

RBI to banks: Audit SWIFT transactions by June 30

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The Reserve Bank of India (RBI) has directed all scheduled commercial banks to audit their SWIFT interbank transactions by as early as June 30 to detect any anomaly or fraud, a top official told FE. The directive is part of the RBI's efforts to crack down on any manipulation or abuse of the SWIFT system elsewhere, beyond Punjab National Bank (PNB) that is reeling in a crisis in the aftermath of a \$2-billion fraud there. The central bank, under attack over its supervisory framework following the fraud, has already directed all banks to link SWIFT with their core banking solution (CBS) by April 30 and prevent such frauds from recurring in future. "This directive (to audit SWIFT transactions) is mandatory for banks to comply with, and not an advisory that can be avoided with some pretext," stressed the source.

"Any fraudulent activity identified in this process must be conveyed to the RBI and the finance ministry at the earliest." The SWIFT system was misused by some officials at PNB to issue letters of undertaking (typically credit guarantees) to firms of the now-tainted jeweller Nirav Modi and his uncle Mehul Choksi without making corresponding entries in the bank's CBS in a bid to escape tighter scrutiny, which led to the biggest fraud in the country's banking history. For its part, the finance ministry has already directed public-sector banks (PSBs) to scan their non-performing asset accounts worth Rs 50 crore or more for possible fraud and refer any such cases to the Central Bureau Of Investigation. To strengthen systems, financial services secretary Rajeev Kumar has also directed executive directors and chief technology officers of PSBs to 'learn from best practices and pinpoint strategies including tech solutions'.

Finance minister Arun Jaitley has already slammed auditors, bank management and regulators for the inability to detect the fraud at PNB on time and said laws would be further tightened, if required, to punish fraudsters. UCO Bank has declared an exposure of almost \$412 million to the fake LoUs offered by the PNB employees, while Allahabad Bank accounts for almost \$367 million. Union Bank and SBI have exposures of around \$300 million and \$212 million, respectively. The central bank also set up a panel last month, headed by its former board member Y H Malegam, to look at the divergence in asset classification and provisions reported by banks and those interpreted by the RBI's auditors. The committee will also examine the increasing instances of fraud in the banking system.

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