THE JAIPUR CENTRAL CO-OPERATIVE BANK LTD., JAIPUR

Resolution No. 02.. Date 18/12/2023....

Sub :- Resolution For Approving Vigilance Policy.

Nabard Officials have inspected bank on basis of financial position of Bank as on 31.03.2023. Accoarding to inspection report Nabard has suggested to bank for having a well defined & comprehensive **"Vigilance Policy"**. A committee of Bank Officers has finalized draft for Vigilance Policy as below mentioned :-

VIGILANCE POLICY

1. INTRODUCTION :-

Banking Industry world over is not only growing fast, but is also becoming more complex with its multifarious activities. Frauds are occurring predominantly because of human failures in observance of the prescribed procedures/guidelines/rules. Frauds in Cooperative Banks are cases of or criminal breach of trust, encashment of forged instruments, manipulation of books of accounts, unauthorized credit facilities extended for illegal gratification, cheating and forgery, etc. are different types of modus operandi for perpetration of frauds. However, frauds in large number of cases are perpetrated by bank staff by flouting established systems and procedures. It is therefore in the interest of the Banks and the employees concerned that there should not be any shortcut to and deviation from the prescribed rules and procedures, in the functioning of the branches/Banks' working. To promote responsible vigilance mechanism bank need to put in place a "Vigilance Manual" to ensure that officials dealing and undertaking transactions conduct the same in a transparent and uniform manner. This Policy will encourage Bank's employees, Board Members and other specified stakeholders, to bring to the notice of the management any issue involving compromise/ violation of ethical norms, legal or regulatory provisions, etc. which is in their knowledge, without any fear of retaliation against them. The policy neither releases Board members and employees from their duty of confidentiality in the course of their work, nor is it a route for taking up a grievance about a personal situation. The main intent of the policy is to ensure that Bank continues to strive to the highest possible standards of ethical, moral and legal Business Conduct and its commitment to open communications.

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2. OBJECT :-

The policy is intended to help the Bank to fulfill its commitment with all stakeholders so that its dealings with them will stand for strong ethical principles of integrity and transparency. This objective can be obtained when all the stakeholders including employees contribute towards this policy by reporting the wrongdoings including issues/concerns which they may notice within the organization, without any fear/ reprisal/ retribution. The policy is primarily meant for preventing financial & reputational losses to Bank and all its stakeholders. No employee shall report his/ her personal grievance/s under the policy. The disclosures made under this policy will be appropriately dealt with by the Bank, and shall be reported to the Board Members. which will be the monitoring authority for the purpose of this policy.

3. CONTROL THROUGH VIGILANCE CELL :-

A. CHIEF VIGILANCE OFFICER :-

Chief Manager (Administration) is appointed as Chief Vigilance officer (CVO) of the Bank. CVO will:-

i. Examining reports received from Branches/Offices regarding the occurrence of frauds/misappropriation/embezzlement and ensuring Investigation of such cases, wherever necessary and to take further appropriate action in the matter.
ii. Monitoring of fraud investigations on the basis of reports received till the date of closure of case file.
iii. Issuing of guidelines/circulars to the Branches/Offices on prevention of frauds from time to time.

4. VIGILANCE CELL :-

A vigilance cell is separately working in bank headed by Senior Manager (Vigilance), Who is the Vigilance Officer of the Bank. The functions of vigilance cell is:-

A. To investigate complaints/allegations against officers / employees relating to acts of corruption, bribery, lack of integrity, moral turpitude, lack of devotion to duty or any other matter which are mainly of following nature and report to the Managing Director of the Bank–

- Demand for, and accepting of bribe/corruption, forgery/cheating, criminal breach of trust and falsification of records.
- Possession of assets disproportion ate to the known source of income.
- Unlawful engagement in trade without Bank's permission.
- Exerting pecuniary or personal influence or abuse of official position for securing

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any advantage for one self/for any other person.

- Fraudulent claims under Medical Bills/Travelling Allowances.
- Any other irregularities/acts involving element of corrupt, malafide or ulterior motives.
- Irregularities in sanction and disbursement of credit facilities, over stepping, these guidelines etc., with malafide intention/indicating vigilance manifestation.

B. To examine the functions and working of various departments and branches of the bank from vigilance angle to locate susceptible are as of corruption and fraud etc. and to suggest suitable remedial measures.

C. **VIGILANCE COMMITTEE :-**

A Vigilance Committee is constituted hereby which will ensure The Implementation of "Vigilance Policy & Manual". The vigilance committee shall Consist of the following persons :-

(i)	Executive Officer -	Chairman
(ii)	Chief Manager (adm.) –	Member
(iii)	Chief Manager (op.) –	Member
(iv)	Senior Manager (I&S) –	Member
(v)	Senior Manager (TME)-	Member
(vi)	Computer Programmer –	Member
(vii)	Senior Manager (Vigilance) -	Member Secretary

The periodicity of the meetings of the committee may be Quarterly. The functioning of the Vigilance Committee are furnished below :-

i) The Committee shall deliberate on the laid down systems and procedures and security aspects followed at the Branches with a special emphasis on fraud prone/sensitive accounts, security matters, tallying of accounts, secrecy of passwords and other specific issues pertaining to internal control.

ii) The Committee should chalk out strategies / action plan with a definite time frame to rectify the irregularities/lapses/deviations observed and implementation all seriousness.

iii) The Circular issued from HO regarding modus operandi of frauds reported in our Bank/other Banks shall be discussed in the meeting and preventive steps shall be

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initiated to plug the loop holes if any at the branch.

D. ADMINISTRATIVE PROCEDURE TO BE FOLLOWED

A. Detection of frauds

Frauds are detected (1) during Inspection/Audit (2) through complaints received from the aggrieved parties (3) during tallying of accounts (4) during reconciliation of HO statements. (5) Surprise Branch visits (6) Review of control returns.

B. Reporting and monitoring of frauds

i) Role of Branches:-

As soon as a fraud comes to light/is detected, the Branch Manager has to take immediate steps as follows:

a) To furnish the following minimum information over telephone/ Mail to Managing Director of Bank/ C VO/ Vigilance Officer, without waiting for detailed investigation etc.
   i) Date of occurrence
   ii) Date of detection
   iii) How the fraud came to light.
   iv) Date of report to HO
   v) Reasons for delay, if any, either in detection or in reporting to HO.
   vi) Brief details/ modus operandi.
   vii) Amount involved (Exact amount involved to be quantified on receipt to investigation report and additional/subsequent report to be made to HO).

(b) To seize the relevant records, such as paid cheques, demand drafts, withdrawal slips, account opening forms, loose leaf ledger sheets, important letters and any other relevant documents and to keep the same in joint custody, handing over the original/Xerox copies of the same to the Investigating authorities on demand.

(c) To lodge police complaint after taking permission from MD / C V O / Vigilance Officer.

(d) To take immediate preventive steps to safeguard the interest of the Bank and To recover the monies from those concerned.

(e) To report the details of fraud in the format prescribed to the Vigilance Cell, H.O, immediately with all other relevant information.

(f) To record the details in the fraud register maintained at the branch.

(g) Files in respect of fraud matters are to be reviewed periodically and steps are to be taken for recovery, obtain final investigation reports from Police/CBI and developments are to be reported to HO.

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ii) Role of Head Office – Vigilance Cell

The Vigilance Cell shall work independently under the direction and control of Chief Vigilance Officer/Managing Director.

(a) On receipt of first hand Information regarding the fraud occurred at branch, considering the seriousness/magnitude/gravity of the fraud either CVO himself visit the branch or depute a senor experienced officer immediately to take stock of the situation.

(b) He shall discuss the matter with the Branch Manager/ staff members, so as to get any clues regarding staff involvement.

(c) Heshallmakeastudyofallaspectsofthefraudandwhereverpossibleshouldtryto recover the amount and give proper directions/guidance to safeguard the interest of the Bank.

(d) He shall submit the preliminary Report to Managing Director immediately.

(e) Chief Vigilance Officer shall cause to appoint an Investigating Officer for detailed investigation in the matter after consulting Managing Director.

(f) Vigilance Officer has to assist the branch in filing of complaints with the Police, make further follow up.

(g) Vigilance Officer has to follow up the matter with the branch for obtaining latest Developments in the matter and keeping informed of the same to Head Office.

(h) Vigilance Officer has to maintain separate files for each case of fraud and has to Monitor/ follow up until the case is finally settled by recovery.

(i) Vigilance Officer has to maintain the fraud register and update the same with the latest development from time to time.

(j) Vigilance Officer will liable to Submission of related statements/reports regarding the occurrence of frauds to NABARD/ RBI and reporting the Developments to Board periodically.

iii) Investigation of frauds

1. Once ordered to be investigated by the Managing Director, the Investigating Officer shall take the following steps:-
   - i. Obtain full details & clarifications about the issue/concern.
   - ii. Fully investigate into the allegation with the assistance where appropriate of other individuals/ bodies.
   - iii. Refer the issue/concern to the Disciplinary Authority for initiation of disciplinary action under rules.
   - iv. The subject shall have a right to counter the allegations during/ after investigation. If the opportunity is provided by the investigator, he/she shall not try to deter or unduly influence the investigation process. He/she shall

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neither destroy, tamper or withhold the evidence nor resort to influence, coercion or intimidation.

v. The investigators shall conduct a thorough and impartial investigation in the matter. They may obtain technical or any other support, if required, during investigation.

The investigation of frauds should be completed normally within 15 days from the date of reference so that necessary follow up/ corrective action anbeinitiated and completed in a time bound manner.

2. Every Fraud or lapse on the part of the staff need not and should not be viewed as a Vigilance case. Investigation Officer/Vigilance staff must be differentiate between vigilance and non-vigilance case sand result at the handling procedures at all levels. After the investigation is completed, the Senior Manager (Vigilance) should examine the findings from three angles i.e., system failure, staff negligence/vigilance angle for fixing the "accountability" without any delay. In case of system failures, such cases should be referred to respective Departments at Head Office to review the system and to take corrective steps.

Vigilance angle is inferred if answer to any of the following question is in affirmative:

a) Can malafides be inferred or presumed from the actions of any of the concerned officials?
b) Could any of the officials be said to have engaged in a misconduct or misdemeanor?
c) Was the conduct of any of the officials reflective of lack of integrity?
d) Did the official(s) act in excess of their delegated powers/ jurisdiction and failed to report the same to the competent authority?
e) Did they or any of the show any gross or willfull neglect of their official functions?
f) Is there any material to indicate that any of the macted recklessly?
g) Has the impugned decision caused any undue loss to the organization?
h) Has any person/party or a set of persons/parties either within the organization or outside it, been caused/derived any undue benefits?
i) Have the norms or systems and procedures of the organization been flagrantly violated?

In addition to the above, following lapses/ irregularities in the banking, operations could also be considered for such action:

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i) Irregularities in opening of accounts leading to creation of fictitious accounts:
ii) Recurrent instances of sanction of over drawals in excess of discretionary powers/sanctioned limits without reporting.
iii) Frequent instances of accommodation granted to a party against norms.

iv. Reporting to the Board

As per recent NABARD guidelines, Bank should ensure that all frauds of Rs.1lakh and above are reported to their Board promptly on their detection. Such reports should, among other things, Include the modus operandi and officials/ staff responsible and consider/ initiation of appropriate action against the officials/ staff responsible for the fraud.

v. Quarterly Review of Frauds

Information relating to frauds for the quarters ending June, September and December may be placed before the Board of Directors during the month following the quarter to which it pertains.

These should be accompanied by supplementary material analyzing statistical information and details of each fraud so that the Board would have adequate material to contribute effectively in regard to the punitive or preventive aspects of frauds.

vi. Annual Review of Frauds

Bank should conduct an annual-review of the frauds and place a note before the Board of Directors for information. The reviews for the year ending March may be placed before the Board by the end of June of the following year.

5. REPORTING OF FRAUDAS TO POLICE

Banks should follow the following guidelines for reporting of frauds such as unauthorized credit facilities extended by the bank for illegal gratification, negligence and cash shortages, cheating, forgery, etc, to the State Police authorities:

a) In dealing with cases of fraud/embezzlement, banks should not merely be motivated by the necessity of recovering expeditiously the amount involved, but should also be motivated by public interest and the need for ensuring that the guilty persons do not go unpunished.

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b) Therefore, as a general rule, the following cases should invariably be referred to the State Police:

1. Cases of fraud committed by outsiders on their own and/or with the connivance of bank staff/officers.
2. Cases of fraud committed by bank employees.

- **Lodging of Police Complaint**

i) In case of frauds committed by outsiders the regular Branch Manager shall have to lodge Police Complaint at the concerned Police Station, without causing any undue delay. However, before lodging Police Complaint, the Manager has to satisfy himself that there is substantial evidence/proof in support of his complaint. The draft of the Police Complaint needs to be got approved by the Head Office Vigilance Cell. The opinion of panel Advocate of Bank may be sought, where very required before lodging Complaint with Police.

ii) In case of frauds where involvement of staff members is prima-facie suspected, the Head Office should take appropriate decision regarding against whom to lodge Police complaint. If Branch Manager is prima facie suspected in the fraud case, he should not be permitted to lodge Police Complaint in respect of such fraud case. Before lodging complaint with Police on frauds involving Bank Officials, the draft of the complaint needs to be got approved by HO, Vigilance Cell.

iii) The records/documents as required by the Police Authorities in connection with the complaint lodged are to be handed over to them by the Branch against their written acknowledgement, under intimation to HO, Vigilance Cell. The Branches need not seek specific permission for the same from HO. The acknowledgement obtained from the concerned Police Authorities along with Xerox copies of documents/records handed over to the Police are to be kept under safe custody.

iv) The Copy of the Police Complaint along with Copy of FIR lodged with Police shall be forwarded to HO, Vigilance Cell.

v) If the Police Authorities are reluctant to accept the complaint for non-specified reasons, in such cases branches shall send the complaint by Registered Post Acknowledgement due and keep such acknowledgement received in the concerned fraud file. The branch shall pursue the matter with the police authorities thereafter.

ii. Monitoring of Complaint lodged with the Police.

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The Complaints lodged with Police are to be monitored /followed up by the Branches/ Vigilance Cell at regular intervals till their final disposal. The Branches have to report the status of the cases lodged with the Police as on the last day of every quarter to HO, Vigilance Cell as per the proforma shown hereunder.

Sr .No.	Brief reference of Fraud case	Date of reporting of Fraud	Amount involved (Rs)	Amount recovered till date (Rs)	Amount pending for recovery (Rs)	Date of lodging of Police complained its present status	Remarks

The Branches have to obtain from Police the copy of Final Investigation report/Charge Sheet filed with the Court by Police or Non-traceable certificate (Form-C) issued by Police and forward the copy of the same to HO, Vigilance Cell.

6. FILING OF CIVIL SUIT TOWARDS RECOVERY OF FRAUD AMOUNT :

(i) Whenever an employee of the bank indulges in depriving the bank of any amounts by abusing his official position as such, the bank may proceed against him criminally by lodging a complaint, also by proceeding against him by issuing a charge sheet and by holding a domestic enquiry. The criminal complaint lodged by the Bank even when results in to a charge and trial before the Criminal Court, the end result does not ensure benefit to the Bank, since at the most the charged employee will be punished. Recovery of amounts in such proceedings is not possible normally.

(ii) The pendency of the criminal case or departmental enquiry does not extend the period of limitation under the Limitation Act 1963, for filing a suit against the concerned employee and to recover the amounts. However, under Section 17 of the Limitation Act 1963,in the case of fraud or mistake, the period of limitation shall not run until the bank has discovered the fraud or the mistake or could with reasonable diligence, discover the same. The very Section under provision

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makes exception for recovery of any property purchased for valuable consideration by a party, who is not a party to the fraud or did not have any reason to believe that fraud has been committed. Under Section 17(2) of the Limitation Act 1963, in certain cases, extension of limitation is available, provided an application is made within one year from the date of detection of fraud etc.

(iii) Whenever the bank is deprived of any amount on account of the fraud committed by its employee, normally in many cases the act is with reference some bank account. In such cases, the account holder may also be a party to such fraud. In many cases, the account holders may not even have knowledge of such fraud. In such event, any benefit of the fraud is received by any constituent of the bank or any amount is credited to an account by mistake and the account holder takes the benefit of such entry, the bank can prefer a suit against the account holder and recover such amounts. The Bank may also include its own employee if involved in connection with any deliberate wrong entries effected by way of fraud in such suit along with the Account Holder.

7. REIMBURSEMENT OF FRAUD AMOUNT

The claims for reimbursement of the amount involved in the fraud cases received from the aggrieved clients should be given due attention. The Government has desired that once a prima facie forgery has been established and the Bank is convinced that the claim made by the aggrieved client is genuine, immediate steps shall be taken to reimburse the amount to the affected party promptly, against indemnity and such cases should be settled within a maximum of 4 months' time from the date of the complaint of the party.

The loss if any, sustained by the Bank on account of settlement of the claim shall be got recovered with expedition from the parties concerned, including the erring officials where it becomes necessary.

8. ACCOUNTABILITY

(i) In difference, negligence, erring, casual and willfully conspired negligence to follow established norms and procedures amongst staff at lower levels and more so at supervisory levels has resulted in serious lapses in various banking matters.

(ii) As an explicit policy, the conduct and role of official below and the official above the dealing officials should be closely examined for contributory failure or the

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violation of the laid down system. The responsibility and lapses should be examined without waiting for the actual financial accountability to crystallize. It has to be ensured that the accountability of the controllers in discharging their assigned task of control functions, are also simultaneously completed.

(iii) As per Jilani committee recommendations, banks should have a system of fixing accountability of inspectors/ auditors for their failure to detect and report serious irregularities. If omissions on the part of Inspectors are grave enough and irregularities are very apparent, non-reporting of the same by them will be viewed seriously and suitable action shall be initiated. But such invoking dereliction of duty shall not dampen the morale of the inspector/ auditors and it will be exercised mainly in cases of grave mistakes/suspected collusion with operating staff.

9. REVIEW AND CLOSURE OF FRAUD FILES

Every Fraud case file should be closely monitored to complete all types of required action to get the case file closed at the earliest. Following action need to be completed before closing any fraud case file:

a) All efforts for recovery of the loss has to be exhausted.
b) Police/CBI with regard to investigation has to be completed and final report from them obtained.
c) Staff accountability for lapse/ involvement in the case has to be concluded.
d) Strengthening of system where fraud is observed because of system failure.
e) Insurance claim, wherever applicable, has been settled.
f) Bank should also pursue vigorously with the Police/Court for final disposal of the pending cases especially where the banks have completed staff side action.

After reviewing & discussion be it resolved, that the Vigilance Policy as recommended by bank officers committee is duly adopted.

Managing Director **Administrator**

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