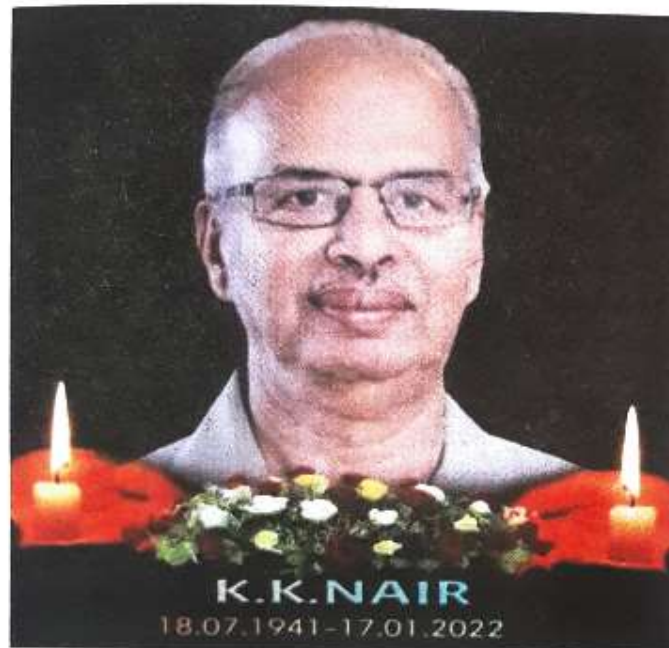


DISCIPLINARY ACTION

**On CREDIT & OPERATIONAL LAPSES
(Steps to Save Self and Secure Bank)**



ALL INDIA BANK OF BARODA OFFICERS' ASSOCIATION



**WE WITH ALL HUMILITY DEDICATE THIS BOOKLET
TO OUR
VISIONARY & INSPIRING LEADER FOR EVER**

Dear Members,

Our respected leader Sri K. K. Nair, Ex-Chairman, AIBOBOA, driven by his deep concern with rising numbers of Disciplinary Cases, exhorted us to prepare a booklet on the Disciplinary Actions on account of Credit and Operational Lapses, for sensitizing general members, particularly the young officers, who are prone to be victim due to lack of knowledge, experience and casual approach.

While handling disciplinary cases of officers and assisting them in preparing Explanatory Notes, Statement of Defence and during Inquiry Proceedings, we have observed that had our officers been aware of the System and Procedures with detailed guidelines thereon at the time of extending loans and would have followed them, they could have averted problems emerging at a later date. In the above backdrop we felt an urgent need to create awareness on Disciplinary Actions, particularly, in the minds of youngsters working in Credit, with an objective to serve the institution's interest and simultaneously protecting our colleagues' career from being subjected to vagaries of Disciplinary Proceedings.

Whenever, prima facie irregularities / lapses are observed in Advances / Operations, the officer/s concerned is / are asked by the Disciplinary Authority to submit Explanatory Note, detailing therein the rationale behind their actions, within the stipulated time.

The Disciplinary Authority, looking to the gravity of the case, if finds merit in the rationale presented by the officer concerned in his/her Explanatory Note, the case may be closed by issuing Advisory letter, otherwise, Disciplinary Proceedings are initiated either under :

- a. **Minor Penalty Proceedings** in terms of Regulation 5(2) read with Regulation (8)

Or

- b. **Major Penalty Proceedings** in terms of Regulation 5(2) read with Regulation (6) of Bank of Baroda Officer Employees' (Discipline and Appeal) Regulation 1976.

When a beginner, learning A B C D of Banking, receives an Explanatory Note, he / she in a disturbed state of mind, immediately, contacts Association representative with a burning query – 'What will happen to him / her and in what manner his / her service is going to be affected'. At this crucial juncture Association representative, playing a responsible role, throws light on the

critical observations in the Explanatory Note and guides the steps to be taken to safeguard his / her Service.

A thorough study of different types of allegations related to irregularities / lapses levelled against officers, reveal the following areas, wherein they normally falter:

- a) **Operational matters** viz. Newly opened accounts, Non-compliance of KYC, AML and procedural guidelines, Misuse / Sharing of Password, Fraud through Inter SOL Cheques.
- b) **Advances** viz. Appraisal of loan proposal, Pre-sanction inspection, Documentation, Legal examination of Property / Title deed, Valuation of property, Vetting of documents, Mortgage of property, Registration of charges, Disbursement of loan, End use verification, PSR to Higher authority, Monitoring and follow up, Frauds related to Home / Car / Personal / Tractor / Gold loans, Baroda Kisan Credit Card, Excess drawings, Loans against NSC and LIP.

There is no denying the fact that while taking credit decisions there could be genuine mistakes. In such situations we expect Disciplinary Authorities to exercise prudence to differentiate between error of judgement and mala fide intention and for that there must be credible evidence. It is really painful to witness an innocent officer becoming victim of circumstances and undergoing pangs of disciplinary action.

There are instances where officers even at the early stage of their career are being served Explanatory Notes for the lapses committed, which may either be due to lack of knowledge or blindly putting their initials / recommendations without understanding its implications. Credit phobia amongst officers due to fear psychosis is the prime reason that officers are reluctant to either accept responsibility of Branch Head or Credit-in-charge. They are also averse to learn / acquire knowledge in Credit.

It is a matter of serious concern that officers are even found involved in Unethical Banking practices putting Bank's fund at stake. There are many reported cases of malpractices adopted for personal gains which is putting a question mark on the credibility / integrity and maligning the image of entire officers' community. On analysis of disciplinary cases it has been found that mostly they are due to non-compliance, inadequate skill set and at times even direct involvement in malpractices.

While comparing Risk Index of Operation and Credit, it has been observed that Credit is less risky as there is reasonable time for verification prior to each steps viz. Pre-Sanction Inspection, Recommending, Sanctioning, Document

each steps viz. Pre-Sanction Inspection, Recommending, Sanctioning, Document execution and finally disbursement, whereas, in operation there is hardly 30 to 40 seconds only to pass a Cheque . That is why there are more disciplinary cases in Operations than Credit. It has been observed that credit related lapses are mostly due to complacency, and pseudo feeling of Authority and due to pressure for achieving Target at any cost.

We are shocked to come across unbelievable incidences of staff indulging in frauds. We strongly condemn acts of those officers who are unauthorisedly debiting - **a)** Customers' accounts without proper mandate **b)** Bank's P/L and G/L Account and crediting their own / family member's accounts misusing the password of colleagues. **Such Fraudulent activities are nothing but SUICIDAL.**

Friends, ensuring compliance and practising Preventive Vigilance will be of immense help to reduce the number of Disciplinary cases. We sincerely advise to have a thorough reading of the contents of this booklet and exercise due care while discharging your responsibilities, particularly, with respect to Credit. It will be a real tribute to our Organization if **YOU, THE NEW GENERATION BANKERS** get sensitised for safeguarding Bank's interest as well as protecting yourselves from traumatic experiences of undergoing Disciplinary Actions.

R.K. Chatterjee
President

Prem Kumar Makker
General Secretary

Dated :26.02.2022

UNDERSTANDING VARIOUS TERMS AND TERMINOLOGIES USED IN DISCIPLINARY PROCEEDINGS

Discipline: -

- a. In a broad sense it means an orderly and systematic behaviour in accordance with the rules and regulations of the particular organisation.
- b. A disciplined employee is one who willingly or voluntarily works according to the required norms of conduct and cooperates with other employees for achieving the objectives of the organisation.
- c. In every organisation certain codes of conduct are laid down by mutual understanding, convention, custom, contract or even statute and deviation therefrom is usually considered as an act of INDISCIPLINE.

Disciplinary Action: -

It is a course of action to maintain and regulate Discipline within an organisation in accordance with the accepted norms and rules of conduct of the employees.

Disciplinary Authority (DA): -

- a. The Authority who is competent to take disciplinary actions against the employee with respect to the misconduct committed by him / her and impose specified penalties thereon.
- b. Various DAs are appointed by the Board of Directors of the Bank. Similarly, Appellate Authorities, Reviewing Authorities and Competent Authorities are also appointed by the Board of Directors.

Inquiry Authority (IA): -

- a. IA is appointed by the Disciplinary Authority to conduct inquiry proceedings on behalf of the Disciplinary Authority.
- b. The IA presides over the inquiry proceedings.
- c. IA is the delegate of the DA, but in discharging its duties and functions s/he is supposed to be independent and not subordinate to the superior authority who has entrusted him/her with the inquiry.
- d. IA, after the conclusion of the inquiry proceedings, submits his reports / findings along with all the relevant documents including evidences, to the Disciplinary Authority.
- e. IA's findings must be objective and he should record reasons for each findings based on the evidence on records. On submission of the Inquiry Report to the DA, the IA becomes defunct (*functus officio*).

Presenting Officer (PO): -

- a. PO presents the case in support of the Charge Sheet on behalf of the DA.
- b. PO is appointed by the DA under intimation to the IA and he should be a person with the required ability to have full grasp of the facts relating to the charges of misconduct of the officer and present the case most effectively.
- c. PO is a delegate of the DA and his job is to establish the allegations and the charges on the basis of preponderance of probability, by leading evidence (oral and / or documentary), direct or circumstantial against the delinquent.
- d. PO must study all the documents and statements of witnesses (listed or not) to plan out his strategy to present the case before IA. He must also anticipate the possible lines of defence that the CSO (Charge Sheeted Officer) can take and devise ways and means of effectively countering them.

Defence Representative (DR): -

- a. DR is nominated by the CSO under intimation to IA and he pleads the case on behalf of CSO.
- b. One of the cardinal Principles of Natural Justice requires that nobody should be condemned unheard, which places a very important responsibility on the part of the DA to ensure that a reasonable opportunity is given to the officer to defend in departmental proceedings initiated against him.
- c. Rules clearly provides for permitting a CSO to be defended by a DR with some restrictions and qualifications. Right of permitting defence by a Legal practitioner is vested in the DA under the regulations. Since Disciplinary Proceedings are fact finding in nature, representation for permission to engage Legal practitioner is discouraged.

Departmental Inquiry: -

- a. An Inquiry held by the Management against its employee is called a Domestic / Departmental Inquiry and the IO is a Domestic Tribunal.
- b. The reason is obvious, such an Inquiry is not by an outsider or trial by court under any statute.
- c. It is an Inquiry held by the Management's own representative against its own employee against whom certain acts of misconduct are alleged.

d. The purpose of the Inquiry is twofold :

1. These proceedings are to help the DA to come to a conclusion regarding the conduct of the delinquent employee with a view to decide penalty, if the charges / allegations are proved.
2. It gives the delinquent employee an opportunity to defend him / herself against the charges levelled and give justification of his/her acts / omissions to prove his / her innocence.

FLOWCHART ON STEPS INVOLVED IN DISCIPLINARY ACTION:

1. MISCONDUCT REPORTED (Through examination of Staff Accountability with respect to account turning into NPA, SOL / SL / RBIA, Verbal / Written Complaint, Information from Media or Newspaper, Non-observance of Electronic / Print / Social Media Policy).
2. PRELIMINARY INVESTIGATION (If prima facie irregularities are observed / reported, proceed further by arranging detailed Investigation, or else, close the matter).
3. Submission of Report by IA to the Appointing Authority. The IA should mandatorily obtain version (format vide Circular No. BCC:BR:113/196 dated 08.04.2021) of erring official against whom the irregularities have been reported and in case he understands and appreciates the circumstances / factors under which decision was taken by erring official, he may not hold him or her accountable in his report.
4. IA's Report is placed before the A/B/C level committee (under which it falls) which takes cognizance thereon, considering along with the versions of the employee / others and the related documentary evidences and vet the Report. Minutes of the meeting of the Committee is placed before the Competent Authority for calling Explanation (Circular No. BCC:DP:113/697 dated 26.03.2021 with regard to the Competent Authority for respective employee/Ex-employee) and who decides whether the Explanation needs to be called or not.
5. EN (Explanatory Note) is issued to the official concerned.
6. Reply received from the erring official is submitted by the Competent Authority along with his comments (in tabular format) over the respective replies to the respective DA (RH/ZH/TH).

7. The DA submits the proposal to IAC (Internal Advisory Committee) for all the officials, irrespective of replies being found satisfactory or not, for classification of the case as Vigilance / Classified Non-Vigilance (Financial) CNVCF, and recommending closure of the matter for whom the replies are found satisfactory.
8. IAC takes the decision to classify the case as Vigilance or CNVCF and recommends to the CVO for its consideration.
9. The CVO reviews the decision of the IAC and sends his advice to the DA for classification of case as Vigilance or CNVCF or otherwise agreeing with the DA for closure of the matter against whom the DA had recommended. In case CVO disagrees with the DA's proposal of closure, the related case will also be classified as Vigilance or CNVCF.
10. The DA submits the FSR (First Stage Reference) to the CVO recommending the RDA to be initiated under Major / Minor penalty proceedings against each of the erring officials.
11. Upon receipt of FSA (First Stage Advice) from the CVO the DA will issue Charge Sheet / IOL to the respective officials depending upon the classification of the case as Major / Minor.
12. The DA will ask for WSOD (Written Statement of Defence) from the CSO (Charge Sheeted Officer).
13. If the DA finds the WSOD as satisfactory he may proceed further with awarding penalty as per the FSA, else will appoint IA (Inquiry Authority) and PO (Presenting Officer) for the CSO.
14. In case of Minor Penalty Proceedings the DA, depending upon the WSOD of the CSO, may not appoint IA and PO and may proceed further with awarding penalty as per the FSA.
15. IA will initiate Inquiry proceedings on the basis of allegations and charges levelled against the CSO and upon logical conclusion of the Inquiry he will submit his findings to the respective DA for further course of action.
16. DA may accept the findings completely or may differ with the IA and mention his observations with reason thereof. He then sends the findings to CSO for his submissions. In case DA completely disagrees with the findings of the IA he may appoint de-novo inquiry in the matter.
17. Upon receipt of the submissions of the CSO the DA will submit SSR (Second Stage Reference) to the Central Authority for CNVCF matter, and

if the case is classified as Vigilance there is no need of submission of SSR, and the penalty is awarded in accordance with the FSA. If the DA decides to award penalty against the FSA (e.g. if the case was classified as Major and DA decides to award penalty for minor) he needs to submit the SSR to CVO for his concurrence along with his views and recommendations and after obtaining the reply therefrom he may proceed with awarding the penalty.

18.DA issues Final Order.

19.CSO may submit his appeal to the Appellate Authority within 45 days from the receipt of the Final Order.

20.Upon receipt of the decision from the Appellate Authority, if the decision is not in his favour, he may submit his representation to his Reviewing Authority.

HIGHLIGHTS OF BOB OFFICER EMPLOYEES' (Conduct) and (Discipline & Appeal) REGULATIONS, 1976:

1. Every Officer Employee shall at all times take all possible steps to ensure and protect the interest of the Bank and discharge his duty with utmost integrity, honesty, devotion and diligence and do nothing which is unbecoming of a Bank Officer.
2. Every Officer Employee shall maintain good conduct and discipline and show courtesy and attention to all persons in all transactions and negotiations.
3. No Officer Employee shall, in the performance of his official duties or in the exercise of power conferred on him, act otherwise than in his best judgement except when he is acting under the direction of his official superior, provided, wherever, such directions are oral in nature the same shall be confirmed in writing by his superior official.
4. Every Officer Employee shall take all possible steps to ensure integrity and devotion to duty of all persons under his control and authority.
5. **Regulation 24:-** A breach of any of the provisions of these regulations (as given herewith) shall be deemed to constitute a misconduct punishable under Bank of Baroda Officer Employees' (Discipline and Appeal) Regulation 1976 : -

(a) Observance of secrecy, **(b)** Employment of members of family of Bank Officers in Firms enjoying Bank's clientage and grant of

facilities to such concerns, **(c)** Taking up outside employment, **(d)** Contribution to News Papers, Radio etc., **(e)** Demonstration, f. Joining of Associations prejudicial to the interest of the country, **(f)** Giving evidence, **(g)** Public Demonstration in honour of bank officials, **(h)** Seeking to influence, **(i)** Absence from duty, **(j)** Acceptance of Gifts, **(k)** Lending and Borrowing, **(l)** Advance drawl of salary, **(m)** Subscriptions, **(n)** Speculations in Stocks and Shares and Investments, **(o)** Indebtedness, **(p)** Movable / Immovable property, **(q)** Vindication of acts and character of an Officer Employee, **(r)** Restrictions regarding marriage, **(s)** Consumption of intoxicating drinks and drugs, **(t)** Prohibition of sexual harassment of working women.

6. The Service Conditions describe the misconduct as Minor or Gross or as decided by the Disciplinary Authority as per the Institution's extant guidelines.
7. Penalty / Punishment imposed as per Regulations framed in Service Conditions of the Institution (as applicable) after due process of departmental Enquiry. Only the designated Disciplinary authority can impose penalty / punishment to a delinquent employee.
8. **Natural Justice** : - **(a)** Common Sense of a man of ordinary prudence, equity and justice could be the factors to decide whether natural justice is afforded to a delinquent employee before imposing penalty, **(b)** Principles considered vital to ensure justice and give protection to employees whose conduct is under examination, **(c)** Should have the opportunity to know the allegations against him, **(d)** Should not be condemned unheard meaning that no person should be judged without a fair hearing – AUDI ALTERAM PARTEM **(e)** Should have reasonable opportunity of defending himself through an orderly procedure, **(f)** Should know the material which is sought to be used against him, **(g)** No person should be a judge in his own cause – NEMO JUDEX IN CAUSA SUA , **(h)** Justice must not only be done but should manifestly and undoubtedly seem to be done, **(i)** Hearing to take place in presence of the charged employee.

TOPIC WISE LIST OF LAPSES WHICH ATTRACT DISCIPLINARY ACTIONS

C R E D I T

AREAS OF CONCERN: Causes and Remedies

Broadly speaking a). Deteriorating asset quality, b). Unprecedented slippages and c). Poor recovery in loans, lead to sharp increase in NON PERFORMING ASSETS and ultimately fall in PROFIT due to provisioning thereon have become persistently areas of serious concern.

We need to follow, sincerely, laid down systems and procedures. Experience tells that good health of asset and its consistent performance much depends upon the **1)**. Caution exercised at the time of Identification of Borrower, **2)**. Borrowers stake in the Loan, **3)**. Quality of Pre-Sanction Inspection, **4)**. Appraisal, **5)**. Documentation, **6)**. Disbursement, **7)**. Ensuring creation of asset, **8)**. Post-disbursement monitoring and follow up. **In a nutshell the most important role and responsibility of officers looking after credit is to ascertain genuineness of borrowers, guarantors, collateral security and to ensure creation of assets / end-use of fund.**

COMMON LAPSES, POSITIVE & PREVENTIVE STEPS AND OTHER FACTORS:

1. Even experienced officer in credit, with expertise and knowledge cannot give guarantee that loan account will not become NPA. Even LABOD / ODBOD account can be NPA if it is not monitored regularly.
2. In cases where certain preliminary facts are not satisfactory, to protect Bank's interest, learn the art of saying NO without hurting self-respect of the Customer / person intending to borrow.
3. In case you are satisfied with initial credentials of prospective borrower but have some queries / doubts, do not hesitate to contact RO / ZO team for clarification to proceed further.
4. We, generally, at the preliminary stage of the discussion with prospective borrower make commitment, and subsequently, while collecting paper, documents and other information, found it risky and not worth considering, but as we have committed we try to adjust / circumvent to sanction loan which become damaging in many cases. Even at that stage we should clearly, politely and firmly must say '**NO**' with justification as facts revealed, subsequently, on perusal of documents was not known earlier.

5. Many a times, either we sanction immediately without proper assessment or we keep on asking papers one after other, thereby, deferring the sanction which culminates in to altercation / arguments, and thereafter, we sanction / disburse loan under pressure without being convinced of the viability of the project or scheme. Both situations should be avoided.
6. There is no good or bad customer, each case has to be evaluated on its merit.
7. One has to work with positive mind-set as per the guidelines and never take alibi to frame own rules to justify violation of Bank's and RBI's guidelines in the name of business growth and pressure.
8. Always subtly take market report on new customer without exception through cross reference.
9. Make a habit to pay surprise visit to customer's office, shop, factory not only to know about him / her but to gain information on what is happening in your area and existing and new customers. This has always helped Smart officer & Manager.
10. Not obtaining proper/complete application form with signature/s thereon of all the applicants along with the photograph/s of borrower/s and guarantor/s with present and permanent address and details of legal heir/s.
11. Compromising on Compliance (a zero tolerance area) is detrimental to Bank's interest.
12. Non preparation of Appraisal Note, Sanctioning Loans without proper assessment and due diligence.
13. KYC verification – a most vital element gets less attention and alertness. It must be done on the strength of original documents and should be recorded with stamp, signature and date.

RECKLESS FINANCE:

The following features in Branch's Advance portfolio symptomizes reckless financing:

1. Sanctioning / Disbursing exceptionally higher amount of loans as compared to other branches in the vicinity.
2. Other glaring features viz. **(a)** Transgression of DLP without confirmation from RM ; **(b)** Not ensuring end use of funds; **(c)** Not ensuring genuineness of activity; **(d)** Late / non-submission of PSR; **(e)** Multiple facilities at same place for same activity; **(f)** Family group finance; **(g)** Poor quality of proposal; **(h)** Violating the lending norms;

(i) Unit not found on the address mentioned in KYC of the firm; **(j)** Non- creation of assets; **(k)** Cash Credit limit released before utilisation of the Term Loan; **(l)** Quotation, bill, money receipts and end-use-verification report not on record; **(m)** Non-observance of four-eyes-principle in sanctioning / disbursing; **(n)** CIBIL report not generated/on record; **(o)** Lack of monitoring and control on the part of Administrative offices thereby missing the timely detection of abrupt and abnormal rise in Advance figures of a particular branch.

We have a word of CAUTION for officers involved in RECKLESS FINANCE because, whenever, a Branch Head / Credit Officer has indulged in that, they have invited problems. There are instances which show lack of care about risks involved and loans have been disbursed without observing - **1.** bank norms, **2.** laid down systems and procedures, **3.** set parameters for selection of borrower, **4.** proper processing of loan applications, **5.** assessment of his credit needs, **6.** documentation, **7.** No cash disbursement, **8.** post sanction monitoring and follow up. Some even dilutes the basic tenet of lending - following KYC norms scrupulously - putting themselves in grave risk and pushing Bank to the loss and damaging their own career and dignity.

Bankers need to be careful on the malpractices adopted by Borrowers:-

1. Submitting false / manipulated financial statements for availing credit facilities by overstating assets, sale, income and profit.
2. Submitting false / inflated / manipulated stock and book debt statements for making unreasonable Drawings from Cash Credit accounts.
3. Submitting inflated valuation report of property / security for availing higher amount of loan. Independent assessment / inquiry on the prevailing market rates should be carried out.
4. Diverting / Siphoning off Funds- Assets financed not purchased / created by the Borrower and funds borrowed are being misutilised / misappropriated for purposes other than for which the Bank had released the funds. The Cheques / Drafts issued in favour of Dealers / Agencies get encashed by opening fake accounts.
5. Submitting forged Title deeds / Land Possession Certificates / Revenue records of immovable properties of borrower as well as guarantor as securities for loan. All precautionary measures for thorough screening of the documents to be carried out.

6. Misrepresenting that the property / security is free from encumbrances and availing finance thereon from several Banks.
7. Disposing pledged / hypothecated / mortgaged assets without Bank's consent and not routing the sale proceeds through the accounts with the branch.
8. Disposal / removal of other securities pledged / hypothecated / mortgaged to the Bank without consent / knowledge of the Bank and proceeds misutilised.
9. Borrowing funds from the Bank through Impersonation which is on rise these days. All precautionary steps need to be judiciously exercised.
10. Fabricating books of accounts, entries, vouchers or Financial Statements for availing finance.
11. Forging signatures of professionals such as Chartered Accountants / Valuer on certificates or reports.

VARIOUS ALLEGATIONS LEVELLED AGAINST OFFICERS CONCERNED UNDER DIFFERENT SEGMENTS WITH A FEW SUGGESTIONS THEREON:

Know Your Customer (KYC) / Anti Money Laundering (AML):-

- Not ensuring compliance of KYC-AML Guidelines by verifying the copy of KYC documents with the original.
- KYC documents are not found on record.
- Noncompliance / non observation of KYC norms and not carrying out due diligence as per Bank's set guidelines / procedure.
- Non verification of authenticity of ITR / accepting Fabricated ITR.
- Did not obtain Account opening forms and KYC documents from customers but allowed large value transactions in those accounts without satisfying with the intent/purpose, genuineness of transactions from customers, thus violating KYC-AML policy guidelines of the Bank.
- Did not maintain proper records of all cash transactions of the value of Rs. Ten Lacs and above and check CTR report as per PMLA (Prevention of money laundering of Act 2002) guidelines.

- Did not ensure due diligence when the transactions in the account appear to be suspicious and failed to report to Higher Authority under STR as per PMLA rules.

Pre-Sanction Inspection:-

- Pre-Sanction Inspection has not been carried out in the prescribed format as per Bank's norms.
- Shops / Outlets were found closed during unit inspection implying that no activity is being carried out by the respective firms.
- Pre-Sanction Inspection report prepared without personally visiting Loan applicant's house, business place / units.
- Shops / Outlets were not found on the address recorded with the branch during the course of unit inspection implying, thereby, that the credit facilities have been sanctioned to fictitious/non-existent firms.
- Verification of IT Returns by CA / Income Tax Advocate not done.
- It is observed that pre-sanction Inspection Reports of various units are same, only the date, address, purpose etc. have been changed. It is not clear from the Inspection report that the Unit/s or Security/ies have been actually visited or not.
- The Pre-Sanction Inspection of charged property and post sanction inspection report are not found on record.
- The Pre-Sanction Inspection report does not contain the details of business place acquired on ownership basis or on lease basis or on tenancy basis. Similarly, the details of godown and proof of ownership not commented upon.
- Sanctioning credit facility to the borrower living at far off place about 60 km away from the branch. Borrowers are not traceable.
- Pre-Sanction Inspection was not carried out before enhancement of facility.
- The company was having its registered office at X PLACE and business is also located at X PLACE but credit facility has been recommended at Y PLACE without recording any justification.

Advice to follow:

First time officer may visit or do Pre-Sanction Inspection with prospective borrower, but thereafter, there must be a discreet visit / independent visit / surprise visit with talking to the nearby people to know about unit, property, market report, etc.

Obtaining Quotation:-

- No quotation obtained for purchase of machinery / asset.
- Quotation has not been obtained from authorized dealer/agency.
- The quotation submitted by borrower is highly inflated. Branch did not verify the genuineness of the quotation from the authorized dealer.

Advice to follow:

Always try to verify genuineness of the capacity, financials and Bank record of the dealer who is giving the quotation.

Valuation:-

- Not obtaining valuation report and completion certificate from Bank's empanelled valuer.
- Sanctioned the loan in contravention of Bank's guidelines, as in the valuation report obtained, it is clearly mentioned that plot / property offered for mortgage is without demarcation.
- Marketability and Valuation of the mortgaged property was not independently verified and satisfied before sanctioning loan.
- Exaggerated value of the property given by the empanelled valuer and accepted without verification / market feedback.

Advice to follow:

It is Sanctioning Authority discretion to accept or reject the valuation report given by the empanelled valuer.

Margin Money:-

- Not stipulating the margin as per Bank's guidelines.
- Another loan is sanctioned for providing Margin Money.
- As per terms of sanction, company was to bring margin upfront, but same was not ensured.
- Disbursement was made directly to the credit of current account of the company without taking Margin Money from the Borrower.

Advice to follow:

Source of Margin Money must be verified and satisfied, because, at times, people borrow temporarily or avail other / personal loan from other bank in between and deposit it as margin. Margin money should be deposited in the Borrower's account.

Appraisal:-

- Not obtaining Loan application in Bank's prescribed form.
- Loan applications are not signed by the applicants.
- Sanctioning authority did not ensure that photograph of applicants on loan application is affixed and stamped with the Bank's seal covering Loan application form as well as photograph.
- Borrower is located far away from the branch beyond its monitoring area.
- Net worth of the borrower / guarantor not ascertained / supported by documentary evidence. F 135 casually filled.
- All Income Tax returns are filed on single day at the time of sanctioning of the loan.
- Financials are not signed by the proprietor/Authorised officials of firm.

Sanction of Loans:-

- Sanction terms & conditions not conveyed to Borrower/ Guarantors. Acceptance in writing not obtained from Borrowers / Guarantor.
- Sanctioning OD facility under Baroda Traders Loan / Baroda Property Pride Scheme to the Individual / firm within two years of existence, without obtaining permission from RO.
- Facility released, **a)** without preparing appraisal note / working capital assessment, **b)** overlooking unjustified sales turn over, **c)** despite current ratio below the bench mark level.
- Sanctioning two retail loans against the security of same property without obtaining permission from RO as it is a deviation from normal course of financing.
- Accepting present market value within three years of registration of the property without obtaining permission for deviation from R.O.

- Sanctioned loan without recommendation of credit officer posted in the branch. Thus flouted four eye principle of Bank.
- Enhancing the limit before due date of Review, without proper justification and when the turnover in the account was not satisfactory.
- Drawing power is not regulated on advance value of stocks and book debts.
- Ad hoc allowed at branch level which is violation of DLP. Excess is allowed **a)** in new account within a period of 12 months, **b)** 5 times or more instead of maximum provision of 3 times, **c)** beyond eligibility, **d)** in Baroda Traders Loan / Baroda Property Pride which is against the Bank's guidelines.
- TOD allowed in newly opened current account when the conduct of the account was not satisfactory and high value cheques were returned frequently in the account for financial reasons.
- Stock value was found very less during the course of unit inspection which was not in commensurate with the limit sanctioned.
- The CIBIL report is not generated at the time of review-cum-enhancement of credit facility.
- The CIBIL report is generated after sanction of the credit facility. The CIBIL report is not analysed and adverse remarks is not commented upon.
- The commercial CIBIL report of the firm is not generated.
- Fixed deposit kept as collateral security has been prepared by debiting the loan account directly by first transferring the loan amount to their other account.
- Lease / Rent agreement for business establishment not obtained.
- Appraisal Note of loan is not found on record.
- Sanctioning various credit facilities to a defaulter of other Banks / financial institutions as per CIBIL Report.

- Sanctioning credit facility to a firm, whose loan account was NPA in Bank's other branch and subsequently adjusted through compromise by debiting the fresh loan account.
- While processing / sanctioning the loan under the scheme Advance against property, the Identity proof / income proof / insurance and assessment of the eligibility of the Loan not obtained.
- Before sanctioning loan, repayment capacity of the borrower was not assessed.
- The age of co-borrower is above 60 years.
- Sanctioning personal loan to employee of other Bank without obtaining 'No objection' from the said Bank and also not informing their employer.
- LIPs to be obtained as liquid security as per terms of sanction were not obtained.
- LIP obtained as liquid security is not assigned in favour of Bank.
- Sanctioned without proposal / appraisal / income tax return / deduction allowed more than 60% of Salary or Monthly Income / no rating / no margin stipulated / charge not noted with RTA.
- Credit report / Bank account statement was not obtained from existing Banker before sanction of credit facilities. Credit report of associate concern was not obtained and satisfied upon.
- Enhancement was made when the loan account was running in excess. Enhancement was allowed in spite of large number of cheques being returned unpaid.
- Legal opinion obtained was not in Bank's format and not in the Letter pad of advocate.
- The proposal was not signed by Processing / Appraising / Sanctioning officer.
- Lesser Collateral liquid security was accepted than the amount stipulated in the sanction. While taking over loan from other bank or NBFC, collaterals were diluted / released without prior permission from the Competent Authority.

- Equitable Mortgage was extended without payment of required stamp duty.
- Credit Report from the previous Banker was not obtained.
- BTL / BPP limit was sanctioned to the firm when its Housing Loan was not satisfactory.
- Did not ensure to obtain and physically verify the list of machineries installed at the unit by visiting unit, obtaining bills/invoices and also did not verify the same with the project report of the unit.
- Ownership of the original title holder was not verified.
- Released credit facility, without rectification of discrepancies such as nature of land, genuineness of title deed, chain of title, copy of khatian from Nagarpalika, mutation order etc. observed in document vetting report, in violation of Bank's guidelines.
- Tenanted property was taken to secure the facility in contravention of the guidelines of the scheme.
- Agriculture land was accepted as security in contravention of the guidelines of the scheme. Did not ensure to obtain land conversion certificate before creation of equitable mortgage.
- The principal borrower was more than -70- years of age, which is violation of Bank`s guidelines, yet the facility was considered without obtaining prior permission from the Competent Authority for such deviation.
- The discretionary lending power was transgressed while sanctioning the facility.
- Out of two properties offered as security, one fake title deed in the name of proprietor of the firm was accepted for mortgage. Property substituted without prior sanction of higher authorities.
- Did not obtain lease / rent agreement of shop / establishment at the time of sanction of the Loan facility. Did not confirm registration of the firm under Shops and Establishment act by obtaining requisite license or Sales Tax / VAT return / GST.
- The property which was not demarcated and was under deep water as per the Valuation Report was accepted for mortgage.

- Second enhancement was done without: **a)** obtaining application from borrower, **b)** proper justification, **c)** preparing proposal.
- Letter from other Bank shows that post-dated cheques given towards payment of monthly instalment have bounced frequently and charges have been recovered from the account, nevertheless, proposal was sanctioned.
- Term loan sanctioned for certain amount was bifurcated into two parts without seeking any modification / deviation approval from the competent authority.
- The company had accumulated loss, even then, it was taken over which was against basic tenets of credit.
- Excess allowed in the account has been regularized by enhancement of limit, which is irregular.
- Processed and recommended under SME OD against land and building scheme when the firm was engaged in real estate finance which is against Bank's norms.

Advice to follow:

SANCTION LETTER and its acceptance by borrower/ guarantor , and Board Resolution in case of company / society IS PRIMARY DOCUMENT and beginning of contract between Bank & Borrower, without which other documents, even though, obtained can be challenged in court of Law. Even in case of simple review of CC / OD account sanction letter to be issued and be accepted by all concerned.

Documentation / Vetting of documents / Registration of charges:-

- Not ensuring vetting of security documents and also not registering charges with ROC in respect of ad hoc limit sanctioned and disbursed.
- Documents were incomplete and kept blank. The DP Note was not executed properly as per constitution of the borrower.
- Security documents got executed only in personal capacity of the borrower in a proprietorship account.
- Documents are incomplete / partially blank / not signed by borrower and guarantor in all pages.
- Facilities were released before vetting of documents by Bank empanelled advocate.

- Non-registration of charges with ROC for corporate guarantee before disbursement and wrong confirmation to higher authorities regarding compliance of all terms and conditions while seeking disbursement authority.
- The facility was released without updating the CERSAI regarding creation / extension of mortgage of property.

Title Deed & Mortgage of Property:-

- Non-Creation of mortgage before disbursement of the facility as per sanction.
- Not ensuring extension of mortgage before releasing the facility.
- Extension of equitable mortgage without payment of stamp duty as per requirement.
- Mortgaged property obtained as collateral security is not identifiable / having clear demarcation.
- Mortgage has been created without rectification of the observations pointed out in the Legal opinion report. Title is not traceable and no paper is produced which establishes the chain of title. Portion of land will be half as mentioned in deed. No specific area with boundary is mentioned.
- It is observed from Legal opinion that advocate has not made a search with office of Sub Registrar and not verified original Title deed. Such incomplete report taken into consideration.
- Legal opinion of the property / security is obtained after releasing the facility, which is contrary to Bank Guidelines.
- Not obtaining annexure A and / or Annexure B while creating mortgage.
- Property obtained as security from a person, who is neither borrower nor guarantor in the loan account is violation of the Bank's laid down guidelines in case of Housing loan.
- Creation of mortgage without obtaining the required documents as per Legal opinion of advocate.
- Accepted laminated Title deed for creation of equitable mortgage against Bank's guidelines.
- Equitable mortgage was created by depositing fake title deed and impersonating the real owner of the property which was challenged by the real owner later on.
- Mortgage created on obsolete deed.
- In the search report / Legal opinion submitted by the advocate, Title deed number of property was not mentioned and the same was accepted with such deficiency.
- Title deed number of the property has been mentioned as X instead of Y in the search report / Legal opinion submitted by the advocate and the valuer and the same was accepted.

- Unregistered sale deed was accepted for mortgage.
- The Title documents of the substituted mortgaged property was subsequently found fake.
- The agriculture land which was required to be converted into non-agriculture land before disbursement was not complied with as per terms of sanction.
- Property of Co-operative Society was mortgaged without obtaining No objection from Co-operative society.

Advice to follow:

Please remember to check whether Legal opinion is as per Bank format. Please read carefully the report from beginning to end and not only last point given in report of advocate. **Most important is to go through the points in detail in report where 30 years chain has been described by advocate and whether there is any break in link. It is the discretion of Sanctioning Authority to accept the opinion or reject it or obtain second opinion.**

Disbursement:-

- Disbursement of credit facility in full without obtaining additional collateral security as per terms of sanction.
- Releasing of credit facility without rectification of discrepancies observed in document vetting report such as Nature of land, Genuineness of Title deed, Chain of title, Copy of khatian from Nagarpalika, Mutation order etc.
- Not ensuring infusion of fund and also not obtaining CA certificate which was a precondition of disbursement. This condition was not incorporated in the Sanction letter though it was mentioned in the Sanction advice.
- Not ensuring calculation of Drawing Power as per stocks.
- Disbursement in cash to unrelated party. Transferring fund to current account of the firm dealing in unrelated items.
- Disbursement of fund in newly opened SB A/c and which was subsequently, withdrawn in cash and remitted through RTGS to unrelated entity.
- Released the facility without obtaining activity clearance as required .
- Releasing credit facility without obtaining legal opinion. Not obtaining copy of POA and back papers / mother deed. Not obtaining Authority from RO to execute documents through POA.
- Did not ensure creation of charge of the collateral security with Registrar of Companies (ROC) before or within 30days of Disbursement.

- Releasing credit facility without verifying the genuineness of Title deed and Mutation order.
- Releasing the credit facility without verifying the genuineness of agreement of the dealership with the company.
- Initial disbursements were made by transfer to the account - cases of diversion and / or siphoning off fund / ingenuine transaction.
- The availment of entire limit was allowed within two days in cash without proper justification.
- Indulged in reckless finance - sanctioned more than 500 Personal loan accounts out of which 40% turned NPA.
- Post disbursement inspection was not done within reasonable time to verify the end use of fund.
- Facility was sanctioned by RM / DRM (higher authority), but disbursement authority was not obtained prior to disbursement of the facility.
- Lending beyond the annual lending cap earmarked for the Branch Head.
- Continuous excess were allowed violating the Bank's norms.
- Cheque purchase was done deliberately to avoid showing the account as NPA. A cheque of Rs. X lacs was purchased on Y date and proceeds were credited in the account. The said cheque was returned unpaid on later date.
- Disbursement of Term loan has been made in personal account and subsequently, entire amount withdrawn in cash.
- Release of working capital without disbursement of term loan.

End Use Verification & Post Sanction Monitoring:-

- Firm's account was closed by transferring the amount from Cash credit of the firm where turnover in the old account was not satisfactory.
- Not ensuring end use of fund. Initial disbursement was made either in cash and / or transfer to the account of some common persons not related to the nature of activity. It appears a case of diversion and / or siphoning off fund.
- Registration under Shop & establishment act, license, Sales Tax Return not found on record of the Firm to whom loan has been sanctioned.
- Stock statement register is not maintained by the branch and also details of stock value not entered / updated in FINACLE to derive drawing power and hence drawing power is not regulated on the strength of latest stock value. Submission of stock statements in most of the Cash Credit accounts is also very irregular.
- Vehicle loan accounts have been processed and sanctioned without conducting Pre-Sanction Inspection. Post Sanction inspection to verify end use of fund not carried out.

- In Education loan progress report from the institution not obtained, previous money receipt from the institute not obtained before release of instalments.
- Stage wise / post disbursement inspection not carried out. Disbursement not supported by documentary evidence and Insurance not obtained in Housing loan accounts.
- Collateral security substituted but permission for substitution of collateral security was not taken from the Competent Authority.
- It was pointed out in periodical inspection report that the machinery of the mill sold out and the mill is closed, nevertheless, due diligence and normal prudence was not exercised and disbursement was allowed without verifying the end use.
- Entire amount of loan was transferred to SB account of the borrower.
- Bill/receipt was obtained from the borrower, but End use of the loan was not verified.
- Physical Inspection of the property charged to the Bank not carried out.
- There was diversion of fund. By debiting the loan account Banker's cheque was issued in favour of other firm, in place of the firm from which quotation was obtained.
- On number of occasions cheques were returned unpaid, but the said fact was deliberately overlooked while reviewing the account.
- The earlier Housing loan was closed from the proceeds of the present loan.
- Purpose of loan was for construction of house but as per valuation report house was already constructed and some repairing was going on.

Reporting:-

- Credit sanctioned under DLP by the Branch Head but not sent to Regional Authority for PSR as per guidelines.
- Did not ensure to submit compliance report of PSR observations made by the Regional Authority.
- Not ensuring proper asset classification. Putting date in FINACLE without doing review and obtaining stock statement.

UNETHICAL PRACTICES OUT OF IGNORANCE / UTTER NEGLIGENCE / DELIBERATE INTENTION INVOLVING STAFF RELATED ACCOUNTS: -

- Unauthorised Banking transaction between customer / borrower account and staff as well as staff related account.

[Note that, unusual transactions in Staff Accounts is violation of the provisions of Regulation 15 (i) of Bank of Baroda Officer Employees' (Conduct) Regulation 1976. As per Regulation 15 (i) no officer shall in

his / her individual capacity borrow or, otherwise, place him / herself or a member of his her family under a pecuniary obligation to broker or a money lender or a subordinate employee of the Bank or any person, association of persons, firm, Company or Institution, whether incorporated or not having dealing with the Bank.]

- Unusual Cash transactions in SB / OD Account of Staff, for which not able to furnish proper justifications about the source.
- Unauthorisedly debiting Bank's G/L or P/L A/c and crediting Self / Relative / Other account with motive of personal gains.
- Debiting depositor's institutional or individual account without obtaining their written mandate / authority letter and transfer the fund to self or other related account.
- Knowingly, sanctioning Loans on the basis of fake and fabricated documents, entertaining impostors, and thereby, exposing Bank to substantial financial loss.
- Involved in reckless financing, misappropriating / defrauding Bank funds by resorting to unscrupulous practices which are detrimental to the interest of the Bank.
- Deliberately omitting and committing serious irregularities for which Bank is likely to incur substantial financial loss.
- Using password of colleague / s with mala fide intention / vested interest for personal gains.

[Please be aware that as per Bank's guidelines the officer / staff whose password is used / misused by other staff member/s for committing fraudulent transaction/s (entering / posting / verifying) will also be held responsible.]

- Remittance from customer's Loan account to self or related accounts through NEFT / RTGS without obtaining authority letter.
- Not maintaining secrecy of password resulting in to its misuse by colleagues.

UNETHICAL PRACTICES IN CREDIT / DEPOSIT OPERATIONS:-

- Fixed deposit made out of loan amount disbursed and accepted as collateral security.

- Margin Money contribution from borrower not obtained as per terms of sanction or manipulated by extending other loan.
- Disbursement of entire loan amount in cash against terms of sanction.
- Debiting borrower's cash credit / overdraft account without their cheque / authority letter, the unavailed portion of credit and crediting Current / SB A/c particularly at the time of quarter end for the purpose of artificially inflating business figure which is termed as WINDOW DRESSING.
- Branch Manager misused his power as sanctioning authority by allowing middlemen/agents in arranging loan to applicants, who did not directly approach the branch for availing loan.
- Committing fraud through multilayer transactions for camouflaging the ultimate beneficiary for covering up the misdeeds.
- Engaging / entertaining middleman for Loans processing and Disbursement.

LAPSES IN HOUSING LOAN:-

- **a)** No appraisal / sanction. **b)** Valuation of the property not obtained. **c)** Legal opinion not obtained. **d)** Documents are not properly filled in. **e)** Loan granted more than the eligible limit. **f)** Deduction in total income allowed for more than 60%. **g)** Income tax return obtained for two years only. **h)** Equitable mortgage not created. **i)** Stage wise inspection / post-disbursement inspection not carried out. **j)** Disbursement not supported by documentary evidence. **k)** Insurance not obtained. **l)** Construction not made as per approved plan.
- While disbursing housing loan to borrowers did not ensure due diligence relating to disbursements: **a)** No stagewise inspection carried before disbursement. **b)** No bill / voucher obtained. **c)** No certificate from Architect / Civil Engineer obtained.

LAPSES IN CAR LOAN:-

- Proof of residence (wrong address given) not verified during pre-sanction inspection.
- Proof of employment / business not verified. Borrowers submitted fake copies of ID Cards / Form No. 16 / Salary Slips issued by the employer.
- Not verified the place/existence of business, sales tax returns / VAT returns / balance sheet, statement of account related to business unit in cases of Car Loans to Business Concerns.
- The details of Borrower's existing Banking relationship not looked into / obtained. SB account of the borrowers were opened on the date of sanction of loan. Borrowers who posed to be salary earners were not having salary account with the branch. Borrowers posed as business man did not have the business account with the branch.

- Quotation submitted by the borrower/s were highly inflated. Branch did not verify the genuineness of the quotation from the dealers. Quotation obtained from sub dealer instead of authorized Main dealer.
- Due diligence was not exercised for ascertaining the genuineness of quotation / invoices submitted by the Borrower through detailed enquiries with the Dealer.
- No upfront margin recovered from the borrower.
- Statement of Bank accounts of the borrower was found fake on verification.
- ITRs were not verified / found to be fake.
- The copy of Income Tax challan has not been obtained.
- CIBIL report of the borrowers were not generated and satisfied upon.
- The loan amount was directly credited to accounts of dealers by transfer instead of issuing BC / DD with superscript that the loan has been granted by us for purchase of vehicle.
- No letter was issued to dealers informing them that the remittances pertained to car loan disbursement. Not visited dealer shop and not directly gave DD/BC to Authorised Main dealer.
- Not obtained photograph of borrower along with financed car / vehicle as per Bank's guidelines.
- RTO registration found fake.
- Four eyes principle not observed.

LAPSES IN PERSONAL LOAN:-

- Not obtained verified salary slip from the employer concerned.
- Not obtained Form 16 / IT returns as per extant guidelines
- Sanctioned without generating CIBIL reports.
- Not obtained the copy of statement of salary account for last six months maintained with other bank, thus violated Bank's guidelines.
- Not obtained KYC documents of guarantor; did not verify the identity of guarantor; did not ensure to verify and satisfy upon the net worth of the guarantor.
- Sanctioned Loan to borrowers residing / working far away (30-40 km) from branch, which will be difficult to monitor later on.
- Not obtained letter of undertaking for post-dated cheques.

LAPSES IN DEMAND LOAN AGAINST NSC:-

- The NSCs pledged are reported to be fake. KYC verification of applicant and Pre-Sanction Inspection is casually done. Margin norm not ensured.
- No income proof / evidence of present activity of the borrower is obtained.
- The existing Bank account statement of borrower not obtained / scrutinized while considering the sanction.

- CIBIL Report of the borrower not generated and verified before sanction.
- NSCs submitted for pledge were not verified by deputing Bank officials to related Post Office.
- On due date NSC not sent to Post office for payment.

LAPSES IN DEMAND LOAN AGAINST LIFE INSURANCE POLICY:-

- Did not ensure to obtain KYC documents.
- The LIPs assigned to Bank reported to be fake.
- Did not ensure that margin is in conformity with prescribed Bank norms.
- LIPs not sent by registered post / Bank officials for assignment to the respective LIC office to ascertain genuineness before sanctioning loan to Policy holder.
- No income proof / evidence of present activity of the borrower is obtained.
- The standing and means of borrower who assigned the LIPs not assessed before sanctioning loans in Form No. 135.
- Latest LIC premium receipts were not obtained.

BKCC LOANS:-

- Loan sanctioned & disbursed without obtaining KYC documents of borrower.
- KYC documents are different from the borrower details in loan applications.
- KYC papers not verified with original.
- Loans sanctioned / disbursed without verifying the genuineness of LPC (Land Possession Certificate) which were later on found fake.
- Loans were sanctioned / disbursed without verifying credentials of borrower – later on reported as cases of impersonation.
- The rollover of KCC done every time by way of enhancing the limit.
- The rollover of KCC done by way of collection of only interest.
- Credit requirement, which should be based on recommended scale of finance, was not assessed properly.

CROP LOANS AGAINST GOLD:-

- Limits increased from time to time without support of any vouchers / documentation and without adequate gold security. Major portion of increased limits are transferred to his personal account.
- There is no recommendation by 2nd officer, hence, four eyes principle not observed.
- Increased credit limits in BKCC accounts without according sanction, without documents, without appraisal note and Pre-Sanction Inspection and assessment of limit.

- Disbursement allowed in BKCC account without ensuring that cheque is signed by the account holder as drawer and on the back of debit instrument towards receipt of payment.

TRACTOR LOANS:-

- Did not prepare credit proposal / appraisal notes. Sanctioned loan in the villages which are situated far away from the branch. Economic Viability and Technical Feasibility report either not prepared or prepared casually.
- Not ensured source of margin money. It is observed that margin money deposited by dealers in the Savings Bank account of borrowers for availing Tractor loans.
- Quotations of tractors, thrashers, trolleys and other implements were taken from Tractor dealers who were not the real supplier / manufacturer of these machineries.
- Not ensured that delivered trolleys, thresher and agricultural implements to the borrower are as per specifications mentioned in the respective quotations / invoices / bills.
- The minimum land holding norms of our Bank in respect of Tractor loan have not been complied with while sanctioning all such loans.
- Did not ensure margin contribution by the borrower.
- Allowed creation of FDR out of the Bank loan disbursed.

EXCESS DRAWINGS / TEMPORARY OVERDRAFTS:-

- Excess drawing in one account was adjusted by allowing further excess drawings in another account, thus deliberately violating all Banking norms of lending.
- Granted Temporary overdraft in contravention of Bank's guidelines.
- Did not report about the TOD to Competent authority, thus violated Bank's guidelines.
- Allowed TOD in account in spite of the fact that there were returns of cheques for financial reasons, thus TOD granted without exercising due diligence.

EDUCATION LOAN:-

- Appraisal / Rating not done.
- Progress report / Money Receipt from the institute not obtained.
- Loan sanctioned without obtaining the application form, Form 135 of borrower, ID proof and photos.

LAPSES IN GOLD LOAN: -

- Over reliance on a particular Assayer. At X branch Mr. A was empanelled as Gold Assayer who committed fraud in collusion with a few borrowers by supplying them sub-standard Gold (junk Jewellery) and asking them to get Loan against that through a particular Bank's Branch where he was empanelled as an Assayer. He was certifying all the junk Jewelleries as made of good quality Gold. This fraud was detected during quarterly 20% reappraisal of Gold Jewellery by an Officer and assayer of another Branch. In the instant cases Branch missed to follow the guidelines by not getting the Gold Loans of Rs.3 Lakh and above re-assayed within 15 days of sanction by another Assayer of the same Branch or Assayer of the another branch.
- At the time of reappraisal or at any stage if even a single junk Jewellery is found 100% reappraisal should be carried out.
- Weighing / Valuation of Gold ornaments was not done by Assayer at the Branch Premises in the presence of Branch Manager/ Officer and the Borrower concerned.
- Gold ornaments / Jewellery were not assayed and Packet sealed under CCTV Camera.
- Services of Temporary Sub-staff being utilised for safe-keeping of Gold, having access to the Keys of safe Deposit Vault, arranging Gold packets and assisting during the Gold verification. Subsequently it was found that many Gold packets were missing.
- The temporary Sub-staff used the User ID and Password of the Staff and Officer of the Branch, opened and disbursed the Gold Loan account and siphoned off the money. The underlying Gold packets were not existing at all in the Branch.
- The temporary Sub-staff used to handle the safe keeping of the Vault including assisting Investigating Official during periodic verification and in the process he managed to hide the factual position for considerable time. That Sub-staff was also working on FINACLE by using the ID and Password of Staff and Officer. The said Sub-staff disbursed Loan amount in various SHG Loan Accounts and misappropriated the total fund.

Caution:

- a)** Gold Loan to Jewel Assayer / Appraiser and / or their relative/s should not be permitted.
- b)** Branch should not accept co-obligation / Personal Guarantee of Jewel Assayer for Loans to be granted to the Customer.
- c)** Branch should have minimum two Assayers and work of Appraisal to be given to a particular Assayer as per the prudence of Branch Head. There should be rotation of Assayer to

avoid above stated type of cases. **d)** Signature to be affixed in Gold Appraisal memo and Jewel Loan Card along with The Assayer, Borrower, Joint Manager with verification of securities like number of Jewel items, gross and net weight of Gold, carat purity, rate per gram. **e)** After Assaying the Gold Ornaments are to be put in a thick polythene packet. **f)** The jewel Loan Card as per Annexure IV be prepared in triplicate and one copy be kept inside another attached to outside and third be given to the borrower for reproducing the same at the time of redeeming the Jewellery. **g)** Presence of Joint Custodian / Branch Head is mandatory at the time of sealing Jewel packet and release of Jewellery or closure in front of Customer and Assayer under CCTV Camera. **h)** Management of Keys to be done as per extant Bank guidelines for movement and management of Keys. **i)** Whenever Jewel safe Vault is opened for keeping or removing the Jewel packets the same should be documented in Jewel packet movement Register under the signature of Joint Custodian / Branch Head. **j)** Periodical verification of physical with system generated Jewel packet stocks to be carried out by Branch Head. **k)** Recalibration of Weighing Machine and checking accuracy of the Weighing Machine to be cross checked with the help of weights on daily basis before commencement of business. **l)** Proper due diligence and four eye concept to be followed. **m)** Work of Assayer should be restricted only to Assaying (purity) and Weighing Gold Jewels and he should not be associated with soliciting, filling, processing of Loan Application / Documents. **n)** Immediately after assessment and fixing of Loan Limit Jewellery should be kept in duly sealed packets in the Joint Safe Custody in the presence of Borrower. **o)** Assayer should undertake the Assaying of Jewels in presence of Branch Official and Borrower to rule out any manipulation by Assayer. **p)** Subsequent verification of the Jewel packets to be done with the appraisal Memo attached with the Loan Documents to rule out any ambiguity in Jewel weight and numbers. Unique serial number is required in each set of Appraisal Memo.

OPERATIONS

INTER SOL CHEQUE FRAUDS:-

There are numbers of cases related to Inter sol cheque frauds where officers have been subjected to explanation on the following points:-

- OFFSOL transaction - a) report not generated b) account holder not contacted, c) Name of persons contacted not recorded.
- The signature appearing on the cheque were not tallied with the signature uploaded in FINACLE.
- Base branch / Account holder not contacted for confirming the genuineness of the cheque before payment.
- Email was not sent to base branch for confirmation to ascertain genuineness of the Cheque.

- Alteration on original / fake cheque was not examined properly.
- Cheque was not screened through Ultra Violet Ray Machine.
- Following features of cheque not checked :
 - a)** Water Mark, **b)** Bank's logo, **c)** Bank's name, **d)** CTS Year and Date, **e)** UV logo – 3 – logos, **f)** Background colour – as per guidelines, **g)** Printed name and account no. **h)** New Rupee symbol, **i)** Printer's name and CTS 2010 identification, **j)** IFSC Code.

THE FRAUD RELATED TO THE CHANGE OF MOBILE NUMBER / CLONE CHEQUES:-

- The mobile number of the customer was changed without application.
- The application for change of mobile no was submitted by third party.
- The application does not carry the copy of pass book, cheque book, KYC documents.
- The customer was not contacted on registered mobile number/s to ascertain the genuineness of the request for change of mobile no.
- The inward clearing cheques of high value are confirmed to CBO without contacting the drawer of the cheque, later on detected as clone cheques.

Different Types of Operational Lapses Attracting Disciplinary Actions:

Following specific instances will help to understand the aberrations and deviations which has been detected in live operations and later on attracted Disciplinary actions on the officer concerned for such lapses which might have been committed unknowingly or deliberately:-

- Local Conveyance Account (an office account) debited thrice without any justification and without any voucher.
- Exceptional Transaction Report was not generated and monitored on regular basis.
- Debit Card and PIN envelopes were not properly maintained and handled.
- Unauthorised transactions in office account were made and Branch Head failed to monitor the same.
- Several unauthorised transactions were carried out without corresponding vouchers.
- Though Customer mentioned new Mobile No. over the change request, but Branch failed to obtain approved application for the change of Mobile No. which resulted into fraudulent transaction in the account.

- Branch failed to observe due diligence by confirming the genuineness of the cheque from Mr. Y whereas the respective cheque was actually issued by Mr. X.
- Closure of the Account was not verified in the system as the same was showing pending for verification in HAFI.
- Officer concerned allowed transfer of closure proceeds to the account of Mr. Y despite the nomination registered in the account was in favour of Mr. X.
- Account was closed without obtaining the request letter from the Customer concerned. The related Customer had expired six months ago even then account was closed in normal course without observing Bank's extant guidelines regarding closure of account after death of the account holder.
- Branch failed to observe due diligence while closing the account as it was observed that neither signature nor thumb impression of the account holder was scanned in the Finacle and the closure request was also not supported with any KYC document for Customer identification.
- It has been observed that Customer expired long back but closure request entertained in normal course and the balance was paid in cash over the counter.
- The Customer expired long back, but her thumb impression on withdrawal form was verified which clearly shows officer concerned failed to ensure Customer identification.
- Dormant Account was closed by an officer without getting it verified/authorised by Branch Head as per Bank's extant guidelines.
- Officers concerned failed to maintain safe keeping of the keys (both the keys were found in the drawer of the wooden cabinet) of Strong Room as per Bank's extant guidelines.
- Did not observe due diligence in maintaining cash well within Branch's permissible cash holding limit.
- Did not maintain Joint Cash Reserve register of the Branch as per Bank's extant guidelines.
- Did not follow Bank's guidelines while taking over the charge of the Branch by way of reporting "Charge Handover and Takeover report".
- Being the Branch Head you allowed your Joint Manager to hold both the Keys violating the Bank's extant guidelines.
- Did not ensure functioning of CCTV system before leaving the Branch.
- Did not ensure safekeeping of the keys used in alarm system before leaving the Branch.
- As a Branch Head you failed to observe proper monitoring and controlling of the branch from Security aspect.

- Branch failed to ensure updating the account in time (change of signatories) and also failed to ensure scanning of the revised specimen signature in FINACLE which resulted in to fraud in the account
- In case of payment of Cheque (transfer) of Rs. 2 Lakh and above if confirmation is not received from base branch the cheque should be taken on collection basis (extant guidelines as per Circular HO:BR:111/245 dated 03.09.2019) but the Branch concerned violated the guideline and bank incurred loss.
- Violating the Bank's extant guidelines, officer concerned credited high value cheque in the account which was not fully KYC compliant (Neither PAN nor local address available).
- Failed to carry out monthly reconciliation of G/L account – Balance with SBI, which resulted into passing of fraudulent entries.
- Officer received the request for closure of the account along with unused cheques but did not ensure destroying the surrendered cheques and close the account, later on one of those cheques was used for misappropriation of funds from that particular account.
- Branch received the cheque for 4 Crore with instructions to open 8 FDRs. The transactions were verified but ignoring the mandate 2 Crore was credited to some different account and remaining 2 Crore credited to Sundry Deposit account.
- Officer entered and posted a transaction of Rs. 10 Lac on the basis of bank's internal Debit and Credit voucher without any debit authority from account holder.
- Misused the LMO account of the Branch to help Mr. X to deposit cash of Rs.85 Lac in LMO account and transferring the same to Ms Y wife of Mr. X.
- Verified the transaction of the cheque of Rs. 1 Crore which was not in order, as the signature on the cheque does not match with the specimen signature.
- Without any Loan application/sanction/disbursement Lacs of subsidy amount for number of beneficiaries has been claimed.
- Debited the other SOL Customer Account on various instances without obtaining customer mandate.
- SB Cheque book issued to Government Department SB account, but entered high value debit transactions without cheque in the said Government Account.
- Various high value debit transactions were entered on different dates in the Government Account without obtaining confirmation.

- In newly opened Current Accounts in Company name shown registered at fake addresses, Drivers, Hawkers, Vendors were Director as Pseudo Entrepreneurs on the basis of their Voter ID and PAN Card. Branch did not monitor high value transactions in these newly opened accounts as well as there was lack of due diligence under KYC norms and the generation of Exceptional/Suspicious Transaction Reports.

Reconciliation Anomalies / Lapses:

- Failed to ensure to carry out month-wise reconciliation of G/L Account- Balance with SBI A/c XX with the current account maintained with SBI, XX, which resulted in passing of undermentioned fraudulent/ suspicious entries-

a/c No.	Date	Amount
XXXX	XXXX	XXXX

- Following entry entered / verified by him was debited to the above mentioned account and was not responded by SBI and was left outstanding in the books of the Branch. He failed to ensure reconciliation of the account to square off these entries which may cause reputational loss to the Bank-

a/c No.	Date	Amount	Details / Remarks
XXXX	XXXX	XXXX	Return chq. No. XX in A/c XX in in ward clearing of ICICI Bank

- Following entries were debited by SBI in our current account with them and the same were not responded by branch. Due to non-reconciliation of Bankers A/c, amount of undermentioned entries could not be detected and the same were left outstanding in the books of the Branch. He failed to ensure reconciliation of the account to square off these entries which may cause reputational loss to the Bank –

a/c No.	Date	Amount	Details / Remarks
XXXX	XXXX	XXXX	SBI debited Rs. XX but detail are not available

Wrong Subsidy Claims:

- Initiated letter No. BOB/BR/XXX dated XX to the District Manager, XXX & ST Dev & Fin Corpn. XX District Branch regarding "claim for subsidy and margin money under S.C.P for D.C" with list of XX

beneficiaries **without any loan application, without any sanction, without any loan disbursement.** Rs.XX lakhs of subsidy amount for xx beneficiaries (Rs.X/- for each beneficiary) has been claimed.

Fraudulent Operations in Government Account:

- Cheque book was issued in Saving Bank Account No. XX of Government Department on XX.XX.2021 and on XX.XX.2021, entered high value debit transactions of Rs. Crores in saving account no XX of Government Department without cheque.
- Various debit transactions aggregating Rs. XX Crores were entered on different dates in Saving Accounts XX of Government Department. Did not obtain confirmation of high value transactions.
- Fund received to Branch from Government department accounts for issuing term deposit were transferred to various fraudulent accounts and fake FDR statement / FDRs were provided to Government Departments.

BOB Scam of 2015: Trade Based money laundering:

Transfer of huge money through newly opened current accounts. Drivers, Hawkers, vendors made directors. People living in slums working as rickshaw pullers, house hold workers became pseudo entrepreneurs on the basis of their voter IDs, PANCARDS were made by the accused and Current account opened in the name of fake companies. Companies were shown registered at fake addresses.

Branch did not monitor the high value transactions in the newly opened current account. Lapse at the Bank end on account of due diligence required under KYC norms, the generation of Exceptional Transaction Report and Suspicious Transaction Report.

Under the Prevention of Money Laundering Act, 2002 an entity is required to report all cash transactions of more than Rs.10 lakhs to the Financial Intelligence Unit, which function under ministry of finance.

STAFF ACCOUNTABILITY

IMPORTANT CIRCULARS ON DISCIPLINARY ACTIONS / STAFF ACCOUNTABILITY

1. BCC:BR:110/27 dated 8th Jan, 2018 - Processing of Loans by Junior untrained officers on probation:-

Bank has in the past issued communication to all Zonal / Regional Authorities in the captioned matter inter alia stating that **officers under probation or having service of less than -2- years, though may be posted in Credit Department, the same should be for grooming purpose and they should not be utilized for processing and recommending loans independently unless it forms part of learning.**

In order to have clear understanding of the above guidelines it has been clarified as under:-

- a) Officers who are under probation and posted in Credit Department should be as a part of on-the-job training.
- b) Proposals processed by above category of stated officers, needs to be sanctioned by an officer who knows the job and who has discretionary lending power.
- c) The above guidelines as mentioned in Para 1 & 2 are primarily applicable to junior untrained officers who joined the Bank and are under probation. Officers who have joined the Bank laterally in higher grade / scale i.e. in Scale-II, III & IV are not fresher and untrained and since they possess experience of previous organization, they may be utilized for processing and recommending loans independently. The -4- eyes principle is to be applied in all cases as a matter of due diligence.

2. BCC:BR:110/36 dated 11.01.2018 - effective from 22.12.2017 to 30.11.2019 for the cases falling during the period.

3. BCC:BR:113/37 dated 16.01.2021 effective from 01.01.2021 to 31.03.2021 for the cases falling during the period.

4. BCC:BR:113/196 DATED 08.04.2021 effective from 01.04.2021 to 31.03.2024

SALIENT FEATURES OF OUR BANK'S POLICY ON EXAMINATION OF STAFF ACCOUNTABILITY.

Background – The term “Accountability” has, over the years, come to acquire a negative connotation in the minds of employees. The expression “Examination of Staff Accountability” has come to mean “FINDING SOMEONE TO IMPOSE A PUNISHMENT”. Literally, the definition of the expression “ACCOUNTABLE”, is “RESPONSIBLE FOR YOUR DECISIONS OR ACTIONS AND EXPECTED TO EXPLAIN THEM WHEN YOU ARE ASKED”. Thus, far from being negative, the term “ACCOUNTABILITY” merely means that one is responsible for one’s decisions and actions.

1. The aim of this policy is to “**Prevent**” rather than to “**Punish**”. Punishing people will be the last step.
2. The Organisation should take necessary corrective steps by way of strengthening any knowledge gap / augmenting the resources / any other action to create an environment which could be conducive for better observance of the rules and procedures.
3. Staff Accountability is essentially from three angles: a) voluntary behaviour on the part of employees to conform to the compliance culture, b) Administrative enforcement of Compliance culture and c) Examination of Staff Accountability and related processes which can lead to punitive actions for noncompliance.
4. Bank intends to enhance Managerial effectiveness, healthy Credit Portfolio, keeping high the morale of employees, who are working and taking decisions in the interest of the Bank and within the framework of Bank’s laid down systems and procedures.
5. Accountability is inherent where there is delegation of power and duty. It is fundamental and unavoidable that one should be responsible for one’s action.
6. Staff Accountability Policy has been prepared with the basic objective to provide a conducive atmosphere for business growth and to ensure protection of bona fide actions of the officials taken as per the rules, guidelines and policies of the Bank. It is not the intention of the Policy that commercial decisions, taken according to the circumstances / rules prevailing at the time when decision was taken, is now viewed with the wisdom of hindsight.

ADVANCES:

7. Risk taking in Credit decisions is an integral part of Banking business and bank has an elaborate system of capturing risk and the loans are priced accordingly.
8. Microscopic scrutiny of all Credit decisions after account slipping into NPA with an obsessive mind set of finding someone necessarily accountable is counterproductive for a business organisation where lending activity is main source of revenue / profitability.
9. It is to be ensured that bona fide decisions taken by the officials in the discharge of their duties during normal course of business are viewed in

- proper perspective and need not be subjected to Disciplinary proceedings.
10. This Policy makes clear distinction between Administrative action and Disciplinary action and tries to ensure that bona fide decisions are protected.
 11. Officials who indulge in motivated and reckless decisions and / or flagrantly violate the rules / guidelines / policies of the Bank, thereby, are causing damage to the organisation.
 12. Actions with mala fide intention, even if within delegated authority or with due diligence causing damage to the organisation will not qualify for immunity or exemption from the punitive angle, irrespective of whether there may or may not be any monetary loss to the Bank.
 13. Employees, who are found continually lax or are repeatedly non-compliant, will have to be taken up for disciplinary actions after giving him or her some time with adequate scope to improve compliance.
 14. A distinction has to be drawn between a business loss arisen in the normal course of bona fide commercial decision and a loss as a result of mala fide, motivated or reckless performance of duties.
 15. What causes loss to the Bank is more important than just looking at the procedural lapses or not obtaining of certain documents etc. This is a vital step and needs to be handled with utmost care as it forms the foundation of entire exercise.
 16. Negligence / omission / commission should be examined with reference to the laid down rules and procedures prevailing at the relevant time and not on the basis of presumptions / assumptions / beliefs.
 17. It should be critically examined whether causes for NPA / Loss arose due to any negligence / commission / omission on the part of the staff that handled account / transactions or were beyond their control.
 18. The specific commission / omission of the staff, which have direct causative relationship to the loss suffered by the Bank is to be identified.
 19. The stage then comes for examining them from the view point of bona fide decisions, the acts of gross negligence / recklessness / mala fide.
 20. Whether a person of common prudence working within the ambit of prescribed rules, regulations and instructions would have taken the decision in the prevailing circumstances in commercial / operational interest of the Bank, is one possible criterion for determining bona fides of the case.
 21. The revised Policy aims to ensure that only those officials who are responsible for making / checking / monitoring with respect to specific activity are held accountable for deviations / irregularities committed and not all officials who have dealt with the account down the line.
 22. The Policy of Examination of Staff Accountability will rest on the basic premise that loss on account of genuine business decision will not attract Staff Accountability. While the loss caused due to mala fide intention or flagrant violation of systems and procedures or working against the interest of the Bank or misusing the position of authority, should certainly attract accountability and the members of staff, found prima facie responsible for such acts, are liable to be sternly dealt with in accordance with the Bank's Rules and Regulations.
 23. In case of fresh slippages in all NPA accounts, two calendar quarters to be provided as cooling period for the purpose of up gradation of

- account. However, if the account is not upgraded up to the end of 1st quarter from the quarter of slippage of account to NPA category, the branch shall submit **Status Note** to their Regional Authority / Territory Head Office as per Annexure I in case aggregate sanctioned Limit is above Rs.10/- lakhs and as per Annexure II in case aggregate sanctioned Limit is above Rs.5/- lakhs and up to Rs.10/- lakhs.
24. In case fresh slippages of small accounts (up to 5 lakhs sanction limit in each case) during the F.Y. in a branch exceeds 10 % of its Credit outstanding the Regional / Territory Head Office shall examine the entire Credit Portfolio of the Branch, and thereafter, if required an investigation may be ordered.
 25. In Borrowal accounts slipping to NPA / quick mortality, where account is fully adjusted without involving / causing any revenue loss to the Bank but before the staff accountability is decided normally, in such cases no staff accountability will be examined unless there are reasons / factors to conclude otherwise.
 26. **Quick Mortality** accounts are those where mortality takes place within one year of first sanction / takeover / disbursement, whichever is later. An account may not be classified as quick mortality account merely on the ground that interest / instalment could not be deposited. Regional / Territory Head should get satisfied with regard to the mortality of the account keeping in view the position of available security, level of activity and prospects of recovery and regularisation of the account.
 27. The enquiry report should clearly bring out the reasons for account becoming NPA. IO should act as fact finder and not as fault finder.
 28. Staff Accountability also covers any inaction on the part of the new incumbent in the Branch / RO / ZO to own responsibility in respect of all accounts handled by the previous incumbent, specially, monitoring and follow up of pending matters, existing / SMA / NPA accounts, nurturing of the recovery proceedings etc. Besides this act of omission, failure on the part of any staff in initiating the recovery actions, taking action under SARFAESI, handling PWO accounts, delay in fixing of reserve price and sale confirmation etc. should attract the Staff Accountability.

OPERATIONS:-

1. General Non-Compliance of rules / regulations in Operational matters are covered through the Policy on Administrative Enforcement as a Preventive Vigilance mechanism.
2. Repeat cases of noncompliance under the listed zero tolerance areas as per the said Policy are to be automatically taken forward in to disciplinary action.
3. There are other serious lapses in case of malfeasance arising out of operational matters i.e. in credit / non-credit operations, administrative functions, etc. , cases for examination of staff accountability may arise out of any incident that is detected at branch or other office through various sources as given below : -
 - a. Special Observation / Special Letters
 - b. Audit / Inspection Reports
 - c. RBI Reports / Local Regulator Report for internal operations

- d. Control Returns
- e. Branch Visit Reports
- f. Detection of Frauds
- g. Complaints
- h. Misbehaviour
- i. Harassment
- j. Criminal Conspiracy etc.

4. In respect of lapses in operational areas and cases of frauds, the authority and jurisdiction to examine staff accountability will be at least one grade / scale higher than the staff member whose action might have been the proximate cause of such operational irregularity.
5. As per extant CVC guidelines 'No action' would be taken on anonymous or pseudonymous complaints.
6. The Monitoring Authority for staff accountability in operational areas will be Chief compliance Officer with the support of CGM/GM (OPS & SER) for Domestic operations and CGM/GM (INTL Business) for International Operations.
7. The areas of accountability in non-Credit transactions could be as under :
 - a. In respect of NPA due to Cheque related frauds, either for cash payment or by transfer / clearing by an official at base Branch / Inter Sol transaction at other Sol which turn out to be forged / not genuine; the official who have entered / verified / passed the Cheque / Instrument are accountable, if required safeguards including verification of Cheque under UV Lamp are not taken. However, in case of truncated instruments received in Clearing passed by Back / Branch Office officials which later on turn to be forged / not genuine, in such cases officials who have verified / passed the Cheque / Instrument are not accountable, if required safeguards / procedures including verification of signatures with Bank's record are taken care of as only image of the instrument is available and not the actual instrument.
 - b. If Cheque contained apparent error / mistakes and proceeds of Cheques of large amount (disproportionate to the value / risk category of the account) has been credited to the account the official / s concerned will be held accountable, if the account is **Non KYC compliant**.
 - c. In respect of newly opened/ dummy / low value account where credit of large amount done and subsequently fraud is detected in the said account, accountability will be examined on the part of official/s involved in passing / crediting the amount and also on the part of officials at base Branch responsible for checking of mandatory reports (NEWACTR).
 - d. It is incumbent upon the official concerned to establish that he/she did proper due diligence before affording the credit and take care of all prescribed applicable guidelines where debits / credits of large value are allowed.
 - e. In case UV Lamp is not provided in the Branch or not found in order, where Cheque related fraud has taken place, the

incumbent in-charge of the Branch / Back office is accountable. In case of large branches the in-charge of operations department will be responsible.

- f. In respect of payment of fake Cheque in Clearing, the official at the Base Branch shall be accountable if there is non-compliance of the guidelines of generation of Off Sol Clearing transaction report and taking confirmation of the genuineness of the Cheque from the Customer.
- g. In respect of outward clearing Cheque and collection of outstation Cheque, the official / staff who verified and passed the voucher for credit to the account shall be accountable, if guidelines are not adhered to in terms of roles and responsibilities of collecting banker.
- h. In case of non-compliance of KYC & AML related Policy and procedural guidelines of the Bank / RBI / Local Regulator (International Operations), in opening and servicing accounts which exposes the Bank to legal and financial risk, the official concerned shall be held accountable.
- i. In respect of misuse /sharing of password the employee / officer whose password is shared / misused will be accountable for lapses along with the official / staff who commits the fraud or passes debit / credit using the password of others.**
- j. An official shall be held accountable for non-compliance of Bank's guidelines that "no financial / non-financial transactions to be undertaken on email request (on standalone basis) in the NRE accounts" resulting in to email frauds.

While taking decision with regard to staff accountability, the distinction has to be understood between Administrative action and Disciplinary action. It should be ensured that bona fide decision taken by the officials in the discharge of their duties during normal course of business which later on turned out to be incorrect, resulting in loss, are to be kept in the category of administrative action (such as, Transfer, Issuance of Advisory letter / warning letter, etc.), which should be viewed in proper perspective and need not be subjected to disciplinary proceedings.

AUTHORITY TO INSTITUTE DISCIPLINARY PROCEEDING AND IMPOSE PENALTIES:-

1. The MD & CEO or any other authority empowered by him by general or special order may institute or direct the Disciplinary Authority to institute disciplinary proceedings against an Officer employee of the Bank.
2. The Disciplinary authority may himself institute disciplinary proceedings.
3. The Disciplinary authority or any authority higher than it, may impose any of the penalties specified in regulation 4 on any Officer employee.

Appeal:-

- i. An Officer employee may appeal against order imposing upon him any of the penalties specified in regulation 4 or against the order of suspension referred to in regulation 12. The appeal shall lie before the Appellate Authority.
- ii. **An appeal shall be preferred within 45 days from the date of receipt of the order of DA.** The appeal shall be addressed to the Appellate Authority and submitted to the authority whose order is appealed against (DA). The authority whose order is appealed against shall forward the appeal together with his / her comments and the records of the case to the Appellate Authority.

Review:

The Reviewing Authority, at any time within six months of the date of the final order, either on his own motion, or otherwise, review the said order, when any new material or evidence which could not be produced or was not available at the time of passing the order under review and which has the effect of changing the nature of the case, has come or has been brought to his notice, may pass such orders thereon, as deem fit.

According to the revised Disciplinary Authority for Scale III & IV Officers in India working in the Zones & either reporting or functioning under the jurisdiction of the Zonal Head / General Manager and for Officers in Scale IV working at overseas territories shall be as under:

Category of Officer	Branch/Offices	Disciplinary Authority
For all officers in JMG/S I & MMG/ S II	All branches/offices in the Zone	Dy. Zonal Head not below the rank of Dy. General Manager
For all officers in Scale MMG/S-III & SMG/S-IV	All branches/offices in the Zone	Zonal Head not below the rank of General Manager in the Scale-TEG/S-VII
For all officers in MMG/S II who are on deputation to RRB / Subsidiaries / Associate.	RRBs/Subsidiaries/Associate Banks in the Zone	Dy. Zonal Head not below the rank of Dy. General Manager in the Scale-TEG/S-VI, where the HO of RRB/Subsidiaries /Associate Banks are located.
For all officers in MMG/S III and SMG/S IV who are on deputation to RRB / Subsidiaries / Associate.	RRBs/Subsidiaries/Associate Banks in the Zone	Zonal Head not below the rank of General Manager in the Scale-TEG/S-VII, where the HO of RRB / Subsidiaries / Associate Banks are located.
For all officers in Scale -IV	Posted at overseas branches/offices	General Manager (International Operations),BCC Mumbai

MOVEMENT CHART OF DISCIPLINARY MATTER:

1. **Reporting on Irregularities :-**
 - a. Through written complaint
 - b. Special observation Letters
 - c. Special letters
 - d. Reports in Electronic / Print/ Social media
 - and e. Verbal complaint.
2. **To check up whether prima-facie irregularities are observed?**
 - a. If yes, proceed further
 - b. Arrange investigation.
3. **Observation on Irregularities in Investigation report.** If yes, proceed further.
4. **Explanation letter to be issued to erring official by the Competent Authority.** On request of officer concerned for inspection of relevant documents before submission of reply may be allowed looking to the gravity of the reported irregularities.
5. **Whether reply of the officer is found satisfactory?**
 - a. In case the reply found satisfactory the Disciplinary Authority will take the decision to close the matter by taking administrative action.
 - b. If reply is not found satisfactory the Disciplinary Authority (Deputy Zonal Head or Zonal Head) will further refer the matter to Internal Advisory Committee (IAC) at Corporate Office for further course of action.
6. Central Vigilance Department will advise the decision of IAC in respect of treating the case under vigilance or non-vigilance category or to take administrative action.
7. If case is classified by IAC as non-vigilance than it is considered that Bank is taking lenient view and observe that lapses on the part of official is procedural and not mala fide , otherwise, proceedings will be initiated under Vigilance category.
8. D.A. for officers in Scale I & II will be Dy. Zonal Head and for officers in Scale III & IV will be Zonal Head.
9. After obtaining concurrence for the type of penalty for the lapses the concerned disciplinary authority (DA) acts for issuing:-
 - a. Imputation of lapses (IOL) - for minor penalty
 - b. Article of charges - for major penalty.

10. CSO (Charge Sheeted Officer) is asked to submit statement of defence within stipulated period.
11. In case DA finds the statement of defence : **a.** satisfactory, the punishment is given without conducting Enquiry: **b.** Unsatisfactory, DA appoints IA (inquiring authority) and PO (presenting officer)
12. IA as per direction of DA has to start inquiry proceedings on the basis of allegations and charges levelled against CSO (charge sheeted officer) and after completion IA submits his findings to the Disciplinary Authority.
13. DA sends IA's findings report to CSO for his submissions.
14. DA on receipt of written statement of defence of the CSO send SSR (Second Stage of Reference) to competent authority at Corporate Office with proposed penalty for his concurrence.
15. Thereafter, DA issues order for final penalty to CSO
16. CSO can submit his appeal to the Appellate Authority through his DA within 45 days of receipt of final order of the DA

Few instances of serious lapses which officers should never indulge in:-

1. Opening BKCC/loan accounts by ignoring compliance of due diligence and KYC norms.
2. Abnormal transaction in staff account in number of entry and amount which could not be justified. **Reckless financing / misappropriation / defrauding of bank's funds by adopting unscrupulous practices which are detrimental to the interest of bank.**
3. Impersonation in huge no of accounts – involving huge amount. Bank is exposed to huge financial loss.
4. BKCC loans given on fake land possession certificate.
5. Middlemen were engaged for identification, selection and documentation of borrowers and guarantors.
6. Loan sanctioned to someone but disbursement/payment proceeds were made to other.

7. Instead of working as whistle blower to protect the interest of bank indulged in unethical practices and become mute spectator of loss to the bank.

Serious Irregularities observed involving gross negligence, omission, commission and lapses for which Bank is likely to incur substantial loss.

Officer without sanction by the sanctioning authority, opened the demand loan account and credited the borrower's account, withdrew amount from borrower's account and deposited in his own account by filling in pay slip in own name. Later on debited self-account and credited borrower SB account. Thus the loan disbursed, unauthorisedly, by the officer was utilized by himself unlawfully. Later borrower's loan account was closed by transferring amount from borrower's SB account without any authority from the account holder to cover up the wrongful disbursement of demand loan.

Fraudulent transactions were made in various office accounts and funds were transferred to officer /Branch Head's personal and his relative's accounts without any supporting vouchers. These were directly done in FINACLE.

Fraudulent transactions were made in various borrowers account and funds were transferred to officer's personal and relatives' accounts.

Sanctioned credit facilities to close relatives without permission from the competent authority. Loan sanctioned without any proposal and documents executed by borrower. NO KYC documents obtained. The disbursed loan amount was siphoned off by the sanctioning authority himself. The loan account was later on closed by transfer of funds from SB account of sanctioning authority.

As Branch Head misused Bank's profit and loss account debited without valid bills and recipient's signature on the voucher.

Misused G/L office accounts and CA No Lien Account of the branch to get personal benefit. Entered/posted/verified recovery of "processing /LAPs" charges from crop loans/other loans which is not justifiable and not as per extant norms. This processing /LAPS' charges have been transferred to SB account of Business Correspondents (BC's) and subsequently part of these transaction amounts were transferred to his and his wife's SB account.

OBSERVATIONS ON DISCIPLINARY CASES RESULTING IN SEVERE PUNISHMENT:

While studying a few disciplinary cases, where **severe penalty** has been imposed on the charge sheeted officer by the Disciplinary Authority like "**Dismissal from Bank's Service**", "**Removal from Service**" and "**Compulsory Retirement from Bank's Service**", it has been observed that officers concerned had blatantly violated the rules, systems and procedures of

the Bank; misused their post and authority as Branch Head and flouted the Bank's rules and prescribed guidelines. The action performed by them were detrimental to the Bank's interest; Bank got exposed to suffer financial loss; they failed in their duty to work within frame work of banking norms, laid down guidelines of the Bank and due to their acts image of the bank got tarnished in general public.

Regulation 15(i) of Bank of Baroda Officer employee's (Conduct) Regulations 1976 states that "No officer shall in his individual capacity borrow or otherwise place himself or a member of his family under a pecuniary obligation to broker or a money lender or a subordinate employee of the Bank or any person, association of persons, firm, company or institution, whether incorporated or not, having dealing with the bank"

Charge sheeted officers have been found to have violated the above provision and transacted with customers, other staff members. The customers' whose accounts were debited unauthorizedly without their mandate to transfer the funds, lodged complaint with bank and asked to restore the amount. This adversely affected image of the Bank. Did not obtain cheque, explicit debit authority/proper mandate from customer, without preparing relative debit/credit vouchers before posting/verifying various unauthorised transactions. Unauthorizedly debited accounts, entered transaction in account without obtaining debit confirmations credit to SB account of self/wife/relatives.

Entered the entries without physical vouchers. Without proper mandate of debiting accounts, passed/verified unauthorized various debit transactions in Bank's Office Accounts (P/L Interest earned, G/L Adjusting Credit & Provision) and credit to different accounts of customers/account of wife/relatives.

Failed to maintain proper record of the handing over and taking over of Keys in the Key register. Verified entry of modification / removal of mobile no in the account without obtaining the valid requisition from the respective customers to avoid delivery of SMS to the customers which facilitated fraudulent withdrawals.

Unusual transaction by depositing of cash in his personal accounts, transferring funds in the account of business facilitator, account holders and staff members are also noticed which could not be justified.

CONCLUSION:-

Our endeavour should be to maintain healthy credit portfolio. For avoiding disciplinary actions, we must be careful in observing Bank's norms, rules and regulations and systems and procedure. While taking credit decision, one must devote time to read circular, credit policy or interact with concerned

officials at RO/ZO before taking decision. Each loan account before becoming NPA always gives SIGNAL which should not be overlooked. So seeking excuse on the lapses in the name of ignorance and innocence and pressure will not help the self & institution.

There is also failure on the part of Administrative Offices when they could not monitor and ensure proper follow up for getting the PSR statement on time, despite, noticing that there is abnormal rise in the Advances figure which symptomizes Reckless Finance.

We express our serious concern on the cases where officers are involved in unethical banking practices putting in Bank's fund at stake. There are reported cases of personal gains putting a question mark on the probity/integrity of officer. On analysis of disciplinary cases it has been found that mostly they are due to noncompliance, inadequate skill set and at times even complicity.

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