



PNB fraud: Assocham calls for privatising PSBs

IANAS, NEW DELHI, FEBRUARY 18, 2018

The industry body said PSB senior managements spend bulk of their time “receiving and implementing directions from the bureaucrats even for innocuous issues.”

In light of the massive ₹ 11,300 crore (\$1.8 billion) scam allegedly involving jeweller Nirav Modi that has hit state-run Punjab National Bank (PNB), industry chamber Assocham said on Sunday that the government should surrender its majority control of banks, which should be allowed to function like private sector lenders.

In a regulatory filing earlier this week, PNB said it had detected the gigantic fraud in one of its Mumbai branches, putting the quantum of fraudulent transactions at \$1,771.69 million. The amount is equivalent to eight times the bank's net income of about ₹ 1,320 crore (\$206 million).

“The PNB's fraudulent transactions worth Rs 11,300 crore should act as a strong trigger for the government for reducing its stake to less than 50 per cent in the banks which should then be allowed to work on the lines of private sector lenders with a full sense of accountability to their shareholders protecting interest of depositors,” Assocham said in a statement.

“The public sector banks (PSBs), ironically, are slipping from one crisis to the other and there is a limit the government can keep bailing them out at the cost of taxpayers' money, even if it is the principal shareholder in these lenders,” it said.

The industry body said PSB senior managements spend bulk of their time “receiving and implementing directions from the bureaucrats even for innocuous issues.”

“In the process, the core banking functions, including all important risk mitigation and management, take a back seat.”

“The problem has become more grave with banks adopting new technologies which can prove both boon and bane,” it added.

In this connection, a Special CBI Court in Mumbai on Saturday remanded to police custody till March 3 three accused persons in the case.

The three includes a retired PNB Deputy Manager Gokulnath Shetty, Single Window Operator Manoj Kharat and an authorised signatory of the prime accused Nirav Modi’s group companies.

Besides these, the Central Bureau of Investigation (CBI) has named 10 other directors and officials as accused in the scam.

“Once the government equity in the banks is reduced below 50 per cent, there would be much more autonomy along with accountability and responsibility of the senior management,” Assocham said.

“The boards should then be truly taking the policy decisions while the CEOs would run the banks with full authority, coupled with the commensurate responsibility, instead of looking towards the bureaucrats for directions,” it added.

Assocham Secretary General D.S. Rawat in a statement urged the Reserve Bank of India (RBI) to take the lead to “engage with the industry in finding ways to do clean business in the entire financial sector, be it the public sector or private sector banks or even the non-banking finance companies.”

In this regard, Chief Economic Advisor (CEA) Arvind Subramaniam has also advocated more private participation in public sector banks.

Speaking at an event in Chennai on Saturday, Subramaniam said while the government was going for recapitalisation of public sector banks, the

scrutiny, monitoring and disciplined deployment must be ensured only through greater private participation in banks.

According to him, there should be less public lending to private sector and the mode to achieve that is to have higher private participation in the banking sector.

He said more privatisation could be the way forward since there was no guarantee that better governance recommendations of banks, instead of privatisation, would be implemented effectively.

Set your houses in order first – AIBEA tells ASSOCHAM;

Let all private corporate houses repay the bank loans; Condemn fraudster Nimo before talking about Banks

In reply to the Assocham's demand for privatizing the Banks, AIBEA asked them to advise all private corporate houses to repay the Banks loans.

AIBEA Statement:

It is very strange and interesting that the Associated Chamber of Commerce, the mouthpiece of the industrialists and business houses has suggested privatization of banks in view of the recent fraud in PNB. They have conveniently forgotten the track record of private banks in our country.

No. of Private Banks Failed, Amalgamated, ceased to function/ transferred their liabilities and Assets, went into liquidation between 1948 and 1968.

1948	45
1949	55
1950	45
1951	60
1952	31
1953	31
1954	27
1955	29

1956	28
1957	30
1958	28
1959	38
1960	26
1961	47
1962	33
1963	20
1964	82
1965	42
1966	17
1967	15
1968	7
In 20 years	736 private Banks

Private Banks put under moratorium in public interest due to mismanagement and gone out of existence from 1969

1969	1. Bank of Bihar
1970	2. National Bank of Lahore
1971	3. Eastern Bank
1974	4. Krishnarao Baldeo Bank
1976	5. Belgaum Bank
1985	6. Lakshmi Commercial Bank
1986	7. Miraj State Bank
1986	8. Hindustan Commercial Bank
1990	9. Traders Bank Ltd.
1990	10. Bank of Tamilnad
1990	11. Bank of Thanjavur
1991	12. Parur Central Bank
1991	13. Purbanchal Bank
1993	14. Bank of Karad Ltd.
1995	15. Kashinath Seth Bank
1997	16. Punjab Co-operative Bank Ltd.
1997	17. Bari Doab Bank Ltd.
1999	18. Bareilly Bank Ltd.
1999	19. 20th Century Finance Corporation Ltd.
1999	20. British Bank of Middle East
1999	21. Sikkim Bank Limited
2000	22. Times Bank Ltd.
2001	23. Bank of Madura
2002	24. Benaras State Bank Ltd.
2003	25. Nedungadi Bank Ltd.
2004	26. South Gujarat Local Area Bank
2004	27. Bank Muscat SAOG

2004	28. Global Trust Bank Ltd.
2006	29. Bank of Punjab
2006	30. Ganesh bank of Kurundwad
2006	31. UFJ Bank Ltd.
2007	32. United Western Bank
2007	33. Lord Krishna Bank
2007	34. Sangli Bank
2007	35. Bharat Overseas Bank
2008	36. Centurion bank of Punjab

If private banks are really efficient, why these Banks were closed down and merged with others. Most of these banks were merged with public sector banks. PSBs have become the Neelakana Mahadev to swallow the poison of failure of many private banks and it is funny that Assocham is asking PSBs to be privatized now. We understand their greed but they cannot claim that private banks are more efficient.

Secondly, take the alarmingly increasing bad loans in Banks. Who are the delinquents and who are the defaulters? Are all of them not private companies, industrialists and corporate houses ? 12 cases of NPAs have been referred to NCLT for insolvency and bankruptcy proceedings involving Rs. 253,000 crores. Who are they? Are all of them not top private corporate borrowers. Why they did not repay the loans? Is it their efficiency? Should banks be privatized and handed over to these people?

In the PNB fraud, no doubt there is an unpardonable sin on part of those officials who have gone out of the way to favour Nirav Modi. But who has tempted them and influenced them ? Is it not private corporate giant Nirav Modi ? Take any major fraud in our country. One will see the hand of private corporates in it.

Let them not forget that bulk of the loans given by public sector banks are to private corporate houses. If public sector banks are not efficient, why do they avail these loans from PSBs and why have not taken such loans from private banks.

Devil should not quote scriptures. We feel to advice Assocham to ask the private sector corporate defaulters to repay the bank loans to the PSBs and condemn NIMO for the fraud he has committed on PNB.

Keep out PNB top management till fraud probe is completed: AIBEA

IANS | Chennai BUSINESS STANDARD February 18, 2018

The Central government should remove the top management of the \$1.8 billion fraud-hit Punjab National Bank (PNB) till the probe is completed, demanded a top banking employees union leader.

"It is not known at up to what level the management of PNB is involved in the scam. However the bank management has shown haste in suspending 20 employees and transferring a General Manager," All India Bank Employees' Association (AIBEA) General Secretary C. H. Venkatachalam told IANS.

"It will be prudent on the part of the government to keep out the current top management of PNB - Chairman and Managing Director, Executive Director and General Managers - from office till the probe is completed.

Those who are not involved in the scam can be re-inducted later," he added.

"What is sauce for the goose is sauce for the gander. When there seems to be an undue haste and hurry in suspending the low level employees, AIBEA demands the temporary removal of the management first in connection with the mega scam of around Rs 11,500 crore," Venkatachalam said.

According to him, the whole system at PNB has failed and the top management has to take responsibility given the magnitude of the fraud.

Queried about the views of Arvind Subramaniam, Chief Economic Advisor to Indian Government, that it is time for privatisation of government banks, Venkatachalam said: "The banks were nationalised since the private sector banks were involved in fraud and mismanagement."

"Subramainam's views on privatisation is well known. He has also said there has been failure of external controller in PNB scam," D. Thomas

Franco Rajendra Dev, General Secretary of the All India Bank Officers Confederation.

He said the solution is changing the policies of the government towards lending for small and medium industries, and agriculture which are the main employment generators.

Dev said the ballooning non-performing loans of government banks is also due to the involvement of the top management, but no action is taken against them.

Break Your Silence RBI Gov Urjit Patel: 5 Questions That Demand an Answer

The Reserve Bank of India is India's top banking regulator, it's silence is not acceptable

NEW DELHI: SHIV NAIDU | 17 FEBRUARY, 2018

The complete silence of India's top banking regulator, the Reserve Bank of India, on the massive fraud by jeweller Nirav Modi---the repercussions of which are still unfolding---is inexplicable. Governor Urjit Patel has not said a word of assurance to tax payers---in fact nor has any one in government---that their money is safe, and there is no need to panic.

This silence has compounded the crisis with all banking fingers pointing at not just the Punjab National Bank that is in neck deep trouble with now 17 employees suspended---including the junior whistleblower---but at the RBI that has blamed what it terms as "delinquent employees" for the big fraud of Rs 11,400 crores that has been going on for at least six years if not more.

Nirav Modi, and his family left the country early January. He met up with Prime Minister Narendra Modi at Davos, but did not return to India and a week later the gigantic fraud was exposed by the Punjab National Bank, Mumbai. The government Ministers while blaming the Congress have not said a word about the current speculation about Modi's nationality. Is he a Belgian national? Does he hold a US passport? Or is there actually an Indian passport to seize and nullify.

The story given out by PNB is that two of its employees had been issuing these Letters of Undertaking (LoU) to Nirav Modi and his group of companies. And the matter came to light only after they retired, and their replacements were approached for a similar LoU that they then found upon enquiry to be questionable.

LoUs are guarantees given by the bank for an individual/company to others he is dealing with to basically say , "if he does not pay you we will." This guarantee is given on the basis of money of an equal, if not more proportion, that the bank issuing the guarantee is holding for the client. In this case the PNB was sending out these letters without any such surety, with the result that if Modi who is in some unknown destination abroad does not pay back the amount, PNB will lose its profits and perhaps even go bankrupt. More so as the numbers are now increasing, with sources claiming that the figure could well tot up to Rs 20,000 crores within 24 hours as more revelations emerge.

Despite this deep banking crisis that has foreign insurance companies issuing internal directives to its branches about dealing with India, the RBI remains silent. The Citizen has formulated five questions for the silent RBI Governor Urjit Patel who has not said a word along with Devidas Tuljapurkar, Joint Secretary of the All India Bank Employees Association.

1. How is it that the RBI which carries out a regular audit of the banks, not even smell the fraud, despite the number of years and the volume of money involved?
2. Was the software SWIFT that was used for the fraud approved by the RBI or not for the banking sector? If not, why did the RBI not examine this thoroughly and evaluate the risk?
3. The famous Harshad Mehta scam was because of the so called "innovative" measure of banking receipts that landed the banking sector in deep crisis. The Nirav Modi fraud has exploited the new instrument Letters of Undertaking. Is the RBI going to do something about this?
4. In all probability the RBI will disown LoUs as it had the balance receipts. If so why did not the RBI question the banks about these

guarantees, examine the risks, and create the necessary firewalls to make taxpayers money secure?

5. Clearly the RBI has failed miserably to fulfil its role as a regulator of a vulnerable banking sector. Why is the Governor silent? Is it his case that now a 'delinquent employee' can help in a fraud of over Rs 11,000 crores without being detected? If so isn't the RBI admitting a complete collapse of the banking sector, where instead of being a regulator it's inefficiency and apathy makes it a risk to the country

Explosive tweet claims Nirav Modi had private meeting with PM at Davos

NATIONAL HERALD / NH POLITICAL BUREAU Feb 16th 2018,

A day after a massive \$1.8 billion fraud was unearthed in a PNB branch in Mumbai, the Enforcement Directorate launched a nationwide raid on billionaire diamond trader Nirav Modi's offices, showrooms and workshops

On Thursday, Law Minister Ravi Shankar Prasad said PM Modi never spoke with Nirav Modi at Davos. But an explosive tweet claims Nirav Modi and his brother had a "privileged meeting" with the PM

The opposition on Thursday mounted a belligerent attack on Prime Minister Narendra Modi and his government, accusing it of failing to act on time against a bank fraud of ₹20,000 crore and of complicity in letting the alleged kingpin billionaire diamond merchant Nirav Modi flee the country. The BJP-led government refused to take the blame for the fraud in India's second biggest state-run bank Punjab National Bank, with senior ministers saying that the scam happened during the UPA rule and that PM Modi wouldn't spare anyone involved in the scam.

But India Today's Managing Editor Rahul Kanwal tweeted that the original whistleblower in the case SV Hari Prasad told Kanwal that he complained to the Prime Minister's Office in July 2016 about massive fraud by diamond merchant Mehul Choksi, business partner of Nirav Modi. The PMO forwarded the complaint to the Registrar of Companies and Prasad claims ROC sent him a letter closing the case without even asking him for evidence.

On Thursday, Congress spokesperson Randeep Surjewala had also said cited the complaint by Prasad, alleging that PM Modi was made aware of this fraud on July 26, 2016 and it was acknowledged by the PMO. "Multiple documents, including a list of 42 FIRs that were pending, were also in the knowledge of the Prime Minister. Despite all this, Nirav Modi travelled in the business delegation to Davos in January with Prime Minister Modi," alleged Surjewala. "Who is responsible for biggest bank loot scam unleashed by chhota Modi?" he asked"

The Congress circulated a picture of Prime Minister Modi with Indian CEOs at the World Economic Forum in Davos in January in which Nirav Modi is seen standing in the second row. It asked Prime Minister Modi to come clean on the government's "failure" and identify those who helped the "Chhota Modi" run away.

The BJP took offence to Congress calling Nirav a "Chhota Modi", saying it was shameful and irresponsible. IT and Law Minister Ravi Shankar Prasad said it was "derogatory, scandalous and demeaning" to the Prime Minister. Ravi Shankar Prasad also claimed that Prime Minister Narendra Modi never spoke to Nirav Modi at the recently concluded World Economic Forum at Davos, as had been alleged.

But on Thursday evening, senior print and broadcast journalist and author Swati Chaturvedi tweeted that her sources told her Nirav Modi and his brother had "a privileged private meeting" with PM Modi at Davos.

PNB Fraud Case: Bulk of Letters of Understanding issued or renewed during 2017-18, says CBI



NewsPoint, | Feb 17, 2018,

Even as the verbal duel between the BJP and the Congress is going on incessantly over the issuance of loans to diamond merchant Nirav Modi, the Central Bureau of Investigation (CBI) on Friday said that a majority of the Letters of Understanding (LoUs) in the Rs 11,400-crore scam were either issued or renewed by the Punjab National Bank (PNB) during 2017-18.

The CBI had on Thursday claimed that Nirav Modi and his uncle Mehul Choksi had ripped off PNB to the tune of Rs 4,886.72 crore during 2017-18 by getting 143 LoUs issued through the bank.

The FIR registered against Choksi on Thursday reads, "Accused Bank officials Gokulnath Shetty and Manoj Kharat in connivance with accused companies and directors during 2017-18 defrauded PNB to the tune of Rs 4886.72 crore in issuance of fraudulent and unauthorised LoUs in favour of foreign branches of different India-based banks and purported LCs (Letters of Credit) in favour of foreign suppliers of the accused companies."

"Funds raised were meant to be used for payment of import bills of accused companies whereas it was dishonestly and fraudulently utilised for discharging the earlier liabilities on account of buyer's credit facility by overseas branches of Indian banks," said the FIR.

CBI sources said that many old LoUs were renewed in 2017 and they were investigating the dealings that took place between 2014 and 2017.

PNB should reveal due diligence on Rs.1,700 cr loan to Nirav Modi: AIBEA

By Venkatachari Jagannathan, Chennai, Feb 16 (IANS)

Only the naive would believe that just two officials were involved in the \$1.8 billion fraud in Punjab National Bank (PNB) and that the whole bank was in the dark for the past seven years, said a top leader of a major bank union.

He also asked the PNB management to reveal what kind of due diligence was done on diamond trader Nirav Modi and his companies before extending a loan of Rs 1,700 crore."The PNB management is blaming other banks for not sharing details of their due diligence done on Modi's business. The \$1.8 billion fraud is done on non-fund based transaction.

The PNB management has to clarify what kind of due diligence it had done while lending to Modi's firms a sum of Rs 1,700 crore," C.H.Venkatachalam, General Secretary, All India Bank Employees' Association (AIBEA) told IANS.

He also said the BJP government has not appointed workman and officer directors in public sector banks and that had weakened the checks and balances. The PNB had said the alleged fraud was carried out by two staffers by not entering the transactions in the bank's core banking solution but only in SWIFT signalling another bank's overseas branch that the transaction is valid.

According to PNB's complaint, some fraudulent issuance of Letters of Undertakings (LoU) were detected at its Brady House branch in Mumbai. The complaint said that the fraud came to light after the retirement of the deputy manager in the Brady House branch when employees of a set of partnership firms linked to diamond trader Nirav Modi presented import documents and asked for credit to pay their suppliers in January this year. The branch officials had asked for 110 per cent margin for issuance of LoU.

However the partnership firms argued that they had been availing such a facility in the past, but the branch officials did not find any official record in support of their argument. It is clear, PNB stumbled upon the fraud by providence and not by its own intelligence, Venkatachalam said.

Simply put, LoU is a guarantee issued by a bank to another bank or its branch located in a foreign country. As per the LoU, the foreign bank or the foreign branch of an Indian bank would deposit the required sum in the Nostro account of the LoU issuing bank in that country. The importer then is paid the money.

When the borrower defaults, the foreign bank or the foreign branch of an Indian bank would claim its dues from the bank that issued the LoU. According to PNB, the total fraud discovered linked to diamond trader Modi under the LoU was around \$1.8 billion."

There must be involvement of top officials of PNB to facilitate Modi's fund needs. A high profile person like Modi would not directly deal with a low level officials at branch level," Venkatachalam said.

A retired senior official of a government bank K.Srinivasan told IANS: LoUs are issued for a fee. Banks daily deploy their funds in various investment avenues including call money market. So, huge deposit in

Nostro account would have been known to the PNB. Further the fee earned on such LoUs must have been booked," Srinivasan said.

Srinivasan said, PNB management cannot simply say for seven years they were in the dark about the fraud. Similarly, it is strange as to how the auditors -- internal, statutory and concurrent -- as well as the inspection team from RBI missed to check the deposits in Nostro accounts, the withdrawals from there and the fee income earned on LoUs, Srinivasan said.

Meanwhile, the Reserve Bank of India (RBI) some time back had asked the Indian banks to link core banking solution and the SWIFT network and also encrypt the messages sent using the SWIFT system, said a senior official in a core banking solution company.

"Some of the old version of core banking solution are not linked to the SWIFT system. As a result, bankers used to feed the fund transfer or other transactions in their core banking system and then send the necessary message to an overseas bank using the SWIFT console, the senior official in a banking software company told IANS preferring anonymity.

The SWIFT or the Society for Worldwide Interbank Financial Telecommunication is a network used by financial institutions to communicate financial transactions. He said the PNB must have been using the old version of core banking solution without updating the same.

AIBEA THIS DAY – 18 FEBRUARY	
1922	Com. G N Trikannad Former Vice President, AIBEA (date of birth)
1965	Government convenes tripartite meeting on recognition of Trade Unions and Code of Discipline.
1977	Over 3000 Bankmen hold mass rally at Patiala. Com P S Sundaresan, former Vice President, AIBEA, Com. N K Gaur, CC Member, AIBEA address on trade union rights and other demands.
1996	AIBEA Golden Jubilee –All India Athletics meet at Chennai
2002	Com L S Vaidya leader of Bank of Maharashtra Employees Union passes away
2009	Parliament Morcha Sponsored by Central Trade Unions

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