

RBI TO CONSTITUTE EXPERT COMMITTEE TO MITIGATE THE INCIDENCE OF DIVERGENCE AND FRAUDS: IMPACT OF PNB SCAM

RBI, as part of its ongoing efforts for strengthening of the supervisory framework in the country, has been issuing necessary instructions to banks from time to time on a variety of issues of prudential supervisory concern, including the management of operational risks inherent in the functioning of banks. With the recent PNB Scam the move has seen a further major step by the RBI in this direction.

RBI has set up a five-member panel under former Board member, Y H Malegam to look into the reasons for wide divergence by banks in asset classification and provisioning by banks and measures to prevent frauds.

The members of the committee are Bharat Doshi, member, Central Board of Directors, RBI; S Raman, former chairman and managing director, Canara Bank and former whole-time member, Securities and Exchange Board of India; and Nandkumar Saravade, chief executive officer, Reserve Bank Information Technology Pvt Ltd (ReBIT). A K Misra, executive director, RBI will be the member-secretary of the committee.

The committee also has to suggest steps needed to prevent the divergence, factors leading to an increasing incidence of frauds in banks and the measures (including IT interventions) needed to curb and prevent it and the role and effectiveness of various types of audits conducted in banks in mitigating the incidence of such divergence and frauds.