

UNITED FORUM OF BANK UNIONS

(AIBEA-AIBOC-NCBE-AIBOA-BEFI-INBEF-INBOC-NOBW-NOBO)

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K K NAIR

Chairman

SANJEEV K. BANDLISH

Convener

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To

**Hon'ble Shri Arun Jaitley,
Minister for Finance,
Govt. of India,
New Delhi.**

Respected Sir,

Reg: Recent fraud in Punjab National Bank

You are aware that the entire nation stands shaken by the recent massive fraud that has been perpetrated on Punjab National Bank. People at large are naturally baffled and perplexed about the manner in which the fraud has been committed on the Bank. It has also affected the confidence and trust of the people about the credibility of our Banks, particularly the public sector Banks. Depositors are getting concerned about the safety of their hard earned savings. Hence we feel that the issue has to be addressed with a broader perspective.

In any system, misuse and abuse is possible either from within or from outside and corrective mechanism is also available. But since this massive fraud has eroded the confidence of the people, we strongly feel that Government should come out with necessary statements and measures that will assure the people that those responsible for the fraud will be punished and the system would be suitably corrected to prevent such occurrences in future and that their money in the Banks is quite safe.

This fraud has exposed the vulnerabilities of the Banks in regard to supervision and control internally and externally and also from the regulator's point of view.

It ought not to be dismissed as case of some fraud or wrongdoing done by some lower-level staff in the branch of PNB. All those higher-ups who are involved in the fraud including the top Executives of the Punjab National Bank must be proceeded against.

The RBI's role and accountability in this episode has to be verified thoroughly. The claim of the RBI Governor that they have no effective powers to deal with such frauds is totally unacceptable. RBI's audit and lack of control of Nostro account has to be probed into. RBI should own responsibility and RBI Governor must step down. If the Regulator with such vast powers and autonomy cannot monitor and prevent such gross abuse of procedure, the existence of RBI has no meaning.

Besides the role of PNB and RBI, the role of various Banks who are part of these transactions should be properly examined. Similarly, the role of the auditors also need to be fully evaluated and assessed. There are so many levels of audits - concurrent audit, internal audit, systems audit, revenue audit, external audit, statutory audit, special audit, RBI audit, etc. and if none of these audits in the last 7 years could detect such violation of procedure, the sanctity of audit itself comes under question.

Further SWIFT and Core Banking Solution are to be linked together as per RBI guideline and this was not done by PNB. In that case, what has been the role of RBI nominee on the Board of PNB to follow up the implementation of their guidelines.

In addition to all these measures, necessary urgent steps are to be taken to immediately bring the main culprits Nirav Modi and Mehul Chokshy to India to take very stringent action against them for committing this fraud.

Since the fraud involves huge public money, a high power Parliamentary Committee should probe into the whole issue to suggest accountability and improvement in the system.

We also note with great anguish and deep resentment about the demand from various quarters of vested interests to privatise the Banks in view of the fraud in PNB. We urge upon you to make a categorical statement of denial of any such move on the part of the Government.

Thanking you,

Yours faithfully,


K.K. NAIR
CHAIRMAN


SANJEEV K. BANDLISH
CONVENOR