.

B. Organization Specific

1. Bank of India

Shri N. Seshadri, ED, BOI, while highlighting the new initiatives undertaken by the Bank, stated that manuals and procedures are updated regularly and critical nature of works of the bank are monitored on daily basis. CVO, BOI has also prepared a list of daily check list to be gone through by the branch managers. In order to have effective

monitoring of banks frauds, a separate department has been created. VC(S) suggested that in order to keep employees updated on the guidelines issued from time to time, regular training programs/workshop should be organized. Best practices adopted should also be uploaded on the website, so that it could easily reach all concerned.

2. Union Bank of India

Shri M.V. Nair, CMD, UBI emphasized that Vigilance is not seen as a separate wing as the bank receives lots of inputs on Vigilance administration which is beneficial to the organization.

VC(S) while highlighting the benefits of use of technology in banking sector like mobile banking, net banking, core banking etc. indicated that since benefits as well as risk is involved in use of technology, banks must take care and ensure appropriate safety measures well in advance so that losses could be minimized

3. Bank of Baroda

Shri N. S. Srinath, ED, BOB raised a query about format of metrics / parameters.

VC(S) clarified that Metrics as prescribed by the Commission is a flexible format. Organization may amend or set their targets as per the requirements of the organization. Further, the organization at present should grade themselves with the information available and act as per the target set for each activity. He further laid emphasis on proactive and predictive vigilance and elaborated on the same by giving example of road safety where proactive vigilance is like use of education of road user, better road engineering , alertness of enforcement agencies etc. and predictive vigilance was like spreading the message “drink and drive causes accidents” as one could safely predict that accidents were likely when a drunken man is at the wheels. Predictive vigilance, therefore, included the system of designated drivers and use of breathalysers to stop the engine if the air in the vehicle was sensed to have breath of alcohol. He called for innovative steps to predict possible areas of corruption and strategies to stop the same from occurring.

4. Bank of Maharashtra

On a query raised on involvement of CVOs in management functions, AS(A) clarified that CVOs should not become a part of management’s decision making process.

VC(S) asked all participants to prepare for promotion of anti-corruption campaign well in advance i.e. before Vigilance Awareness Week so that last minute rush could be avoided. On benefits of information sharing, he remarked that it is the duty of the CVO investigating big frauds to put such information for all PSBs as a case study so that other banks can adopt appropriate preventive measures.

5. Central Bank of India

Shri S.Sridhar, CMD, Central Bank of India, stated that bank has revised all policy manuals. In order to simplify the complaint lodging process, bank has prescribed on-line complaint system attached with the CMD office. While highlighting the implementation of Commission’s initiatives of leveraging of technology, he informed that all high value transactions are monitored at various levels.

AS(A) suggested that in every IT procurement there are every possible chances for manipulations and care should be taken and system put in place to avoid manipulations.

6. Dena Bank

Shri D.L. Rawal, CMD, stated that bank has introduced system to follow up of action on Audit reports at the level of regional offices.

VC(G) pointed out that take over loans is an area of concern for banks and additional care is required while exercising due diligence for such proposals. He further emphasized on proper training of vigilance officials especially IO/PO.

VC(S) advised that banks should benefit from Vigilance Study Circle (VSC) in upgrading skills of their vigilance functionaries.

7. Reserve Bank of India (RBI)

Commission decided that since functions of RBI are different from other PSBs and it is a regulatory authority, a separate meeting is required with other such authorities including NABARD etc.

8. SIDBI

It was informed that the bank had adopted reverse-auction system and loan application tracking system.

9. Deptt. of Financial Services (DFS)

Shri S.K. Jindal, Director, DFS while highlighting the importance of such meetings indicated that interactions were very helpful which itself prove the importance of organizing such meetings. He further put emphasis on risk management system in PSBs.

C. Concluding Remarks

Shri K.D. Tripathi, Secretary, CVC in his concluding remarks stated that it was a very fruitful discussion. Despite global financial crisis in recent past our PSBs were not much affected. While this is commendable, we need to evolve a comprehensive risk management system in PSB's. He also put emphasis on role of regulatory authorities. He further requested all chief executives for timely processing of requests of sanction for prosecutions and other vigilance matters like investigation of complaints & expedite submission of reports.

The meeting ended with vote of thanks to the Chair and the participants.

Annex.

List of Participants for the meeting on 19.05.2011 (Banking Sector-II):

1. Shri S.K. Jindal , Director(Vig.), D/o Financial Services
2. Shri M.V. Nair, CMD, Union Bank of India
3. Smt. Jyotsna M. Jamkhandi, CVO, Union Bank of India
4. Shri N.S. Srinath, ED, Bank of Baroda
5. Shri Ramdas Shenoy K., CVO, Bank of Baroda
6. Shri B.A. Prabhakar, ED, Bank of India
7. Shri N. Seshadri, ED, Bank of India
8. Shri Milind Mulay, CVO, Bank of India
9. Shri A.S. Bhattacharya, CMD, Bank of Maharashtra
10. Shri Harnagle Dilip Ratiram, CVO, Bank of Maharashtra
11. Shri S. Sridhar, CMD, Central Bank of India
12. Shri Bharat Dave, CVO, Central Bank of India
13. Shri D.L. Rawal, CMD, Dena Bank
14. Shri Ramesh Singh Bora, CVO, Dena Bank
15. Shri B.P. Singh, DMD, IDBI
16. Shri S. Ananthakrishnan, ED, IDBI
17. Shri Ashok Joshi, GM & Jt. CVO, Reserve Bank of India
18. Shri S.K. Mitra, Executive Director, NABARD
19. Shri Sunil Muhnot, CMD, SIDBI
20. Shri Prabhat Agarwal, CVO, SIDBI

Commission's officials:

- i) Shri K.D. Tripathi, Secretary
- ii) Shri Anil Sinha, Addl. Secretary
- iii) Shri Anil Singhal, CTE
- iv) Shri J. Vinod Kumar, OSD
- v) Shri V.K. Nanda, Advisor
- vi) Shri R. Ravichandran, Advisor
- vii) Shri N.K. Jain, Advisor
- viii) Shri Prashant Kumar Singh, Research Officer