

Banking Fraud Risk Management

Objective : To understand the banking frauds in detail along with its prevention, detection, deterrence and recovery strategies.

Unit I – Banking Frauds- Concept and Dimensions – Introduction – Definition of Fraud – Definition under Sec 17 of Indian Contracts Act – Essential elements of Fraud – Bank Frauds – Areas of Fraud – Reasons for occurrence – Containment Thereof - Recent Frauds in the world – Global-cross border frauds – New age Frauds – Phishing – Vishing – Smishing.

Unit II – Frauds by Outsiders – Preventive Measures – Corrective Measures –Frauds by Bank Employees – Preventive Measures – corrective Measures – Connivance of Bank employees with outsiders – Preventive Measures – Corrective Measures – Frauds prevention – Fraud Detection – Fraud Deterrence – Components of Fraud.

Unit III – Fraud prone areas – saving accounts/current accounts , preventive measures – detection – credit cards and debit cards- fund transfer frauds – prevention measures – detection methodologies – New account frauds – set up companies – Loan account frauds – ATM and cheque frauds – detection and prevention. Legal regime to control – Criminal procedure code of 1973 – Indian evidence act of 1872 – RBI and role of RBI in Fraud detection and prevention in India.

Unit IV – Prevention of Frauds – Recruitment and Selection – Private lives of staff – no undue reliance – Basic honesty – Routine Supervision – Audit –Red flags - Unscrupulous Parties – Danger Signals – Vigilance – Detection of Frauds – Different detection evolution – What do banks do – Fraud Investigation – Steps in Investigation - Fraud policy – Management support and action – Vigilance committees- Proactive vs Reactive strategies.

Unit V – Frauds in Technology environment – Classification of computer crime – Hardware related frauds – software related frauds – operations related – classification and actions required by bank – cheating – criminal misappropriation of property – Forgery – Falsification of Accounts – Bribery and corruption – Offences related to currency notes- Cognizable and non – cognizable offences – Regulatory reporting – SAR-FMR.

Text Books Recommended

R. B Nainta, Banking System, Frauds and Legal Controls, Deep and Deep Publications, 2005.

S K Ghosh, Indian Banking – Crime and Security in Indian Banks, South Asia Books, 1992.

R Narasimhan, Frauds in Banks, ICFAI, 2005.

Chris Skinner, The Future of Banking in a globalized world, Wiley & Sons, 2007.

B R Sharma, Bank Frauds – Prevention and Detection, Universal Law Publishing, 2009.

Peter Goldmann, Financial Services – Anti Fraud Risk and Controls Workbook, Wiley and Sons, 2009.

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