

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
RAJYA SABHA
UNSTARRED QUESTION NO-1967
ANSWERED ON-13.03.2018**

PNB scam

1967 Shri Kapil Sibal

.

(a) whether Government is actually aware as to when PNB scam started, if so, details thereof and if not, the reasons therefor;

(b) whether Government is planning to bring back these defaulters who are out of India, if so, the details of such defaulters and timeline for getting them back; and

(c) whether it is a fact that PNB Mumbai branch had issued Society for Worldwide Interbank Financial Telecommunication (SWIFT) instructions to Indian Bank overseas without making entries in the core banking system, if so, the details of steps taken to ensure that this is not repeated?

ANSWER

The Minister of State in the Ministry of Finance

(a): As per Reserve Bank of India (RBI) inputs, Punjab National Bank (PNB) reported fraudulent issuance of Letters of Undertaking (LoU)/ Foreign Letters of Credit (FLCs) for payments of import bills, amounting to Rs. 12,967.86 crore, to RBI through its Fraud Monitoring Reporting System. RBI has apprised that LoUs were being issued since 10.3.2011.

(b): Directorate of Enforcement (ED) has apprised that, on the basis of FIRs registered by CBI, ED has filed two cases under the provisions of the Prevention of Money Laundering Act, 2002, has obtained non-bailable warrants against two defaulters, and is investigating the matter. Further, Ministry of External Affairs has apprised that all passports of two defaulters have been revoked/cancelled by the passport authorities, as per passport rules.

(c): As per inputs from Punjab National Bank (PNB), messages were sent via SWIFT to overseas branches of Indian banks, regarding fraudulently issued LoUs/FLCs, without entering the transactions in the bank's Core Banking System (CBS). PNB has apprised that it has taken the following steps to ensure that such unauthorised activities are not repeated:

- i. Establishment of an additional tier(off-site) as a third level of re-authorisation of SWIFT messages, wherein payment messages are re-authorised by a separate team of SWIFT Centre, Mumbai only after cross-checking the authenticity of messages in CBS;
- ii. Defined SWIFT-user-based limits for all SWIFT users, under close monitoring;
- iii. Switching off of SWIFT server (LTE) by 10:00 p.m., and restricting SWIFT operations at branches to 6:30 p.m. and centralised back office for trade finance by 7:00 p.m.;
- iv. Concurrent auditors at branches advised to ensure physical reconciliation of all SWIFT messages with CBS on daily basis;
- v. Placing of auditor at SWIFT Centre, Mumbai to carry out audit of SWIFT Operation at SWIFT Centre, Mumbai for anomaly, if any; and
- vi. Monitoring of SWIFT user ID creation/resetting on the recommendation of senior level functionaries.
