



Fraud Oversight Wing

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Why in News

The **Reserve Bank of India (RBI)** is in the process of putting together an **exclusive wing for banking fraud oversight**.

This wing will have teams for meta-data processing and analysis, artificial intelligence analysis units, as well as proactive risk assessment cells.

Key Points

- **Strength and Participation: The banking fraud oversight wing** may comprise **up to 600 officers** along with experts from the private sector.
- The RBI would hire fresh people, including **industry veterans** to lead the teams.
- **Training:**
 - Experts from the **private sector working** in all these domains will be brought in to train the new members in the fraud oversight wing.
 - These training sessions will be repeated **every year in the initial years**.
 - These new teams will also be given training in the **latest technologies**, so that they can also **prevent another Yes Bank kind of event**.

Background

- The RBI had been mulling ways to proactively detect such frauds after the loan fiasco at **Punjab National Bank**.

The bank fraud to the tune of Rs 11,450 crore involving diamond merchant Nirav Modi. It came to light that the company, in connivance with retired employees of PNB, got at least 150 LoUs, allowing Nirav Modi Group to defraud the bank and many other banks who gave loans to him.
- As part of that plan, the banking regulator in 2019 had moved to create a **separate cadre** of its own employees who would work in **regulation and oversight sections**.

- However, the working conditions were very strict and anyone opting for that cadre **would not be allowed to leave for three years.** To overcome this problem, the RBI sought to create a fraud oversight wing.

Yes Bank Case

- Even though there were representatives of RBI on the Yes Bank board, it was difficult for them to flag the risk for they had never done a credit risk assessment task in their career so far.
- **Steps Taken:**
 - The RBI, on March 5, superseded the board of Yes Bank and placed it under immediate moratorium.
 - Withdrawals from the bank were capped at Rs 50,000.
 - RBI appointed the former State Bank of India (SBI) Chief Financial Officer as the bank's administrator.
- **Reconstruction Plan:**
 - RBI had suggested the possibility of SBI, India's largest bank, acquiring a 49% equity stake.
 - SBI later committed to invest up to Rs 7,250 crore in Yes bank.

Source: IE