Article

New registry and revised framework to monitor frauds

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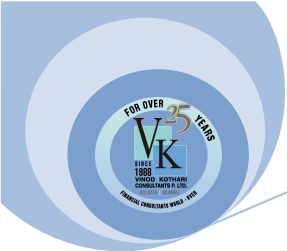finserv@vinodkothari.com

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Preface

The RBI chief, in his fourth bi-monthly monetary policy statement of 2014-15[1], had announced the formation of a central registry for creating a digitally searchable database for use by banks. It is in pursuant to this, the RBI announced, vide a notification (Notification), the formation of a central registry by the name of Central Fraud Registry (Registry) on 21st January, 2016[2], and the same has been made operational.

Vide the said Notification, the central bank, has also made some amendments to the existing framework for monitoring and reporting of frauds and this write up is intended to cover the same.

Applicability of the framework

The said Notification has been addressed to Scheduled Commercial Banks (excluding RRBs), Local Area Banks and Select Financial Institutions. While the first two are understandable, but a lot of questions arises when we see the third one. The term "Select Financial Institution" has not been defined anywhere in the Notification.
Currently, the fraud reporting framework applies even to non banking financial companies, therefore; ideally the same should have been made applicable to them as well. However, due to lack of clarity on the definition, it is not clear whether the revised framework will applicable for NBFCs as well.

Limits for fraud reporting

The Notification has made changes in the limits prescribed for fraud reporting and the various authorities for dealing with them, the same has been presented in a tabularised form below:

Amount involved in Fraud	Reporting manner/ reporting authority	
	Old framework	Revised framework
Upto Rs. 1 lac	Statistical data in respect of such frauds should be submitted to RBI in a quarterly statement	Statistical data in respect of such frauds should be submitted to RBI in a quarterly statement
Rs. 1 lac - Rs. 25 lacs	Regional Office of Department of Cooperative Bank Supervision of Reserve Bank of India, under whose jurisdiction the Head Office of the bank falls	Regional Office of RBI under whose jurisdiction the Head Office of the bank falls / Senior Supervisory Manager (SSM) of the bank.
Rs. 25 lacs – Rs. 5 crores	Central Frauds Monitoring Cell, Department of Banking Supervision, Reserve Bank of India	Regional Office of RBI under whose jurisdiction the Head Office of the bank falls / Senior Supervisory Manager (SSM) of the bank.

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[1] https://rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=32197 – Para 22
[2] https://rbi.org.in/Scripts/NotificationUser.aspx?Id=10235&Mode=0
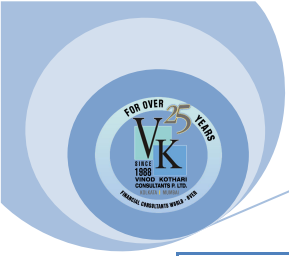
Rs. 5 crores and above	Central Frauds Monitoring Cell, Department of Banking Supervision, Reserve Bank of India	Central Frauds Monitoring Cell, Department of Banking Supervision, Reserve Bank of India

Manner of reporting

The Notification also states that the banks/FIs need not send the hard copies of the FMR-1 returns, instead a monthly certificate should be submitted to the effect that soft copy of all the frauds of Rs. 1 lac and above has been sent to email.

The certificate however should contain the following:

a. Serially the fraud number;
b. Name of the party;
c. Amount involved; and
d. The date of sending the soft copy to RBI.

The certificate may be sent to CFMC, Bengaluru with a copy to the respective Regional Office of RBI under whose jurisdiction the Head Office of the bank falls /SSM of the bank, within seven days from the end of the month.
The manner of filing the rest of the returns under the existing framework shall remain the same as before.

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