

# **SPEECH OF DIRECTOR, CBI SHRI ANIL SINHA AT THE INAUGURAL SESSION OF THE 7<sup>TH</sup> CONFERENCE OF CBI AND IBA**

**( MARCH 2, 20016 AT MUMBAI )**

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Hon'ble Chief Minister of Maharashtra, Shri Devendra Fadnavis Ji, Shri Ashwani Kumar, Chairman and MD, Dena Bank and also Chairman of Indian Bank Association, Smt. Arundhati Bhattacharya, Chairperson & MD, State Bank of India and also Dy. Chairperson of Indian Bank Association, Shri Y. C. Modi, Addl. Director, CBI, CMDs and distinguished representatives from different Banks, SEBI, NABARD, various other Financial Institutions, my colleagues from CBI, friends from Media, ladies and gentlemen.

At the very outset, I would like to welcome Shri Devendra Fadnavis, Hon'ble Chief Minister of Maharashtra to this 7<sup>th</sup> Conference of CBI with Banks and Financial Institutions. Sir, your ready acceptance to our invitation is a testimony to the importance you accord to the issue of combating Bank frauds and financial crimes.

I welcome the CMDs of different banks in this forum. They collectively represent the biggest banks of our country which act as the prime movers of the national economy. On one hand, they contribute to the capital formation and promotion of industries and on the other hand, through priority sector lending, participate in promoting equitable development. I also extend my greetings to the representatives of RBI, SEBI, NABARD and Insurance Companies.

CBI has been organizing an Annual Conference of its officers with Chief Vigilance Officers of Public Sector Banks and Financial Institutions to improve coordination between CBI and the banks for timely detection, reporting and investigation of frauds. However, it was felt necessary to raise the scope and level of deliberations. It is with this objective that I proposed that the CBI co-host this conference with the Indian Banks' Association by inviting not only the Heads of Public Sector Banks but also Private banks, foreign banks, cooperative banks and insurance companies and also representatives from the Regulatory Agencies namely Reserve Bank India, Securities & Exchange Board of India and NABARD.

Sir, hitherto this Annual Conference was organized in Delhi. However, we proposed to IBA to have this Conference in Mumbai, the financial capital of the country. It has also been envisioned by the Hon'ble CM to set up an International Financial Services Centre in Bandra-Kurla Complex. Yesterday, almost all the branches of CBI in Mumbai have moved to a new integrated Office Building in BKC, right in the heart of financial hub. It is a signal of our commitment to strengthen our presence and impact in Mumbai and the region.

Friends, this conference is being held at a crucial juncture. The trends in banking sector have indicated alarming increase in levels of NPA as also funds involved in frauds.

During the last six years, gross NPAs in PSBs have gone up from Rs. 44,957 crores into 2009 to Rs. 3 lakhs crores in 2015. The level of gross NPAs as percentage of gross advances has also gone up from 2% in 2009 to 4.36% in 2015. And we are not even considering huge amounts tied up in accounts under restructuring. There is also a rise in quantum of high value frauds in Borrower accounts, especially those pertaining to periods from 2008 to 2012. There is also rising trend in case of bank frauds and financial crimes taken up by the CBI. CBI investigated 171 cases of bank frauds in the year 2015 involving funds of Rs. 20,646 crores. In addition, CBI is also investigating the Ponzi schemes involving funds of over Rs. One Lac Twenty Thousand Crores.

The crisis in the banking and financial system runs deep and there is a growing sense of anguish among the public that while banks are strict on retail borrowers, the big borrowers and large scale fraudsters are able to not only evade the law but enjoy the fruits of crime.

Something is indeed seriously wrong. While I fully understand that loan defaults can happen due to business risk & reasons beyond control of Banks, borrowers & regulators yet a significant part of the defaults are willful & fraudulent. What causes greater concern is that a major part of the NPAs & frauds are in large value accounts. Added to this is the unduly slow & long process by which such loans & advances are red flagged, declared NPAs, then as willful defaulters & finally as fraudulent. This whole process is so time consuming that it allows such large borrowers ample time to walk away with the funds. A large part of such funds move outside the country to tax havens through Hawala & other unofficial channels. As a result of these limitations, investigations by CBI are grossly hampered. The accountability mechanisms in Banks & Financial Institutions are weak & diffused. In the end, no one seems accountable. The message to the public is that rich & powerful are able to avoid consequences of cheating & fraud, while the ordinary citizens are promptly booked. This undermines faith of people in rule of law which has dangerous consequences in democracy. Let me give two instances to make the point. CBI has recently registered a case of cheating & fraud against Kingfisher & its erstwhile Management involving allegations of defrauding Banks to the tune of nearly Rs 7000 Crores. This case was registered in July 2015, but the loans/advances were taken during 2004 to 2012. However, despite our repeated requests, the Banks did not file a complaint with CBI. We had to register the case on our own initiative. I recently read a newspaper report that now one of the Banks has declared it as a willful default. The question is that the undue delay in identifying & reporting such a fraud has jeopardized the cause of justice to the offenders benefit giving them opportunity to divert funds and destroy evidence. All of us must ponder over this issue.

The second case relates to PACL Group which has reportedly collected over Rs.51000/- crores of illegal deposits from nearly 5.5 crores investors spread across nearly all states. It needed the Hon'ble Supreme Court to step in to order investigations & later order return of money to the depositors under its supervision. Should not the regulator have suo moto stepped in proactively to protect the rights of 5.5 crores ordinary depositors?

The recent intervention of Hon'ble Supreme Court of India regarding the financial indiscipline in large borrower accounts has also to be seen in the above context.

These challenges make today's deliberations crucial. Time has come to rethink and re-devise strategies so that on one hand Banks & Financial Institutions work fearlessly to power the economy towards growth but at the same time, fix the fraudsters & public officials who collude with such cheats. The issue of delay in identifying & reporting frauds, allowing borrowers to siphon off funds before investigations is are taken up needs serious thought. The monitoring of end use of funds, especially in large value accounts needs a re-look to check diversion of funds for non sanctioned purposes. Today Banking channels are being used to commit a wide variety of financial crimes as was revealed in the recent Bank of Baroda scam. The legislative & regulatory gaps in States & the Centre allowing ponzi schemes to prosper & cheat millions needs our attention too. Such schemes are exploiting the absence of Banking in remote areas of the country & targeting the lowest economic group of the society. The poor particularly women are a major target of a ponzi schemes.

Friends, I would like to conclude by emphasizing the need for all of us to pool in our resources and expertise to deal with increasing instances of complex Bank Frauds & financial crimes. We must realize that these crimes strike at the very root of our economy and weaken the faith of public in the banking system & governance. It is my firm expectation that during our day long interaction we are able to resolve to work with a unity of purpose and send a clear message of our commitment to fix accountability for the menace of bank frauds & financial crimes.

I thank the IBA for taking a keen interest to co-host this conference and once again extend a very warm welcome to our Chief Guest – Hon'ble Chief Minister of Maharashtra, Shri Devendra Fadnavis.

Thank you. Jai Hind.

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