

**Minutes of the Annual Zonal/Sectoral Review Meeting with the CMDs/Chief Executives and CVOs of the Banking Sectors held on 24.11.2011.**

Shri Pradeep Kumar, Central Vigilance Commissioner (CVC), chaired the meeting. Shri R. Sri Kumar & Shri J.M. Garg, Vigilance Commissioners also addressed the participants.

List of Participants is at Annex.

**A. Introductory Remarks.**

Central Vigilance Commissioner in his opening remarks observed that despite the global melt-down the Indian Banking System was found to be much healthy and plays a pivotal role in the economic growth. While comparing China and India, he stated that India has a robust Banking System and strong internal audit, Fraud Risk Management in place etc. He stated that vigilance is an aid to the Management and the lead has to come from the top leadership and ethical values need to be inculcated. He said that vigilance has to work in close co-ordination with the Management to realize the goals. He touched on certain areas where Banks have to be more careful, like take over accounts and expressed concern of the practice of transferring the account to some other Bank, despite the transferor bank knowing the problems in that account. He also underlined that integrity issues of Advocates/Valuers/CAs and desired Banks to take necessary steps in this direction. He desired that Banks should maintain healthy credit portfolio, good HR Policies and clearly specify sensitive posts for manning them. He asked Banks to implement ways in spreading vigilance awareness in their respective organizations. He also felt the need of bridging knowledge gaps of employees. He said that in Banking, risk assessment is a part of job and called the Banks to follow suitable strategies to mitigate the risk involved in day to day banking. He referred to the social banking and noted that 87% of Bank branches were in public sector. He desired Banks to contribute their best in the area of Education Loan/Agriculture Loan for development of the Rural Sector with good service and to ensure inclusive growth. CMDs of the Banks were asked to devise a system for effective grievance redressal mechanism, complaint handling & whistle blower policy. He said that leveraging of technology in India Banking Sector should be deeper. E-banking, e-payment should be encouraged. He also felt that the human element in respect of vigilance cases should not be ignored and CVO/CMD should work together to achieve a healthy vigilance system in the Bank. He concluded that human element is most important, therefore Management and Employees must work together to achieve corruption free functioning of Banks.

Shri J.M. Garg, Vigilance Commissioner, [VC(G)] highlighted the present vigilance scenario in Public Sector Banks, preventive vigilance and proactive vigilance. He advised the banks to take vigilance administration more seriously. He said that the slowing down of economy in 2008, still has some contamination left here and there, therefore the Banks may tread cautiously, the road being slippery. However, there should not be any feeling of doom or gloom. He also cautioned the Banks about the realty sector. The Banks may relook at their Risk Management policies, and the risk other than credit and operational risks eg. treasury operations must be looked and dealt with properly. He informed the Banks that ignorance cannot be pleaded for any wrong action. He said that the culture of sign/read/repent should be replaced with read/understand/sign. He emphasized upon the need of good corporate governance including higher compliance level. Good caliber persons should be posted to Inspection/Audit. He said that there is no place for casino banking and desired Banks to keep reviewing their credit and other policies on an ongoing basis. He stressed on participative

vigilance and informed that casualness/indifference has to be stopped. He also desired that Banks should encourage whistle blowers and inculcate amongst employees a habit of collective /participative vigilance. He also cautioned the Banks against frauds, which were found to be increasing. He regretted that even today there are incidences of frauds being perpetuated by sharing of passwords which should be brought to a halt. He also mentioned of frauds in take over loans and mortgage based loans and complaints in OTS/SARFAESI and informed the Banks to be cautious in these areas. He asked Banks to avoid a last minute reference to the Commission and also desired CVOs to have un-biased approach and the CMDs to take action in the interest of vigilance administration in the Bank. He felt that the same will help the CMDs and the CVOs to achieve their objectives.

Shri R. Sri Kumar, Vigilance Commissioner, [VC(S)] in his submission recalled his association with CBI in the year 1985 when he dealt with cases of Banks. He expressed that the vigilance administration in the banks is good. He wanted the CVOs to bring out non-performance of officials as a lapse. He said that with financial sector reforms, both the CEO and the CVO have to work hand in hand, ensure due diligence in consortium leading, KYC norms and support whistle blower policy. He also talked of the initiative taken by the Commission to empower the public by VIGEYE. The CVO, Canara Bank confirmed that all the authorities are now registered with VIGEYE in the Bank, which was appreciated by the VC(S). He desired that banks to be more transparent and ensure accountability. He also underlined the importance of inclusive growth. He felt that the financial sector reforms require more importance. He insisted that technology based product e.g. Mobile banking and internet banking will help the banks in a long way in this respect. He however, cautioned the Banks about the computer softwares and desired banks to obtain a third party certificate, which will be beneficial to the Banks. VC(S) also underlined the importance of due diligence. He talked of commercial interests while taking a decision and said that the Commission was not against commercial interests of the bank, but the decision must cater to the public interest and not to the vested interests of anyone.

Shri Anil Sinha, Additional Secretary in his submission stated that in CBI prosecution sanctions requests matters being delayed by the Banks & informed that joint meeting should be the course of action in the matters where there is difference of opinion. He also touched upon the delay in references and the lack of proper analysis, role/responsibility of each official at Branch/Admn. offices. He stated that vigilance should be pursued in a judicious manner. He also stressed that CVC is not against commercial interests, but it should be for the intend of the bank and not individual's interests.

## **B. Organisation specific:-**

### **1. Canara Bank**

Shri S. Raman, CMD, Canara Bank in his submissions highlighted the efficiencies of the Bank in handling business. He said that initially he felt the morale of the staff was low, no recruitment for the last 20 years, lack of leadership and critical postings being offered to a few. Also the system did not give justice to the outstanding people like they were working in area like credit for many years and were proceeded with for even one mistake in their entire career. He however, mentioned that for sharing of passwords strict punishment is being given in his Bank. He also expressed the need for giving additional exposure for recovery and that is not an easy option and may put the officer and the Bank to risk. Concluding his

presentation, he noted that the morale of the staff was increasing now as 70% of the units are vibrant and people are willing to take decisions.

Smt. Bhanu Raman, CVO Canara Bank informed that the number of vigilance cases has been substantially reduced from 852 to 126 cases. With reference to diverse views of the DA and the CVO, the CVC clarified that the Commission would moderate while tendering advices. CVO also informed that the matrix to measure vigilance awareness is a good step.

## **2. Syndicate Bank**

Shri Basant Seth, CMD, Syndicate Bank stated about sudden spurt of disciplinary cases. He suggested forming of External Advisory Committee comprising of a Retired Judge and Bankers for dealing with OTS cases, as well as in view of IAC. On the suggestion of External Advisory Committee, AS(A) expressed, that if internal capacity is suitably built, external expertise is not required. VC(G) also stated that the idea of External Advisory Committee is not good. Instead, GMs and members of such committees should be such who have experience of dealing with vigilance/disciplinary/OTS matters, CVC also advised that such a committee may not be much help and noted that suggestion seems to be aimed shifting responsibility/accountability. CMD, Canara Bank also informed of preventive vigilance and capacity building for DAs, IOs, POs, CVOs etc., dealing with vigilance/disciplinary matters and gave a suggestion for having common detailed format of interbank credit reports on borrowers to deal with the situations where private sector banks detect early warning signals better and get such accounts transferred to nationalized banks. He suggested evolving some accountability standards for rating agencies.

Shri P.K.C. Herle, CVO also highlighted reduction in number of pending vigilance cases. He advised that 100% of business is now under CBS which has been customized so that debits of more than Rs. 1000/- will allowed directly in GL/SGL heads. He suggested placement of full time CVO, because in his absence, part time CVO is unable to decide about 80 out of 238 pending cases without consulting Commission.

## **3. Indian Overseas Bank (IOB)**

Shri M. Narendra, CMD, IOB highlighted various initiatives taken, which were yielding good results. He further stated that a credit audit at an interval of one year, by an independent CA Firm, has been started by the Bank for each account having an exposure of Rs. 25 crores and above. He also stated of the loan review mechanism of accounts above Rs. 50 lacs, where data from CBS are taken directly and it helped in detecting deficiency in documents. The CA also interacted with the borrower which has helped in verifying his given address. With a view to stop sharing of pass words, the CMD informed that bio-metric passwords have been assigned to all the functionaries. The Commission appreciated the same and desired that all the Banks also to consider having it. The Commission also advised the Director (Vigilance), DFS to circulate the same amongst various banks. The CMD also talked about preventive vigilance, revising suitably the Proforma of Regional Manager's visit report, software for detecting frauds, independent data mining etc.

Shri Anil Bhatnagar, CVO, IOB talked of improving the report Proforma for investigation. He said that the Bank is prevailing upon its customers also to use e-payments and submitted that Bank has covered 100% customers under SMS alerts.

#### **4. Corporation Bank**

Shri Ajai Kumar, CMD, Corporation Bank submitted that Preventive Vigilance meeting is held in every branch of the Bank every month, toll free number is also available directly to CVO which requires to be popularized. CVC suggested that knowledge sharing is very essential and all Banks should share their experiences with other banks to improve its efficiency.

#### **5. United Bank of India**

Shri Bhasker Sen, CMD, United Bank of India, expressed that CBS has been implemented fully and restructuring initiatives are being taken which are expected to be completed in next one year. He said that operational risk management committee has been formed in the Bank, which discusses housing loans related frauds, and does 100% verification of all such housing loans. He said that risk officers have been posted in all the regions. He said that scrolling has been reintroduced in the bank with a view to tackle the frauds relating to cash.

Shri M. Sekhar, CVO, United Bank of India stated that vigilance newsletter is being published in the bank in simple language giving details of frauds. CVO advised that preventive vigilance is being given trust in the bank and all the training programs have a session on preventive vigilance. The CVO also brought to the notice of the Commission that in Assam most of the people do not have either a passport or a driving license and a voter ID and in absence of which, KYC is a problem. The CVC asked the CVO to analyze the issue further.

#### **6. Indian Bank**

Shri T.M. Bhasin, CMD, Indian Bank in his submission on preventive vigilance advised that all the regional and zonal officers have a vigilance department. He advised that the net NPA of the bank is just 0.06%. He talked of forensic audit of the CBS system and said that out of 43 parameters, 36 have been already covered. He further stated that offsite inspection which involved 75% work to be done without visiting the branch.

Shri M.D. Kamath, CVO, Indian Bank submitted that vigilance cases have been reduced substantially and there is no case of prosecution is pending with the bank for sanction.

#### **7. Allahabad Bank**

Shri J.P. Dua, CMD, Allahabad Bank informed of the complaints received handling mechanism and the method to redress the complaints was appreciated by the CVC. CMD stated that 70% cases are of fake title deeds and they have now conducted 100% verification of title deeds. CVO suggested Settlement Advisory Committee to be headed by High Court Judge (Retd) and one outsider.

#### **8. Vijaya Bank**

Shri H.S. Upendra Kamath, CMD, Vijaya Bank stated about compliance and also updation of Manuals. CVO stressed upon training and also quoted reference of CBI, not registering a

case. CVC desired that the issue be sent to the Commission and advised to liquidate the pendencies by 31/03/2012.

## **9. Andhra Bank**

Shri R. Ramachandran, CMD, Andhra Bank spoke about fraud in agricultural lendings, fake pattadar passbook which are state centric issues. To address these matters, it was suggested that, software based module and computerization of patta may be made available for avoidance as advised by VC(G), and this issue be taken up in SLBC meeting. Shri V. Sivasri, CVO, Andhra Bank spoke about the structured format, NPA accountability study etc.

## **10. UCO Bank**

Shri S. Chandrasekharan, ED, UCO Bank stated that most of the credit has become top driven as LCB. Retail, MCB, SME hubs have been created. As preventive vigilance exercise appraisal and working teams have been isolated, sessions are devoted on the subject during training programs, job rotation is strictly ensured. UCO Bank does not encourage takeovers, and vigilance awareness quarterly magazine of case studies is published for internal education regularly.

Shri R.S. Chaudhuri, CVO, UCO bank informed that IAC's have regular meetings, vigilance department has been restructured by assigning separate and exclusive teams to handle FSA and SSA cases respectively. No prosecution sanction is pending, quarterly structured meetings are held on vigilance matters and investigations have been decentralized as measures of preventive vigilance. He however expressed concerned on lack of CBS/IT skills amongst larger population of staff resulting into password sharing being common, inspite of Bank arranging to depute large number of employees for CBS/IT training programs.

## **C. Conclusion Remarks**

In his concluding remarks VC(G) exhorted Banks to ensure speedy transition towards cashless banking/society by enabling e-payments extensively across all segments of customers. Shri K.D. Tripathi, Secretary stated that only about 1% of bank executives are under CVC's jurisdiction and for the remaining officials also, banks should put in place effective vigilance administration system so that guilty are not spared and innocent bona-fide workers are not inconvenienced. CVC expressed his satisfaction in gaining and gathering a lot of useful inputs out of the deliberations.

Meeting ended with a vote of thanks to the Chair.

**List of Participants (CEOs & CVOs) for the meeting on 24.11.2011:**

1. Shri S.K. Jindal, Director (Vigilance), D/o Financial Services
2. Shri S. Raman, CMD, Canara Bank
3. Smt. Bhanu Raman, CVO, Canara Bank
4. Shri Ajai Kumar, CMD, Corporation Bank
5. Shri K.R. Shenoy, CVO, Corporation Bank
6. Shri M. Narendra, CMD, Indian Overseas Bank
7. Shri Anil Bhatnagar, CVO, Indian Overseas Bank
8. Shri T.M. Bhasin, CMD, Indian Bank
9. Shri M.D. Kamath, CVO, Indian Bank
10. Shri Basant Seth, CMD, Syndicate Bank
11. Shri P.K.C. Herle, CVO, Syndicate Bank
12. Shri H.S. Upendra Kamath, CMD, Vijaya Bank
13. Shri C.R. Chandramouli, CVO, Vijaya Bank
14. Shri J.P. Dua, CMD, Allahabad Bank
15. Shri Debashish Sarkar, CVO, Allahabad Bank
16. Shri S. Chandsekar, ED, UCO Bank
17. Shri R.S. Chaudhuri, CVO, UCO Bank
18. Shri Bhaskar Sen, CMD, United Bank of India
19. Shri M. Sekhar, CVO, United Bank of India
20. Shri R. Ramachandran, CMD, Andhra Bank
21. Shri V. Sivasri, CVO, Andhra Bank

**Central Vigilance Commission:-**

1. Shri K.D. Tripathi, Secretary
2. Shri Anil Sinha, Addl. Secretary
3. Shri Anil Singhal, CTE
4. Shri K. Subramaniam, Director
5. Shri J. Vinod Kumar, OSD
6. Shri S.N. Munshi, Advisor
7. Shri P.K. Malhotra, Advisor
8. Shri N.K. Jain, Advisor