

IMMEDIATE

No. 8(1)(h)/98(2)

CENTRAL VIGILANCE COMMISSION

.....

**Jaisalmer House, Man Singh Road,
New Delhi – 110011**

Dated the 27th November, 1998

SUB: Improving vigilance administration in Banks

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The Central Vigilance Commission Ordinance 1998 under Section 8(1)(h) directs that the power and function of the CVC will be the following:

“exercise superintendence over the vigilance administration of the various Ministries of the Central Government or corporations established by or under any Central Act, Government companies, societies and local authorities owned or controlled by that Government”.

2. Improving vigilance administration is possible only if system improvements are made to prevent the possibilities of corruption and also encourage a culture of honesty. In exercise of the powers conferred on the CVC by Section 8(1)(h), the following instructions are issued for compliance:

2.1 Electronics clearance system

2.1.1 All the Banking companies, Financial Institutions under the purview of the CVC will have to compulsorily offer electronics clearance services to their customers with immediate effect. This step is visualised as a method of checking fraud because a significant part of the frauds in the banks are related to the remittances and collection in the payment system.

2.1.2 The Reserve Bank of India will put up a network of 438 VSATs linked with their hub so that the Wide Area Network (WAN) becomes operational, within one year. The CVC will take up the matter with concerned authorities to see that requisite transponder capacity is made available to RBI. RBI may examine whether the spare capacity of earth stations in the software

technology parks of the Department of Electronics can be utilised by them to quickly set up a WAN so that the electronic clearance system becomes operational at the earliest. RBI must be able to have its VSAT network in place latest before 1.1.2000.

2.2. Computerisation of the branches of the banks

2.2.1 All the banks must ensure that 70% of their business is captured through computerisation before 1.1.2001. As this issue is directly related to improving the vigilance administration in the banks, this will not be an issue to be negotiated by the bank management with the unions. This principle will be applicable mutatis mutandis to all concerned with the computerisation of the clearing houses.

2.2.2 In order to achieve this goal, the banks will need technical manpower both at entry level and at supervisory levels. Within the present framework they can fill up posts up to 25% through direct recruitment. This flexibility must be used for inducting both at entry level and senior levels, competent technical manpower so that lack of availability of skilled manpower does not become a negative factor in slowing the pace of computerisation of the banks in achieving their target of computerising the banks by 1.1.2001.

2.2.3 One of the difficulties expressed by the banks was that the hardware and software was not available and more important even after sale services were not satisfactory. In the context of achieving the goal of computerisation before 1.1.2001, MAIT and NASSCOM must be asked to gear up their services and interact closely with the Indian Banks Association as well as the individual banks to resolve the issue. They could give a schedule of how these difficulties can be overcome.

2.2.4 At the time of computerisation, we should also take care of the need for encryption as well as safety in the banking operations so that computer frauds are not encouraged, for which the DRDO may be consulted.

2.3 Lack of communication between Banks


2.3.1 All cases of willful default of Rs.25 lakhs and above will be reported by all banks to RBI as and when they occur or are detected.

2.3.2 Whether a matter is a case of wilful default will be decided in each bank by a Committee of Officers.

2.3.3 The RBI will circulate the information received from the banks of wilful default, every three months. The data with the RBI will also be accessible directly by the banks concerned after the WAN is installed in position.

2.3.4 There should be greater intra bank communication about wilful default, frauds, cheating cases etc. so that the same bank does not get exploited in different branches by the same defaulting parties.

3. Hindi version will follow.



27.11.98

(N. VITTAL)

CENTRAL VIGILANCE COMMISSIONER

To

- i) The Governor/Deputy Governor, RBI
- ii) The Special Secretary, Banking Division, D/o Eco. Affairs
- iii) The Director, CBI
- iv) The Chairman, Indian Banks Association
- v) All Chief Executives of Banks/Financial Institutions
- vi) The Joint Secretary and CVO, Banking Division, D/o Eco. Affairs
- vii) All CVOs of Banks/Financial Institutions
- viii) The Comptroller & Auditor General of India