

Minutes of the Annual Zonal/Sectoral review meeting with Chief Executives and CVOs of Banking Sector held on 27.05.2011 in Thiruvananthapuram.

List of participants is at Annex.

A. Introductory remarks

1. Shri J.M. Garg, Vigilance Commissioner, VC(G), highlighted the importance of vigilance administration in the Banks and stated that the Corporate Governance in the Banks needs to be strengthened further and desired that the Banks have a code of conduct for the Directors on the Board and stressed that the 'fit and proper' criteria for the directors is applied carefully and diligently in the Banks. He stated that vigilance plays a vital role in creating a good image for Banking Sector. The CVO and the Chief Executive may endeavour to identify the areas vulnerable to corruption in their respective Banks and device suitable anti-corruption measures. He desired the Banks to keep an eye on the treasury functions specially investments. Banks may have a proper system of reviewing the discretion exercised at various levels and should strengthen the system further.
2. VC(G) also called for promoting surveillance, preventive and pro-active vigilance and desired that the Banks may have separate vigilance inspection of high risk branches as the risk management in the Banks will ensure good quality of assets. He desired that the staff awareness for vigilance should be updated alongwith skill development.
3. VC(G) expressed concern that the Structured Meeting between the CVO and the Chief Executives is not being held regularly in all the Banks. Wherever, it is being held, it should be ensured the same is conducted in a structured way. He also felt that the HR policies are complementary to vigilance and expected that the Banks will work for improving their HR policies too to this effect.
4. Shri R. Sri Kumar, Vigilance Commissioner, VC(S), in his opening remarks stressed upon the vigilance functions of the Banks and stated that it must contribute to bottom-line. He further stated that the Chief Executive and the CVO both must have a commonality of purpose i.e. to increase profitability. He desired that the Banks should move from punitive and preventive vigilance to Pro-active and predictive vigilance so that one should be able to see straws in the wind up-front. He further, explained the concepts of pro-active and predictive vigilance.
5. VC(S) also expressed concern over the delay in giving vigilance clearances by the Chief Executives of the Banks. He gave the concept of 'online vigilance clearance portal', which may classify each officer in three categories i.e. firstly for the officers whom vigilance clearance has to be given, secondly for the officers for whom the vigilance clearance cannot be given and thirdly for the officers for whom a view has to be taken whether the vigilance clearance may or may not be given for them.
6. VC(S) also explained the concept of 'VIGEYE' which has been launched to empower citizens using the information technology. He said that it is a citizen connect initiative of the Commission. He also shared his vision for future to have a co-operative, collaborative environment through cloud computing.
7. Shri Anil Singhal, CTE made a presentation about procurement procedures and the recent circulars issued by the CVC in this connection. He also talked about e-

procurement and stated that the Banks will be able to submit the QPRs on-line very shortly.

8. Shri Anil Sinha, Additional Secretary, AS(A), stated that IT security is to be ensured to maintain due diligence in view of spread of mobile banking in the form of alerts. With regards to vigilance, he stated that we should be able to differentiate between the procedural errors and mala-fide intentions.
9. With respect to the sanction for prosecution, Shri Sinha stated that the CVC is able to intermediate only if the Banks have not conveyed the denial to the CBI and also desired that Banks should first submit their tentative views to the CVC in this respect. He stated that timely action should be taken by the banks so that last minute references to the Commission just before the date of retirement of the officer should be avoided.
10. Shri Sinha also called upon all the Banks to have a road-map for future and for safeguards to prevent facilitation of frauds by valuers, advocates and chartered accountants. He also suggested that IBA may come out with guidelines for valuation etc. He also requested Banks to consider establishing a KYC/CTR/STR monitoring cell and also a fraud monitoring and investigation cell.

B. Organisation specific

1. Deptt. of Financial Services (DFS)

Smt. Ravneet Kaur, CVO, DFS said that the DFS has no investigation machinery. The Commission clarified that the Directors in the DFS may be given this job. She referred the DoPT's circular on sanction for prosecution and observed that the proportion of prosecution declined is high and wanted the CEOs and the CVOs to take a note of the same. She also desired that the DAs should issue speaking order for sanctioning or not sanctioning the prosecution.

2. State Bank of India (SBI)

Shri A. Krishna Kumar, MD, SBI agreed that vigilance is required for good governance. He informed that the Bank has a committee for preventive vigilance. He underlined the laxity in the use of passwords and advised that more frauds are observed in the IT related matters. VC(S) stated that the Board of the Bank is responsible for due diligence in IT related matters under section 43 of IT Act. CVO, SBI requested for more support of the Bank to the CVO.

He further assured that SBI is prepared to share the details of the initiatives with the CVC and other Banks in order to replicate their best practices. He requested that the CTE may organize some training programmes for officers of SBI.

3. State Bank of Travancore(SBT)

Shri P. Pradeep Kumar, MD, SBT stated that there should be deterrent punishment for compromising pass-word security. He talked about frauds in Educational Loan accounts. He stated that credit audits of accounts above Rupees 2 crores should be held within 6 months of the sanction and Banks should also promote SMS initiatives in the Banks.

AS(A) stated that Educational Loans require due diligence, but disbursements should not be discouraged. He expressed concern about corruption in educational loans in rural areas.

4. Punjab National Bank(PNB)

Shri K.R. Kamath, CMD, PNB apprised the meetings with the bank's calibrated attempt to improve vigilance machinery. He said that after CBS a number of frauds have occurred misusing the CBS platform. He said that cheques are paid to third parties only in the centre where drawers or payees are located. With respect to the concern shown by the VC(G), he said that take over of accounts with increase above 10% can be sanctioned only by the next higher authority in his Bank. He also wanted a legal support for fixing the responsibility of the Collecting Banker in case of truncated cheques.

5. State Bank of Bikaner & Jaipur (SBBJ)

Shri Shiva Kumar, MD, SBBJ presented the position of vigilance administration in his bank. It was acknowledged that he first initiated the concept of 'unhappy' SMS while, he was in SBI.

6. State Bank of Mysore(SBM)

Shri Dilip Muvinkurve, MD, SBM said that the Bank has kept Treasury tenure of not over five years for an officer. The Bank has also introduced the system of a compulsory leave for an employee/officer with a view to ensure that any irregularities committed by him come to the floor.

7. State Bank of Patiala(SBP)

Shri Sudhakar Ojha, GM, SBP talked of defining vigilance angle which may constitute irregularities coupled with lack of integrity. It was stated that the cases of disproportionate assets and illegal gratification are to be treated as having a vigilance angle. He also suggested that while selecting a CVO, his past operational performance and residual service must be considered. He agreed that with respect to tendering, there is no expertise available in the Banks and felt that the same can be outsourced.

8. State Bank of Hyderabad(SBH)

Shri Sudhir Garg, CGM, SBH talked about the sanctions of loans above a threshold limit which are done by committees. He said that there are separate verticals for relationship and sanction. Responding to VC(G), he said that they have monthly concurrent audit of all the treasury operations. It was also informed that SBH encourages whistle-blowing. He further stated that SMS alert system has been started in SBH.

9. Oriental Bank of Commerce(OBC)

Shri Nagesh Pydah, CMD, OBC stated that they have re-visited the staff accountability policy. The Bank is also dealing suitably with the reckless dynamism of the younger staff and also standardized the NEC and valuation reports and also introduced a loan proposal tracking system. He advised that all the quick mortality accounts are referred to the CVO. While discussing the RRBs sponsored by Banks, AS(A) asked the Banks to monitor the activities of the RRBs sponsored by them.

10. Punjab & Sind Bank

Shri P.K. Anand, ED, Punjab and Sind Bank, talked about the flow of complaints with a blend of facts and fiction by decimated unions/associations on daily basis which de-motivated and demoralized the working of the Banks.

11. Exim Bank of India

Shri T.C. A. Ranganathan, CMD, Exim Bank of India stated that they have only wholesale banking and the number of their employees is only 244. They do not have any cash transactions and their major concern is attritional risk.

CVOs were asked to submit a report on certain metrics, which indicates the present status with respect to the metrics and the level where the Bank will reach at the close of the period with respect to the same. VC(S) observed that none of the CVOs could prepare the report as per expectations. He explained thereafter the concept and the format of the report and desired the CVOs to submit the same afresh.

C. Concluding Remarks

Shri K.D. Tripathi, Secretary, CVC, summed up the deliberations and in his concluding remarks he stressed upon the importance of transparency and equality, in discharge of the vigilance function by Chief Executives & CVOs. He expressed the hope that the meeting will go a long way in improving vigilance administration of Banks.

Shri K.R. Kamath, CMD, Punjab National Bank thanked the Commission on behalf of the Banks present for organizing the meeting. He said that normally the Chief Executives do not get a chance to interact with the Commission and this meeting has given them all a welcome opportunity which has been able to bridge the gap in perceptions. He assured to give vigilance the foremost and due importance with a view to ensure growth of the Banks.

The meeting ended with vote of thanks to the Chair and the participants.

List of Participants for the meeting on 27.05.2011 (Banking Sector-I):

1. Smt. Ravneet Kaur, JS & CVO, D/o Financial Services
2. Shri A. Krishna Kumar, MD, State Bank of India
3. Shri D.G. Patwardhan, CVO, State Bank of India
4. Shri K.R. Kamath, CMD, Punjab National Bank
5. Shri K. Bhaskar, CVO, Punjab National Bank
6. Shri Shiva Kumar, MD, State Bank of Bikaner & Jaipur
7. Shri R.K. Sharma, CVO, State Bank of Bikaner & Jaipur
8. Shri Dilip Muvinkurve, MD, State Bank of Mysore
9. Shri T. Thomas Mathew, CVO, State Bank of Mysore
10. Shri Ashok Nayar, MD, State Bank of Patiala
11. Shri Sudhakar Ojha, GM (Insp. & Tech.) in charge CVO, State Bank of Patiala
12. Shri P.Pradeep Kumar, DMD, State Bank of Travancore
13. Shri Sanjay K. Singh, GM (P&D)/CVO, State Bank of Travancore
14. Shri Sudhir Garg, CGM, State Bank of Hyderabad
15. Shri R.K. Rawat, CVO, State Bank of Hyderabad
16. Shri Nagesh Pydah, CMD, Oriental Bank of Commerce
17. Shri S.K. Kowshal, CVO, Oriental Bank of Commerce
18. Shri P.K. Anand, ED, Punjab & Sind Bank
19. Shri D.K. Gupta, CVO, Punjab & Sind Bank
20. Shri T.C.A. Ranganathan, CMD, Exim Bank of India
21. Shri C.P. Ravindranath, CVO, Exim Bank of India

Central Vigilance Commission:-

1. Shri K.D. Tripathi, Secretary
2. Shri Anil Sinha, Addl. Secretary
3. Shri Anil Singhal, CTE
4. Shri V.K.Nanda, Advisor
5. Shri R. Ravichandran, Advisor
6. Shri N.K. Jain, Advisor
7. Shri J. Vinod Kumar, OSD