



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA

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July 15, 2024

The Chairman / Managing Director / Chief Executive Officer  
All Commercial Banks (including Regional Rural Banks)  
All India Financial Institutions (AIFIs)<sup>1</sup>

Madam / Dear Sir,

**Master Directions on Fraud Risk Management in Commercial Banks (including Regional Rural Banks) and All India Financial Institutions**

Please find enclosed as [Annex](#) 'Reserve Bank of India (Fraud Risk Management in Commercial Banks (including Regional Rural Banks) and All India Financial Institutions) Directions, 2024' issued in exercise of the powers conferred under Chapter III-A and Chapter III-B of the Reserve Bank of India Act, 1934, and Section 21 and Section 35A of the Banking Regulation Act, 1949. These Directions shall supersede the earlier Directions on the subject, namely, the [Reserve Bank of India \(Frauds - Classification and Reporting by commercial banks and select FIs\) Directions 2016 \(Ref.DBS.CO.CFMC.BC.No.1/23.04.001/2016-17\) dated July 01, 2016](#) (Updated as on July 03, 2017).

Yours faithfully

(Rajnish Kumar)  
Chief General Manager

Encl.: as above

<sup>1</sup> Export-Import Bank of India ('Exim Bank'), National Bank for Agriculture and Rural Development ('NABARD'), National Bank for Financing Infrastructure and Development ('NaBFID'), National Housing Bank ('NHB') and Small Industries Development Bank of India ('SIDBI').

**Master Directions (MD) on Fraud Risk Management in Commercial Banks  
(including Regional Rural Banks) and All India Financial Institutions (AIFIs)**

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## INTRODUCTION

In exercise of the powers conferred under Chapter III-A and Chapter III-B of the Reserve Bank of India Act, 1934, and Section 21 and Section 35-A of the Banking Regulation Act, 1949, the Reserve Bank of India being satisfied that it is necessary and expedient in the public interest and in the interest of banking policy to do so, hereby, issues the Directions hereinafter specified.

## CHAPTER I

### 1.1 Short Title and Commencement

These Directions shall be called the Reserve Bank of India (Fraud Risk Management in Commercial Banks (including Regional Rural Banks) and All India Financial Institutions) Directions, 2024.

### 1.2 Applicability

The provisions of these Directions shall, unless otherwise provided, apply to:

1.2.1 All banking companies [including banks incorporated outside India licensed to operate in India (foreign banks), Local Area Banks (LABs), Small Finance Banks (SFBs), Payments Banks (PBs)], Corresponding New Banks<sup>1</sup>, Regional Rural Banks (RRBs) and State Bank of India as defined under sub-sections (c), (da), (ja) and (nc) of Section 5 of the Banking Regulation Act, 1949 respectively (collectively referred to as 'Commercial Banks'); and

1.2.2 Export-Import Bank of India ('Exim Bank'), National Bank for Agriculture and Rural Development ('NABARD'), National Bank for Financing Infrastructure and Development ('NaBFID'), National Housing Bank ('NHB') and Small Industries Development Bank of India ('SIDBI') as established by the Export-Import Bank of India Act, 1981; the National Bank for Agriculture and Rural Development Act, 1981; the National Bank for Financing Infrastructure and Development Act, 2021; National Housing Bank Act, 1987 and the Small Industries Development Bank of India Act, 1989, respectively (hereinafter referred to as 'All India Financial Institutions or 'AIFIs'.

1.2.3 The Commercial Banks and AIFIs shall hereinafter collectively be referred to as 'banks' for the purpose of these Directions.

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<sup>1</sup> Nationalised Banks under Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970 /80.

### 1.3 Purpose

These Directions are issued with a view to providing a framework to banks for prevention, early detection and timely reporting of incidents of fraud to Law Enforcement Agencies (LEAs), Reserve Bank of India (RBI) and NABARD<sup>2</sup> and dissemination of information by RBI and matters connected therewith or incidental thereto.

## CHAPTER II

### 2.1 Governance Structure in banks for Fraud Risk Management

2.1.1 There shall be a Board<sup>3</sup> approved Policy<sup>4</sup> on fraud risk management delineating roles and responsibilities of Board / Board Committees and Senior Management of the bank. The Policy shall also incorporate measures for ensuring compliance with principles of natural justice<sup>5</sup> in a time-bound manner which at a minimum shall include:

2.1.1.1 Issuance of a detailed Show Cause Notice (SCN) to the Persons<sup>6</sup>, Entities and its Promoters / Whole-time and Executive Directors against whom allegation of fraud is being examined<sup>7</sup>. The SCN shall provide complete details of transactions / actions / events basis which declaration and reporting of a fraud is being contemplated under these Directions.

2.1.1.2 A reasonable time of not less than 21 days shall be provided to the Persons / Entities on whom the SCN was served to respond to the said SCN.

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<sup>2</sup> RRBs shall report the incidents of fraud to NABARD as hitherto.

<sup>3</sup> Board of Directors for domestic banks and Local Advisory Board in the case of foreign banks operating in India.

<sup>4</sup> The policy shall *inter alia* contain measures towards prevention, early detection, investigation, staff accountability, monitoring, recovery and reporting of frauds.

<sup>5</sup> Please refer to the judgement of the Hon'ble Supreme Court dated March 27, 2023 on Civil Appeal No.7300 of 2022 in the matter of State Bank of India & Ors Vs. Rajesh Agarwal & Ors. and connected matters, read with the Order dated May 12, 2023 passed by the Hon'ble Supreme Court in Misc. Application. No.810 of 2023, specifically in relation to serving a notice, giving an opportunity to submit a representation before classifying Persons / Entities as fraud and passing a reasoned order. The orders of the Hon'ble High Court of Bombay dated August 7, 2023 in Writ Petition (L) No. 20751 of 2023 and the Hon'ble High Court of Gujarat dated August 31, 2023 in Special Civil Application No. 12000 of 2021 and connected matters shall be referred to.

<sup>6</sup> Including Third Party Service Providers and Professionals such as architects, valuers, chartered accountants, advocates, etc.

<sup>7</sup> As non-whole-time directors (like nominee directors and independent directors) are normally not in charge of, or responsible to the company for the conduct of business of the company, banks may take this into consideration before proceeding against such directors under these Directions.

2.1.1.3. Banks shall have a well laid out system for issuance of SCN and examination of the responses / submissions made by the Persons / Entities prior to declaring such Persons / Entities as fraudulent.

2.1.1.4 A reasoned Order shall be served on the Persons / Entities conveying the decision of the bank regarding declaration / classification of the account as fraud or otherwise. Such Order(s) must contain relevant facts / circumstances relied upon, the submission made against the SCN and the reasons for classification as fraud or otherwise.

2.1.2 The Fraud Risk Management Policy shall be reviewed by the Board at least once in three years, or more frequently, as may be prescribed by the Board.

**2.1.3 Special Committee of the Board for Monitoring and Follow-up of cases of Frauds:**

2.1.3.1 Banks shall constitute a Committee of the Board to be known as 'Special Committee of the Board for Monitoring and Follow-up of cases of Frauds' (SCBMF) with a minimum of three members of the Board, consisting of a whole-time director and a minimum of two independent directors / non-executive directors. The Committee shall be headed by one of the independent directors / non-executive directors.

2.1.3.2 SCBMF shall oversee the effectiveness of the fraud risk management in the bank. SCBMF shall review and monitor cases of frauds, including root cause analysis, and suggest mitigating measures for strengthening the internal controls, risk management framework and minimising the incidence of frauds. The coverage<sup>8</sup> and periodicity of such reviews shall be decided by the Board of the bank.

2.1.4 The Senior Management shall be responsible for implementation of the fraud risk management policy approved by the Board of the bank. A periodic review of incidents of fraud shall also be placed before Board / Audit Committee of Board (ACB), as appropriate, by the Senior Management of the bank.

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<sup>8</sup> The coverage may include, among others, categories/trends of frauds, industry/sectoral/ geographical concentration of frauds, delay in detection/classification of frauds and delay in examination/conclusion of staff accountability, etc.

2.1.5 Banks shall put in place a transparent mechanism to ensure that Whistle Blower complaints on possible fraud cases / suspicious activities in account(s) are examined and concluded appropriately under their Whistle Blower Policy.

2.2 Banks shall set-up an appropriate organisational structure for institutionalisation of fraud risk management<sup>9</sup> within their overall risk management functions / Department. A senior official in the rank of at least a General Manager or equivalent shall be responsible for monitoring and reporting of frauds.

### **CHAPTER III**

## **3. Early Detection of Frauds – Framework for Early Warning Signals (EWS) and Red Flagging of Accounts (RFA)**

### **3.1 Governance Structure**

3.1.1 Banks shall have a framework for Early Warning Signals (EWS) and Red Flagging of Accounts (RFA) under the overall Fraud Risk Management Policy approved by the Board. A Red Flagged Account is one where suspicion of fraudulent activity is thrown up by the presence of one or more EWS indicators, alerting / triggering deeper investigation from potential fraud angle and initiating preventive measures by the banks.

3.1.2 The Risk Management Committee of the Board (RMCB) shall oversee the effectiveness of the framework for EWS and RFA. The Senior Management shall be responsible for implementation of a robust Framework for EWS and RFA within the bank.

3.1.3 The EWS indicators identified for monitoring credit facilities / loan accounts and other banking transactions shall be approved by the RMCB. Appropriate Turnaround Time (TAT), preferably not more than 30 days, for examination of EWS alerts / triggers shall be prescribed by the RMCB.

3.1.4 RMCB shall review the status of red flagged accounts, including the EWS alerts / triggers, remedial actions initiated by the bank, etc. at periodic intervals as approved by the Board.

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<sup>9</sup> i.e. prevention, early detection, investigation, staff accountability, monitoring, recovery, analysis and reporting of frauds, etc. and other related aspects under the Board approved Policy.

3.1.5 The EWS / RFA framework shall be subject to suitable validation in accordance with the directions of RMCB so as to ensure its integrity, robustness and consistency of the outcomes.

**3.2 The EWS / RFA Framework** shall provide for, among others:

(i) A system of robust EWS which is integrated with Core Banking Solution (CBS) or other operational systems; (ii) Initiation of remedial action on alerts / triggers from EWS System in a timely manner; (iii) Periodic review of credit sanction and monitoring processes, internal controls and systems; and (iv) Effective use of Central Repository of Information on Large Credits (CRILC) database and the Central Fraud Registry (CFR)<sup>10</sup>.

**3.3 EWS / RFA Framework for Credit Facilities / Loan Accounts**

3.3.1 *Development of EWS System:* The EWS system shall be comprehensive and designed to include both the quantitative and qualitative indicators to make the framework robust and effective. The broad indicators which the EWS system may illustratively capture could be based on the transactional data of accounts, financial performance of borrowers, market intelligence, conduct of the borrowers, etc.

3.3.2 *Data Analytics and Market Intelligence (MI) Unit:* Banks shall set up a dedicated Data Analytics and MI Unit keeping in view their size, complexity, business mix, risk profile, etc. Such Unit shall facilitate collection and processing of relevant information to enable an early detection and prevention of potentially fraudulent activities.

3.3.3 Generation of EWS alert(s) / trigger(s) shall necessitate examination whether the account needs to be red flagged and consequently, investigation from potential fraud angle.

3.3.4 An account meeting the CRILC reporting threshold<sup>11</sup> by the reporting entity, once red flagged, shall be reported to the Reserve Bank within seven days of being red flagged.

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<sup>10</sup> CRILC and CFR not applicable to RRBs.

<sup>11</sup> Aggregate fund-based and non-fund-based exposure of ₹3 crore and above for reporting red-flagged accounts / frauds.

### **3.4 EWS Framework for other banking / non-credit related transactions<sup>12</sup>**

3.4.1 Banks shall develop / strengthen their EWS system by identifying suitable indicators and parameterising them in their EWS system for monitoring other banking / non-credit related transactions. Banks shall strive to continuously upgrade the EWS system for enhancing its integrity and robustness, monitor other banking / non-credit related transactions efficiently and prevent fraudulent activities through the banking channel. Further, the effectiveness of EWS system shall be tested periodically.

3.4.2 The design and specification of EWS system shall be robust and resilient to ensure that integrity of system is maintained, personal and financial data of customers are secure and transaction monitoring for prevention / detection of potential fraud is on real-time basis<sup>13</sup>. Banks shall remain vigilant in monitoring transactions / unusual activities, specifically in the non-KYC compliant and money mule accounts etc., to contain unauthorised / fraudulent transactions and to prevent misuse of banking channel.

3.4.3 The Data Analytics & MI Unit or other dedicated analytics set up in banks shall extensively monitor and analyse other banking / non-credit related transactions, more specifically the transactions through digital platforms and applications, in order to identify unusual patterns and activities which could alert the bank timely in initiating appropriate measures towards prevention of fraudulent activities.

3.5 Banks shall put in place / suitably upgrade their existing EWS system within six months from the date of issuance of these Directions.

## **CHAPTER IV**

### **4. Credit facility / Loan account classified as Red-flagged Account and Reporting of Fraud**

4.1 In case of a credit facility / loan account classified as red-flagged account, banks shall use an external audit<sup>14</sup> or an internal audit as per their Board approved Policy, for further investigation in such accounts.

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<sup>12</sup> i.e., other than those transactions covered under Para 3.3.

<sup>13</sup> or with a minimum time lag without compromising the effectiveness of the outcome of EWS system in prevention / detection of potential frauds.

<sup>14</sup> Auditors who are qualified to conduct audit under relevant statutes.



4.1.1 Banks shall frame a policy on engagement of external auditors covering aspects such as due diligence, competency and track record of the auditors, among others. Further, the contractual agreement with the auditors shall, *inter alia*, contain suitable clauses on timeline for completion of the audit and submission of audit report to the bank within a specified time limit, as approved by the Board.

4.1.2 The loan agreement with the borrower shall contain clauses for conduct of such audit at the behest of lender(s) consequent upon red flagging of the account. In cases where the audit report submitted remains inconclusive or is delayed due to non-cooperation by the borrower, banks shall conclude on status of the account as a fraud or otherwise based on the material available on their record and their own internal investigation / assessment in such cases<sup>15</sup>.

4.1.3 The decision to classify any account, either standard or NPA, as a red-flagged account shall be at the individual bank level and such bank(s) shall report the status of the account on the Reserve Bank's CRILC platform<sup>16</sup> immediately (not later than seven days from date of classification as red-flagged account).

4.1.4 The bank (in case of sole lending) or the individual banks (in case of multiple banking arrangement or consortium lending) shall ensure that the principles of natural justice<sup>17</sup> are strictly adhered to before classifying / declaring an account as fraud.

4.1.5 Once an account has been red-flagged, the entire process of classification of the account as fraud or removal of red-flagged status shall ordinarily be completed within 180 days from the date of first reporting of the account as red-flagged on the CRILC platform. Cases remaining in red-flagged status beyond

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<sup>15</sup> Banks shall ensure that principles of natural justice are strictly adhered to before classifying / declaring an account as fraud (Please refer to Para 2.1.1 *ibid*).

<sup>16</sup> Central Repository of Information on Large Credits ([Circular ref No. RBI/2013-14/601 DBS.OSMOS.No.14703/33.01.001/2013-14, dated May 22, 2014](#)).

<sup>17</sup> Please refer to the judgement of the Hon'ble Supreme Court dated March 27, 2023 on Civil Appeal No.7300 of 2022 in the matter of State Bank of India & Ors Vs. Rajesh Agarwal & Ors. and connected matters, read with the Order dated May 12, 2023 passed by the Hon'ble Supreme Court in Misc. Application. No.810 of 2023, specifically in relation to serving a notice, giving an opportunity to submit a representation before classifying Persons / Entities as fraud and passing a reasoned order. The orders of the Hon'ble High Court of Bombay dated August 7, 2023 in Writ Petition (L) No. 20751 of 2023 and the Hon'ble High Court of Gujarat dated August 31, 2023 in Special Civil Application No. 12000 of 2021 and connected matters shall be referred to (Please refer to Para 2.1.1 *ibid*).

180 days shall be reported to the SCBMF for review with adequate reasoning / justification thereof. Such cases shall also be subject to supervisory review by the Reserve Bank.

4.1.6 In case an account is identified as a fraud by any bank, the borrowal accounts of other group companies<sup>18</sup>, in which one or more promoter(s) / whole-time director(s) are common, shall also be subjected to examination by banks concerned from fraud angle under these Directions.

4.1.7 In cases where Law Enforcement Agencies (LEAs) have *suo moto* initiated investigation involving a borrower account, bank/s shall immediately red-flag the account and follow the usual process for classification of account as fraud and complete the same within the stipulated period as specified at Para 4.1.5 above.

#### **4.2 Independent confirmation from the third-party service providers including professionals**

4.2.1 Banks place reliance on various third-party service providers as part of pre-sanction appraisal and post-sanction monitoring. Therefore, banks may incorporate necessary terms and conditions in their agreements with third-party service providers to hold them accountable in situations where wilful negligence / malpractice by them is found to be a causative factor for fraud.

4.2.2 Banks shall, after complying with the principles of natural justice, report to Indian Banks' Association (IBA) the details of such third parties or professionals involved in frauds. IBA would, in turn, prepare caution lists of such third parties for circulation among the banks.

#### **4.3 Staff Accountability**

4.3.1 Banks shall initiate and complete the examination of staff accountability in all fraud cases in a time-bound manner in accordance with their internal policy.

4.3.2. PSBs and AIFIs shall conduct examination of staff accountability as per the guidelines issued by the Central Vigilance Commission (CVC). In terms of

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<sup>18</sup> Please refer to the Large Exposure Framework issued vide [Circular Ref.DBR.No.BP.BC.43/21.01.003/2018-19 dated Jun 03, 2019](#) as amended from time to time and Master Circular - Exposure Norms for Financial Institutions issued vide [Circular Ref.DBR.FID.FIC.No.4/01.02.00/2015-16 dated July 01, 2015](#) as amended from time to time, as applicable.

CVC Order, PSBs and AIFIs shall also refer all fraud cases of amount involving ₹3 crore and above for examining the role of all levels of officials / whole-time directors (including ex-officials / ex-WTDs) to the Advisory Board for Banking and Financial Frauds (ABBFF)<sup>19</sup> constituted by the CVC.

4.3.3 In cases involving very senior executives of the bank (MD & CEO / Executive Director / Executives of equivalent rank)<sup>20</sup>, the ACB shall initiate examination of their accountability and place it before the Board. However, in case of PSBs and AIFIs, such cases shall also be referred to the ABBFF.

#### **4.4 Penal Measures**

4.4.1 Persons / Entities classified and reported as fraud by banks and also Entities and Persons associated<sup>21</sup> with such Entities, shall be debarred from raising of funds and / or seeking additional credit facilities from financial entities regulated by RBI, for a period of five years from the date of full repayment of the defrauded amount / settlement amount agreed upon in case of a compromise settlement.

4.4.2 Lending to such Persons / Entities, being commercial decisions, the lending banks shall have the sole discretion to entertain or decline such requests for credit facilities after the expiry of the mandatory cooling period as mentioned at Para 4.4.1 above.

#### **4.5 Treatment of accounts under Resolution**

4.5.1 In case an entity classified as fraud has subsequently undergone a resolution either under IBC or under the resolution framework of RBI<sup>22</sup> resulting in a change in the management and control of the entity / business enterprise, the bank shall examine whether the entity shall continue to remain classified as fraud or the classification as fraud could be removed after implementation of

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<sup>19</sup> Please refer to the Vigilance Manual issued by Central Vigilance Commission (CVC), CVC Office Order No. 02/01/22 dated January 06, 2022 and CVC Office Order No. 10/03/22 dated March 14, 2022 updated from time to time.

<sup>20</sup> Such executive shall not participate in the meeting of the Board / ACB / SCBMF in which their accountability is to be considered.

<sup>21</sup> (a) if it is an entity, another entity will be deemed to be associated with it, if that entity is (i) a subsidiary company as defined under clause 2 (87) of the Companies Act, 2013 or (ii) falls within the definition of a 'joint venture' or an 'associate company' under clause (6) of section 2 of the Companies Act, 2013.

(b) in case of a natural person, all entities in which she / he is associated as promoter, or director, or as one in charge and responsible for the management of the affairs of the entity shall be deemed to be associated.

<sup>22</sup> [Prudential Framework for Resolution of Stressed Assets dated June 7, 2019](#) (as amended from time to time) issued by the RBI.

the Resolution Plan under IBC or aforesaid prudential framework. This would, however, be without prejudice to the continuance of criminal action against erstwhile promoter(s) / director(s) / person(s) who were in charge and responsible for the management of the affairs of the entity / business enterprise.

4.5.2 The penal measures as detailed in Para 4.4 shall not be applicable to entities / business enterprises after implementation of the Resolution Plan under IBC or aforesaid prudential framework.

4.5.3 The penal measures detailed in Para 4.4 shall continue to apply to the erstwhile promoter(s) / director(s) / persons who were in charge and responsible for the management of the affairs of the entity / business enterprise.

## CHAPTER V

### 5. Reporting of Frauds to Law Enforcement Agencies (LEAs)<sup>23</sup>

5.1 Banks shall immediately report the incidents of fraud to LEAs, subject to applicable laws, as indicated below<sup>24</sup>:

Category of bank	Amount involved in the fraud	LEA to whom complaint should be lodged	Remarks
Private Sector / Foreign Banks	Below ₹1 crore	State / Union Territory (UT) Police	
	₹1 crore and above	In addition to State/UT Police, Serious Fraud Investigation Office (SFIO), Ministry of Corporate Affairs, Government of India	Details of fraud are to be reported to SFIO in Fraud Monitoring Return (FMR) format.
Public Sector Banks / Regional Rural Banks	(a) Below ₹6 crore <sup>25</sup>	State / UT Police	
	(b) ₹6 crore and above	Central Bureau of Investigation (CBI)	

<sup>23</sup> As the thresholds for reporting to Law Enforcement Agencies (LEAs) vary across the States / UTs, these reporting requirements have been prescribed after due consultation with Central Vigilance Commission, Department of Financial Services, Government of India and select LEAs.

<sup>24</sup> In case of consortium lending, each of the consortium member may file separate complaints, if separate offences have been committed in respect of each of them and if the fraud so committed is not part of the same fraudulent act / transaction. In other cases of such lending, only one member may file a complaint and all the other members may extend necessary support to the said member and the LEAs in investigation of the fraud, including by way of providing all necessary information, documents etc. Banks may take a decision in this regard depending on the facts and circumstances that may be relevant in a given case and the applicable laws.

<sup>25</sup> In the year 2004, PSBs were advised to report cases involving ₹1 crore and above to CBI. Subsequently, in 2012, the reporting threshold was increased to ₹3 crore and above. Since the inflation indexed value of ₹3 crore has become ₹5.6 crore in 2022-23, the reporting threshold has been increased to ₹6 crore.

5.2 Banks shall establish suitable nodal point(s) / designate officer(s) for reporting incidents of fraud to LEAs and for proper coordination to meet the requirements of the LEAs.

## **CHAPTER VI<sup>26</sup>**

### **6.1 Reporting of Incidents of Fraud to Reserve Bank of India (RBI)**

To ensure uniformity and consistency while reporting incidents of fraud to RBI through Fraud Monitoring Returns (FMRs) using online portal, banks shall choose the most appropriate category from any one of the following:

- (i) Misappropriation of funds and criminal breach of trust;
- (ii) Fraudulent encashment through forged instruments;
- (iii) Manipulation of books of accounts or through fictitious accounts, and conversion of property;
- (iv) Cheating by concealment of facts with the intention to deceive any person and cheating by impersonation;
- (v) Forgery with the intention to commit fraud by making any false documents/electronic records;
- (vi) Wilful falsification, destruction, alteration, mutilations of any book, electronic record, paper, writing, valuable security or account with intent to defraud;
- (vii) Fraudulent credit facilities extended for illegal gratification;
- (viii) Cash shortages on account of frauds;
- (ix) Fraudulent transactions involving foreign exchange;
- (x) Fraudulent electronic banking / digital payment related transactions committed on banks; and
- (xi) Other type of fraudulent activity not covered under any of the above.

### **6.2 Central Fraud Registry (CFR)<sup>27</sup>**

6.2.1 Banks shall put in place systems and procedures to ensure that the information available in Central Fraud Registry (CFR) is used for credit risk and fraud risk management effectively.

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<sup>26</sup> The reporting requirements prescribed under Chapter VI are not applicable to RRBs. They shall report incidents of fraud to NABARD in the manner and in Returns / Formats as prescribed by NABARD.

<sup>27</sup> Central Fraud Registry (CFR) is a web-based searchable database maintained by RBI. Fraud related data, including the updates thereof, directly flow to CFR from online reporting by banks through Fraud Monitoring Returns (FMRs).

6.2.2 Banks are required to report payment system related disputed / suspected or attempted fraudulent transactions to Central Payments Fraud Information Registry (CPFIR)<sup>28</sup>, maintained by RBI. However, such transactions, if subsequently concluded as fraud committed on bank(s), shall invariably be reported through FMR so as to be reflected in CFR.

### **6.3 Modalities of Reporting Incidents of Fraud to RBI**

6.3.1 Banks shall furnish FMR<sup>29</sup> in individual fraud cases, irrespective of the amount involved, immediately, but not later than 14 days from the date of classification<sup>30</sup> of an incident / account as fraud.

6.3.2 Incidents of fraud at overseas branches of Indian banks shall also be reported to the concerned overseas LEAs in accordance with the relevant laws / regulations of the host countries.

6.3.3 Banks shall also report frauds perpetrated in their group entities<sup>31</sup> to RBI separately<sup>32</sup>, if such entities are not regulated / supervised by any financial sector regulatory / supervisory authority. However, in case of overseas banking group entity of Indian banks, the parent bank shall also report incidents of fraud to RBI. The group entities will have to comply with the principles of natural justice before declaration of fraud<sup>33</sup>.

6.3.4 Banks shall adhere to the timeframe prescribed in these Master Directions for reporting of fraud cases to RBI<sup>34</sup>. Banks shall examine and fix staff accountability for delays in identification of fraud cases and in reporting to RBI.

6.3.5 While reporting frauds, banks shall ensure that persons / entities who / which are not involved / associated with the fraud are not reported in the FMR.

6.3.6 Banks may, under exceptional circumstances, withdraw FMR / remove name(s) of perpetrator(s) from FMR. Such withdrawal / removal shall, however,

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<sup>28</sup> As required in terms of [Circular Ref.CO.DPSS.OVRST.No.S1619/06-08-005/2022-23 dated December 26, 2022](#).

<sup>29</sup> Updates to the FMR shall be provided through FMR Update Application (FUA).

<sup>30</sup> As defined under Para 8.4.3.

<sup>31</sup> Group entities mean both the domestic and overseas subsidiaries, affiliates, joint ventures etc. as defined under applicable accounting standards, whether engaged in financial or non-financial services.

<sup>32</sup> However, the FMR shall be furnished through e-mail ([doscofmc@rbi.org.in](mailto:doscofmc@rbi.org.in)) only.

<sup>33</sup> Please refer to Para 2.1.1.

<sup>34</sup> Delay in reporting of frauds, and the consequent delay in alerting other banks and dissemination of information through CFR could result in similar frauds being perpetrated elsewhere.

be made with due justification and with the approval of an official at least in the rank of a whole-time director.

#### **6.4 Closure of Fraud Cases Reported to RBI**

6.4.1 Banks shall close fraud cases using 'Closure Module' where the actions as stated below are complete:

- (i) The fraud cases pending with LEAs / Court are disposed off; and
- (ii) The examination of staff accountability has been completed.

6.4.2 Banks are allowed, for limited statistical / reporting purposes, to close those reported fraud cases involving amount up to ₹1 crore<sup>35</sup>, where examination of staff accountability and disciplinary action, if any, have been taken and:

- (i) The investigation is going on or charge-sheet has not been filed in the Court by LEA for more than three years from the date of registration of First Information Report (FIR); or
- (ii) The charge-sheet is filed by the LEAs in trial court and the trial in the court has not commenced or is pending before the court for more than three years from the date of registration of FIR.

6.4.3 In all closure cases of reported frauds, banks shall maintain details of such cases for examination by auditors.

### **CHAPTER VII**

#### **7. Cheque Related Frauds - Reporting to LEAs and RBI / NABARD<sup>36</sup>**

7.1 To ensure uniformity and avoid duplication, reporting of frauds involving forged instruments, including fake / forged instruments sent in clearing in respect of truncated instruments, shall continue to be done by the paying banker and not by the presenting banker. In such cases the presenting bank shall immediately handover the underlying instrument to the drawee / paying bank, as and when demanded, to enable them to inform LEAs for investigation and further action under law and to report the fraud to RBI.

7.2 However, in the case of presentment of an instrument which is genuine but payment has been made to a person who is not the true owner; or where the amount

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<sup>35</sup> Previously, banks were allowed to close frauds with amount involving up to ₹25 lakh, for limited statistical / reporting purposes.

<sup>36</sup> Reporting to NABARD by RRBs.

has been credited before realisation and subsequently the instrument is found to be fake / forged and returned by the paying bank, the presenting bank which is defrauded or is put to loss by paying the amount before realisation of the instrument shall file the fraud report with the RBI and inform the LEAs for investigation and further action under law.

## CHAPTER VIII

### 8. Other Instructions

#### 8.1 Legal Audit of Title Documents in respect of Large Value Loan Accounts

Banks shall subject the title deeds and other related title documents in respect of all credit facilities of ₹5 crore and above to periodic legal audit and re-verification, till the loan is fully repaid. The scope and periodicity of legal audit shall be in accordance with the Board approved policy referred to in clause 2.1.1 above. Specific to Small Finance Banks, Local Area Banks and Regional Rural Banks, the threshold amount for periodic legal audit of title deeds and other related title documents shall continue to be ₹1 crore.

#### 8.2 Treatment of Accounts classified as Fraud and sold to other Lenders / Asset Reconstruction Companies (ARCs)<sup>37</sup>

Banks shall complete the investigation from fraud angle before transferring the loan account / credit facility to other lenders / ARCs. In cases where banks conclude that a fraud has been perpetrated in the account, they shall report it to RBI / NABARD<sup>38</sup> before selling the accounts to other lenders / ARCs<sup>39</sup>.

#### 8.3 Role of Auditors

8.3.1 During the course of the audit, auditors may come across instances where the transactions in the account or the documents point to the possibility of fraudulent transactions in the account. In such a situation, the auditor should immediately bring it to the notice of the senior management and if necessary, to the Audit Committee of the Board (ACB) of the bank for appropriate action.

8.3.2 Internal Audit in banks shall cover controls and processes involved in prevention, detection, classification, monitoring, reporting, closure and

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<sup>37</sup> Reference is invited to Master Direction – Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021 (ref:[DOR.STR.REC.51/21.04.048/2021-22 dated September 24, 2021](#)) as updated from time to time.

<sup>38</sup> RRBs shall report to NABARD.

<sup>39</sup> In cases where accounts are sold to ARCs, banks shall continue to report subsequent developments in such accounts to RBI / NABARD, by obtaining requisite information periodically from the concerned ARCs.



withdrawal of fraud cases, and also weaknesses observed in the critical processes in the fraud risk management framework of the bank<sup>40</sup>.

#### **8.4 'Date of Occurrence', 'Date of Detection' and 'Date of Classification' of Fraud - for the purpose of reporting under FMR**

8.4.1 The 'date of occurrence' is the date when the actual misappropriation of funds has started taking place, or the event occurred, as evidenced / reported in the audit or other findings.

8.4.2 The 'date of detection' to be reported in FMR is the actual date when the fraud came to light in the concerned branch / audit / department, as the case may be, and not the date of approval by the competent authority of the bank.

8.4.3 The 'date of classification' is the date when due approval from the competent authority has been obtained for such classification, and the reasoned order is passed.

### **CHAPTER IX<sup>41</sup>**

#### **9. Reporting Cases of Theft, Burglary, Dacoity and Robbery**

9.1 Banks shall report<sup>42</sup> instances of theft, burglary, dacoity and robbery (including attempted cases), to Fraud Monitoring Group (FMG), Department of Supervision, Central Office, Reserve Bank of India, immediately (not later than seven days) from their occurrence.

9.2 Banks shall also submit a quarterly Return (RBR) on theft, burglary, dacoity and robbery to RBI using online portal, covering all such cases during the quarter. This shall be submitted within 15 days from the end of the quarter to which it relates.

### **CHAPTER X**

#### **10. Repeal**

With the issue of these Directions, instructions / guidelines contained in the Circulars issued by the Reserve Bank of India listed in [Appendix](#) stand repealed, as the contents of the same have been incorporated in the Master Directions. All the

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<sup>40</sup> Including delay in reporting, non-reporting, conduct of staff accountability examination, prudential provisioning, etc.

<sup>41</sup> The reporting requirements prescribed under Chapter IX are not applicable to RRBs. They shall report cases of theft, burglary, dacoity and robbery to NABARD in the manner and in Returns / Formats as prescribed by NABARD.

<sup>42</sup> In the prescribed format 'Report on Bank Robbery, Theft, etc. (RBR) through e-mail ([doscofrmc@rbi.org.in](mailto:doscofrmc@rbi.org.in)).

The format is available on RBI website ([https://www.rbi.org.in/scripts/BS\\_Listofallreturns.aspx](https://www.rbi.org.in/scripts/BS_Listofallreturns.aspx)).

instructions / guidelines contained in these Circulars shall be deemed as given under these Directions.

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## List of Circulars Repealed

S. No.	Circular No.	Circular Date	Subject
1.	DOS.CO.FMG.NO. S332/23.04.001/2022-23	13-01-2023	Reporting of digital payment related frauds to RBI through FMR
2.	DOS.CO.FMG.NO. S101/23.04.001/2022-23	17-06-2022	Advisory on inclusion/adding name(s) of non-whole time Director(s) of a company in the FMR/CRILC
3.	DOS.CO.FMG.No.45534/23. 14.027/2021-22	11-05-2021	Conduct of Forensic Audit for investigation of accounts from fraud angle
4.	DBS.CO.CFMC No.2030/23.10.002/2019-20	01-10-2019	Deployment of Closure Module for FMRs in XBRL Platform
5.	DBS.CO.CFMC.No. /23.10.002/2017-18	04-06-2018	Fraud Reporting-Migration of FRMS to XBRL based system - FUA (FMR Update Application) - Revised
6.	DBS.CO.CFMC.No. 6453/23.10.002/2017-18	09-01-2018	Fraud Reporting-Migration of FRMS to XBRL based system - Going Live- FUA (FMR Update Application)
7.	DBS.CO.CFMC.BC.No. 3/23.10.002/2017-18	07-07-2017	Fraud Reporting-Migration of FRMS to XBRL based system - Going Live- FMR4 and VMRs
8.	DBS.CO.CFMC.NO. 7516/23.10.002/2016-17	28-03-2017	Fraud Reporting – Migration of FRMS to XBRL based system – Going Live
9.	DBS.CO.CFMC.No. 7876/23.04.001/2015-16	11-01-2016	Introduction of Central Fraud Registry (CFR) and migration to the XBRL based reporting of frauds
10.	<a href="#">DBS.CO.FrMC.BC.No.7/23.04.001/2009-10</a>	16-09-2009	Fraud Risk Management System in Banks - Role of Chairmen / Chief Executive Officers
11.	<a href="#">DBS.CO.FrMC.BC.No.8/23.04.001/2008-09</a>	24-06-2009	Frauds in Borrowal Accounts having Multiple Banking Arrangements
12.	DBS.CO.FrMC 15976/23.02.013/2008-09	24-06-2009	Submission of quarterly return on frauds through FRMS Application
13.	DBS.CO.FrMC.BC.No.3/23.04.001/2008-09	16-03-2009	Circulation of the Names of Third Parties involved in Frauds
14.	DBS.CO.FrMC 1470/23.04.001/08-09	31-07-2008	Nodal Officers for fraud reporting - particulars
15.	DBS.FGV(F)No.8897/23.10.001/2005-2006	20-12-2005	Frauds Reporting and Monitoring System (FRMS)
16.	DBS.FrMC.BC.No.18/23.04.011/2004-05	11-02-2005	Fraud Cases Pending Investigation by CBI - Request for Early Final Disposal
17.	<a href="#">DBS.FGV(F).No.1004/23.04.01A/2003-04</a>	14-01-2004	Monitoring of Large Value Frauds by the Board of Directors

<b>S. No.</b>	<b>Circular No.</b>	<b>Circular Date</b>	<b>Subject</b>
18.	DBS.FGV(F).No.1836/23.04.001/2002-2003	04-06-2003	Frauds Reporting and Monitoring System (FRMS)
19.	DBS.FGV.No.258/23.04.001/2000-01	26-08-2000	Reporting of Frauds by Banks
20.	DBS.No.FGV.BC.46/23.04.001/98-99	28-01-1999	Submission of Quarterly/Half-Yearly Statements on Frauds, etc.
21.	DBS.No.FGV.BC.34/23.04.001/98-99	26-09-1998	Frauds in Banks - Filing of Complaints with Investigating Agencies
22.	DBS.FGV/487/23.04.001/97-98	23-06-1998	Reporting of Frauds
23.	DBS.FGV/486/23.04.001/97-98	23-06-1998	Frauds in Banks - Action against Delinquent Staff
24.	DBS.FGV.BC.15/23.04.001/97-98	05-05-1998	Frauds in Banks - Reporting to RBI
25.	DBS.FGV.460/23.04.001/97-98	03-11-1997	Reporting of frauds
26.	DOS.FGV.BC.25/23.04.001/96	30-12-1996	Reporting of Frauds by Banks
27.	DOS.No.317/23.11.001/96	09-09-1996	Frauds in banks - Compendium of Instructions
28.	DOS.No.FGV.BC.17/23.04.001/96-97	09-09-1996	Reporting of Frauds
29.	DOS.No.FGV.BC.13/23.01.001/96	12-06-1996	Annual Review of Frauds
30.	DOS.No.BC.FGV.10/23.04.001/96	06-05-1996	Reporting on Frauds in Banks