RBI/DoS/2026-27/412
DoS.CO.FMG.6/23.04.001/2026-27 July 31, 2026

Reserve Bank of India (Commercial Banks – Fraud Risk Management) Directions, 2026

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Introduction

These Directions are issued with a view to providing a framework for prevention, early detection, and timely reporting of incidents of fraud by banks to Law Enforcement Agencies (LEAs) and Reserve Bank of India (RBI) and dissemination of information by RBI and matters connected therewith or incidental thereto.

In exercise of the powers conferred under Section 21 and Section 35-A of the Banking Regulation Act, 1949, and all other provisions / laws enabling RBI in this regard, RBI being satisfied that it is necessary and expedient in public interest so to do, hereby issues the Directions hereinafter specified.

Chapter I - Preliminary

A. Short Title and Commencement

1. These Directions shall be called the Reserve Bank of India (Commercial Banks - Fraud Risk Management) Directions, 2026.

2. These Directions shall come into effect immediately upon issuance.

B. Applicability

3. These Directions shall be applicable to Commercial Banks (hereinafter collectively referred to as 'banks' and individually as 'bank').

   For the purpose of these Directions, 'Commercial Banks' is the term applied to banking companies (other than Small Finance Banks, Payments Banks, and Local Area Banks), corresponding new banks, and the State Bank of India, as defined respectively under clauses (c), (da), and (nc) of Section 5 of the Banking Regulation Act, 1949.

C. Definitions

4. In these Directions, unless the context states otherwise, the terms herein shall bear the meaning assigned to them below:

   (1) *'Central Fraud Registry (CFR)'* is a web-based searchable database maintained by RBI. Fraud related data, including the updates thereof, directly flow to CFR from online reporting by the bank through Fraud Monitoring Returns (FMRs).

   (2) *'CRILC'* is the Central Repository of Information on Large Credits as referred to in the Reserve Bank of India (Commercial Banks – Supervisory Returns) Directions, 2026.

   (3) *'Date of classification',* for the purpose of reporting under FMR, is the date when due approval from the competent authority has been obtained for such classification, and the reasoned order is passed.

   (4) *'Date of detection'* to be reported in FMR, is the actual date when the fraud

came to light in the concerned branch / audit / department of the bank, as the case may be, and not the date of approval by the competent authority of the bank.

(5) *'Date of occurrence'*, for the purpose of reporting under FMR, is the date when the actual misappropriation of funds has started taking place, or the event occurred, as evidenced / reported in the audit or other findings.

(6) *'Red Flagged Account'* is one where suspicion of fraudulent activity is thrown up by the presence of one or more Early Warning Signal (EWS) indicators, alerting / triggering deeper investigation from potential fraud angle and requiring initiation of preventive measures by all banks.

Chapter II - Governance and Oversight

A. Governance Structure for Fraud Risk Management

5. The bank shall put in place a Board approved Policy on Fraud Risk Management delineating roles and responsibilities of Board / Board Committees and Senior Management of the bank. The policy shall inter alia contain measures towards prevention, early detection, investigation, staff accountability, monitoring, recovery, and reporting of frauds as well as a framework for Early Warning Signals (EWS) and Red Flagging of Accounts (RFA).

   In this context, 'Board' will refer to 'Board of Directors' in case of a domestic bank, and 'Local Advisory Board' in case of a Foreign Bank operating in India.

6. The Policy shall also incorporate measures for ensuring compliance with principles of natural justice[1] in a time-bound manner, which at a minimum, shall include:

   (1) Issuance of a detailed Show Cause Notice (SCN) to the Persons (including Third Party Service Providers and Professionals, inter-alia, architects, valuers, chartered accountants, advocates and other professionals / service providers), Entities and their Promoters / Whole-time and Executive Directors against whom allegation of fraud is being examined. The SCN shall provide complete details of transactions / actions / events basis which declaration and reporting of a fraud is being contemplated under these Directions. As non-whole-time directors (like nominee directors and independent directors) are normally not in charge of, or responsible to the company for the conduct of business of the company, the bank may take this into consideration before proceeding against such directors under these Directions.

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[1] Refer to the judgement of the Hon'ble Supreme Court dated March 27, 2023 on Civil Appeal No.7300 of 2022 in the matter of State Bank of India & Ors Vs. Rajesh Agarwal & Ors. and connected matters, read with the Order dated May 12, 2023 passed by the Hon'ble Supreme Court in Misc. Application. No.810 of 2023, specifically in relation to serving a notice, giving an opportunity to submit a representation before classifying Persons / Entities as fraud and passing a reasoned order. The orders of the Hon'ble High Court of Bombay dated August 7, 2023 in Writ Petition (L) No. 20751 of 2023 and the Hon'ble High Court of Gujarat dated August 31, 2023 in Special Civil Application No. 12000 of 2021 and connected matters shall be referred to.

(2) The bank shall provide a reasonable time of not less than 21 days to the Persons / Entities on whom the SCN was served to respond to the said SCN.

(3) The bank shall have a well laid out system for issuance of SCN and examination of the responses / submissions made by the Persons / Entities prior to declaring such Persons / Entities as fraudulent.

(4) The bank shall serve a reasoned Order on the Persons / Entities conveying its decision regarding declaration / classification of the account as fraud or otherwise. Such Order(s) must contain relevant facts / circumstances relied upon, the submission made against the SCN and the reasons for classification as fraud or otherwise.

Explanation: The requirement of ensuring compliance to the principles of natural justice is applicable to all Persons / Entities and their Promoters / Whole-time and Executive Directors classified as fraud by the bank. In other words, this requirement is applicable in all cases of fraud classification which may have civil consequences (i.e., penal measures, caution listing) as observed in the Judgement of the Hon'ble Supreme Court dated March 27, 2023 (Civil Appeal No. 7300 of 2022 in the matter of State Bank of India & Ors. Vs. Rajesh Agarwal & Ors.)

7. The Board shall review the Fraud Risk Management Policy at least once in three years, or more frequently, as may be prescribed by the Board.

8. **Special Committee of the Board for Monitoring and Follow-up of cases of Frauds:**

(1) The bank shall constitute a Committee of the Board to be known as 'Special Committee of the Board for Monitoring and Follow-up of cases of Frauds' (SCBMF) with a minimum of three members of the Board, consisting of a whole-time director and a minimum of two independent directors / non-executive directors. The Committee shall be headed by one of the independent directors / non-executive directors.

(2) SCBMF shall oversee the effectiveness of the Fraud Risk Management in the bank. SCBMF shall review and monitor cases of frauds, including root cause analysis, and suggest mitigating measures for strengthening the internal controls, risk management framework and minimising the incidence of frauds. The Board of the bank shall decide the coverage and periodicity of such reviews. The coverage may include, among others, categories / trends of frauds, industry / sectoral / geographical concentration of frauds, delay in detection / classification of frauds and delay in examination / conclusion of staff accountability.

(3) The Board of the bank shall decide the threshold amount of fraud cases to be placed before the SCBMF, after duly taking into account the scale and complexity of its operations.

9. The Senior Management shall be responsible for implementation of the fraud risk management policy approved by the Board of the bank. The Senior Management of the bank shall also place a periodic review of incidents of fraud before Board / Audit Committee of Board (ACB), as appropriate.

10. The bank shall put in place a transparent mechanism to ensure that Whistle Blower complaints on possible fraud cases / suspicious activities in account(s) are examined and concluded appropriately under its Whistle Blower Policy.

11. The bank shall set-up an appropriate organisational structure for institutionalisation of Fraud Risk Management within its overall risk management functions / department. Fraud Risk Management includes prevention, early detection, investigation, staff accountability, monitoring, recovery, analysis, reporting of frauds and other related aspects under the Board approved Policy. A senior official in the rank of at least a General Manager or equivalent shall be responsible for monitoring and reporting of frauds.

Chapter III – Early Detection of Frauds - Framework for Early Warning Signals and Red Flagging of Accounts

A. Governance Structure

12. The bank shall have a framework for EWS and Red Flagging of Accounts (RFA) under the overall Fraud Risk Management Policy approved by the Board.

13. The Risk Management Committee of the Board (RMCB) shall oversee the effectiveness of the Board-approved framework for EWS and RFA. The Senior Management shall be responsible for implementation of a robust Framework for EWS and RFA within the bank.

14. The RMCB shall approve the EWS indicators identified for monitoring credit facilities / loan accounts and other banking transactions. The RMCB shall prescribe appropriate Turnaround Time (TAT), preferably not more than 30 days, for examination of EWS alerts / triggers.

15. RMCB shall review the status of red flagged accounts, including the EWS alerts / triggers and remedial actions initiated by the bank at periodic intervals as approved by the Board.

16. The EWS / RFA framework shall be subject to suitable validation in accordance with the directions of RMCB so as to ensure its integrity, robustness and consistency of the outcomes.

17. The EWS / RFA Framework shall provide for, among others:

    (1) A system of robust EWS which is integrated with Core Banking Solution (CBS) or other operational systems;

    (2) Initiation of remedial action on alerts / triggers from EWS System in a timely manner;

    (3) Periodic review of credit sanction and monitoring processes, internal controls and systems; and

    (4) Effective use of CRILC database and the CFR.

18. The bank shall put in place / suitably upgrade its existing EWS system on an ongoing basis.

B. EWS / RFA Framework for Credit Facilities / Loan Accounts

19. **Development of EWS System***:* The EWS system shall be comprehensive and designed to include both the quantitative and qualitative indicators to make the framework robust and effective. The broad indicators which the EWS system may illustratively capture could be based on the transactional data of accounts, financial performance of borrowers, market intelligence and conduct of the borrowers.

20. **Data Analytics and Market Intelligence (MI) Unit:** The bank shall set up a dedicated Data Analytics and MI Unit keeping in view its size, complexity, business mix and risk profile. Such Unit shall facilitate collection and processing of relevant information to enable an early detection and prevention of potentially fraudulent activities.

21. Generation of EWS alert(s) / trigger(s) shall necessitate examination whether the account needs to be red flagged and consequently, investigation from potential fraud angle.

22. The bank shall report an account, with an aggregate exposure of ₹3 crore and above, once red flagged in 'Red Flagged Account Return' on the Reserve Bank's CRILC platform within seven days of being red flagged.

    'Exposure' in this context, shall include all fund-based and non-fund-based exposures.

C. EWS Framework for Other Banking / Non-Credit Related Transactions

23. The bank shall develop / strengthen its EWS system by identifying suitable indicators and parameterising them in its EWS system for monitoring other banking / non-credit related transactions. The bank shall strive to continuously upgrade the EWS system for enhancing its integrity and robustness, monitor other banking / non-credit related transactions efficiently and prevent fraudulent activities through the banking channel. Further, the effectiveness of EWS system

shall be tested periodically.

24. The design and specification of EWS system shall be robust and resilient to ensure that integrity of system is maintained, personal and financial data of customers are secure and transaction monitoring for prevention / detection of potential fraud is on real-time basis or with a minimum time lag without compromising the effectiveness of the outcome of EWS system in prevention / detection of potential frauds. The bank shall remain vigilant in monitoring transactions / unusual activities, specifically in the non-KYC compliant and money mule accounts, to contain unauthorised / fraudulent transactions and to prevent misuse of banking channel.

25. The Data Analytics and MI Unit or other dedicated analytics set up in the bank shall extensively monitor and analyse other banking / non-credit related transactions, more specifically the transactions through digital platforms and applications, in order to identify unusual patterns and activities which could alert the bank timely in initiating appropriate measures towards prevention of fraudulent activities.

Chapter IV - General Instructions

A. Credit facility / Loan account classified as Red-flagged Account and Reporting of Fraud

26. In case of a credit facility / loan account classified as red-flagged account, the bank shall use an external audit, or an internal audit as per its Board approved Policy, for further investigation in such accounts.

27. The bank shall frame a policy on engagement of external auditors covering aspects such as due diligence, competency and track record of the auditors, among others. Further, the contractual agreement with the auditors shall, *inter alia*, contain suitable clauses on timeline for completion of the audit and submission of audit report to the bank within a specified time limit, as approved by the Board.

28. The loan agreement with the borrower shall contain clauses for conduct of such audit at the behest of lender(s) consequent upon red flagging of the account. In cases where the audit report submitted remains inconclusive or is delayed due to non-cooperation by the borrower, the bank shall conclude on status of the account as a fraud or otherwise based on the material available on its record and its own internal investigation / assessment in such cases. The bank shall ensure that principles of natural justice are strictly adhered to before classifying / declaring an account as fraud (refer to Paragraph 6).

29. The decision to classify any account, either standard or NPA, as a red-flagged account shall be at the individual bank level and such bank(s) shall report the status of the account on Reserve Bank's CRILC platform immediately (not later than seven days from date of classification as a red-flagged account).

30. The bank (in case of sole lending) or the individual banks (in case of multiple banking arrangement or consortium lending) shall ensure that the principles of natural justice (refer Paragraph 6) are strictly adhered to before classifying / declaring an account as fraud.

31. Once an account has been red-flagged, the entire process of classification of the account as fraud or removal of red-flagged status shall ordinarily be completed

within 180 days from the date of first reporting of the account as red-flagged on CRILC platform. Cases remaining in red-flagged status beyond 180 days shall be reported to the SCBMF for review with adequate reasoning / justification thereof. Such cases shall also be subject to supervisory review by RBI.

32. In case an account is identified as a fraud by any bank, the borrowal accounts of other group companies[2], in which one or more promoter(s) / whole-time director(s) are common, shall also be subjected to examination by Regulated Entities (REs) concerned from fraud angle under these Directions.

33. In cases where Law Enforcement Agencies (LEAs) have *suo moto* initiated investigation involving a borrower account, the bank shall immediately red-flag the account and follow the usual process for classification of account as fraud and complete the same within the stipulated period as specified at Paragraph 31 above.

B. Independent Confirmation from Third-party Service Providers including Professionals

34. The bank places reliance on various third-party service providers as part of pre-sanction appraisal and post-sanction monitoring. Therefore, the bank may incorporate necessary terms and conditions in its agreements with third-party service providers to hold them accountable in situations where wilful negligence / malpractice by them is found to be a causative factor for fraud.

35. The bank shall, after complying with the principles of natural justice, report to Indian Banks' Association (IBA) the details of such third parties or professionals involved in frauds. IBA would, in turn, prepare caution lists of such third parties for circulation among banks.

C. Staff Accountability

36. The bank shall initiate and complete the examination of staff accountability in all fraud cases in a time-bound manner in accordance with its internal policy.

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[2] Refer to Large Exposure Framework in the Reserve Bank of India (Commercial Banks - Concentration Risk Management) Directions, 2025

37. Public Sector Banks (PSBs) shall conduct examination of staff accountability as per the guidelines issued by the Central Vigilance Commission (CVC). In terms of CVC Orders, PSBs shall also refer all fraud cases of amount involving ₹3 crore and above for examining the role of all levels of officials / whole-time directors (including ex-officials / ex-WTDs) to the Advisory Board for Banking and Financial Frauds (ABBFF)[3] constituted by the CVC.

38. In cases involving very senior executives of the bank (MD & CEO / Executive Director / Executives of equivalent rank), the ACB shall initiate examination of their accountability and place it before the Board. Such executives shall not participate in the meeting of the Board / ACB / SCBMF in which their accountability is to be considered. However, in case of PSBs, such cases shall also be referred to the ABBFF.

D. Penal Measures

39. Persons / Entities classified and reported as fraud by the bank and also Entities and Persons associated with such Entities, shall be debarred from raising of funds and / or seeking additional credit facilities from financial entities regulated by RBI, for a period of five years from the date of full repayment of the defrauded amount / settlement amount agreed upon in case of a compromise settlement.

Explanation:

(1) If it is an Entity, another Entity will be deemed to be associated with it if that Entity is (i) a subsidiary company as defined under clause 2 (87) of the Companies Act, 2013 or (ii) falls within the definition of a 'joint venture' or an 'associate company' under clause (6) of section 2 of the Companies Act, 2013.

(2) In case of a Natural Person, all entities in which she / he is associated as promoter, or director, or as one in charge and responsible for the management of the affairs of the entity shall be deemed to be associated.

[3] Refer to the Vigilance Manual issued by Central Vigilance Commission (CVC), CVC Office Order No. 02/01/22 dated January 06, 2022, and CVC Office Order No. 10/03/22 dated March 14, 2022, as updated from time to time.

40. Lending to such Persons / Entities, being commercial decisions, the lending bank shall have the sole discretion to entertain or decline such requests for credit facilities after the expiry of the mandatory cooling period as mentioned at Paragraph 39 above.

E. Treatment of Accounts under Resolution

41. In case an entity classified as fraud has subsequently undergone a resolution either under Insolvency and Bankruptcy Code, 2016 (IBC) or under the resolution framework of RBI[4], resulting in a change in the management and control of the entity / business enterprise, the bank shall examine whether the entity shall continue to remain classified as fraud or the classification as fraud could be removed after implementation of the Resolution Plan under IBC or aforesaid resolution framework. This would, however, be without prejudice to the continuance of criminal action against erstwhile promoter(s) / director(s) / person(s) who were in charge and responsible for the management of the affairs of the entity / business enterprise.

42. The penal measures as detailed in Paragraphs 39 and 40 shall not be applicable to entities / business enterprises after implementation of the Resolution Plan under IBC or aforesaid resolution framework.

43. The penal measures detailed in Paragraphs 39 and 40 shall continue to apply to the erstwhile promoter(s) / director(s) / persons who were in charge and responsible for the management of the affairs of the entity / business enterprise.

[4] Reserve Bank of India (Commercial Banks – Resolution of Stressed Assets) Directions, 2025

Chapter V - Reporting of Frauds to Law Enforcement Agencies

44. The bank shall immediately report the incidents of fraud to LEAs, subject to applicable laws, as indicated below[5]:

Category of bank	Amount involved in the fraud	LEA to whom complaint should be lodged	Remarks
Private Sector/ Foreign Banks	Below ₹1 crore	State / Union Territory (UT) Police	
	₹1 crore and above	In addition to State / UT Police, Serious Fraud Investigation Office (SFIO), Ministry of Corporate Affairs, Government of India	Details of fraud are to be reported to SFIO in Fraud Monitoring Return (FMR) format.
Public Sector Banks	Below ₹6 crore	State / UT Police	
	₹6 crore and above	Central Bureau of Investigation (CBI)	

Note:

(1) As the thresholds for reporting to LEAs vary across the States / UTs, these reporting requirements have been prescribed after due consultation with Central Vigilance Commission, Department of Financial Services, Government of India and select LEAs.

(2) In case of consortium lending, each of the consortium member may file separate complaints, if separate offences have been committed in respect of each of them and if the fraud so committed is not part of the same fraudulent act / transaction. In other cases of such lending, only one member may file a complaint, and all the other members may extend necessary support to the said member and the LEAs in investigation of the fraud, including by way of providing all necessary information and documents. The bank may take a decision in this regard depending on the facts and circumstances that may be relevant in a given case and the applicable laws.

[5] Under Section 33 of Bharatiya Nagarik Suraksha Sanhita, 2023 (BNSS), a person is not mandatorily required to report to LEAs information on commission of all offences, but only on those offences which are listed in that Section. The bank is, however, advised to mandatorily report incidents of fraud involving an amount of ₹1 lakh or more to LEAs.

45. The bank shall establish suitable nodal point(s) / designate officer(s) for reporting incidents of fraud to LEAs and for proper coordination to meet the requirements of the LEAs.

Chapter VI - Reporting to Reserve Bank of India

A. Reporting of Incidents of Fraud

46. To ensure uniformity and consistency while reporting incidents of fraud to RBI through Fraud Monitoring Returns (FMRs) using online portal, the bank shall choose the most appropriate category from any one of the following:

(1) Misappropriation of funds and criminal breach of trust;

(2) Fraudulent encashment through forged instruments;

(3) Manipulation of books of accounts or through fictitious accounts, and conversion of property;

(4) Cheating by concealment of facts with the intention to deceive any person and cheating by impersonation;

(5) Forgery with the intention to commit fraud by making any false documents / electronic records;

(6) Wilful falsification, destruction, alteration, mutilations of any book, electronic record, paper, writing, valuable security or account with intent to defraud;

(7) Fraudulent credit facilities extended for illegal gratification;

(8) Cash shortages on account of frauds;

(9) Fraudulent transactions involving foreign exchange;

(10) Fraudulent electronic banking / digital payment related transactions committed on banks; and

(11) Other type of fraudulent activity not covered under any of the above.

B. Central Fraud Registry

47. The bank shall put in place systems and procedures to ensure that the information available in Central Fraud Registry (CFR) is used for credit risk and fraud risk management effectively.

48. The bank is required to report payment system related disputed / suspected or attempted fraudulent transactions to Central Payments Fraud Information Registry (CPFIR), as required in terms of Circular Ref. CO.DPSS.OVRST. No.S1619/06-08-005/2022-23 dated December 26, 2022, maintained by RBI. However, such transactions, if subsequently concluded as fraud committed on the bank, shall invariably be reported through FMR so as to be reflected in CFR.

C. Modalities of Reporting Incidents of Fraud

49. The bank shall furnish FMR in individual fraud cases, irrespective of the amount involved, immediately, but not later than 14 days from the date of classification of an incident / account as fraud. Updates to the FMR shall be provided through FMR Update Application (FUA). Further, filing / reporting of Monthly Certificate on Frauds, Monthly CFR Certificate and Flash Report by the bank to RBI is not required.

50. Incidents of fraud at overseas branches of Indian banks shall also be reported to the concerned overseas LEAs in accordance with the relevant laws / regulations of the host countries.

51. The bank shall also report frauds perpetrated in its group entities to RBI separately [the FMR shall be furnished through e-mail (doscofrmc@rbi.org.in) only], if such entities are not regulated / supervised by any financial sector regulatory / supervisory authority. However, in case of overseas banking group entity of Indian banks, the parent bank shall also report incidents of fraud to RBI. The group entities will have to comply with the principles of natural justice before declaration of fraud (refer to Paragraph 6).

'Group entities', in this context, mean both the domestic and overseas subsidiaries, affiliates and joint ventures. as defined under applicable accounting standards, whether engaged in financial or non-financial services.

52. The bank shall adhere to the timeframe prescribed in these Directions for reporting of fraud cases to RBI. Delay in reporting of frauds, and the consequent delay in alerting other banks and dissemination of information through CFR could result in similar frauds being perpetrated elsewhere. The bank shall examine and

fix staff accountability for delays in identification of fraud cases and in reporting to RBI.

53. While reporting frauds, the bank shall ensure that persons / entities who / which are not involved / associated with the fraud are not reported in the FMR.

54. The bank may, under exceptional circumstances, withdraw FMR / remove name(s) of perpetrator(s) from FMR. Such withdrawal / removal shall, however, be made with due justification and with the approval of an official at least in the rank of a whole-time director.

55. In cases where withdrawal of FMR / removal of name(s) of perpetrator(s) is necessitated due to Court directions, the bank may arrange to withdraw FMR / remove name(s) of perpetrator(s) immediately. Such cases shall subsequently be placed before the official in the rank of WTD for information.

D. Closure of Fraud Cases Reported

56. The bank shall close fraud cases using 'Closure Module' where the actions as stated below are complete:

    (1) The fraud cases pending with LEAs / Court are disposed of; and

    (2) The examination of staff accountability has been completed.

57. The bank is allowed, for limited statistical / reporting purposes, to close those reported fraud cases involving amount up to ₹1 crore, where examination of staff accountability and disciplinary action, if any, have been taken and

    (1) The investigation is going on or charge-sheet has not been filed in the Court by LEA for more than three years from the date of registration of First Information Report (FIR); or

    (2) The charge-sheet is filed by the LEAs in trial court and the trial in the court has not commenced or is pending before the court for more than three years from the date of registration of FIR.

58. In all closure cases of reported frauds, the bank shall maintain details of such

cases for examination by auditors.

Chapter VII - Cheque Related Frauds - Reporting to Law Enforcement Agencies and Reserve Bank of India

59. To ensure uniformity and avoid duplication, reporting of frauds involving forged instruments, including fake / forged instruments sent in clearing in respect of truncated instruments, shall continue to be done by the paying banker and not by the presenting banker. In such cases the presenting bank shall immediately hand over the underlying instrument to the drawee / paying bank, as and when demanded, to enable them to inform LEAs for investigation and further action under law and to report the fraud to RBI.

60. However, in the case of presentment of an instrument which is genuine but payment has been made to a person who is not the true owner; or where the amount has been credited before realisation and subsequently the instrument is found to be fake / forged and returned by the paying bank, the presenting bank which is defrauded or is put to loss by paying the amount before realisation of the instrument shall file the fraud report with RBI and inform the LEAs for investigation and further action under law.

Chapter VIII - Other Instructions

A. Legal Audit of Title Documents in respect of Large Value Loan Accounts

61. The bank shall subject the title deeds and other related title documents in respect of all credit facilities of ₹5 crore and above to periodic legal audit and re-verification, till the loan is fully repaid. The scope and periodicity of legal audit shall be in accordance with the Board approved policy referred to in Paragraph 5 above.

B. Treatment of Accounts classified as Fraud and sold to other Lenders / Asset Reconstruction Companies[6]

62. The bank shall complete the investigation from fraud angle before transferring the loan account / credit facility to other lenders / Asset Reconstruction Companies (ARCs). In cases where the bank concludes that a fraud has been perpetrated in the account, they shall report it to RBI before selling the accounts to other lenders / ARCs. In cases where accounts are sold to ARCs, the bank shall continue to report subsequent developments in such accounts to RBI, by obtaining requisite information periodically from the concerned ARCs.

C. Role of Auditors

63. During the course of the audit, auditors may come across instances where the transactions in the account or the documents point to the possibility of fraudulent transactions in the account. In such a situation, the auditor should immediately bring it to the notice of the senior management and if necessary, to the Audit Committee of the Board (ACB) of the bank for appropriate action.

64. Internal Audit in the bank shall cover controls and processes involved in prevention, detection, classification, monitoring, reporting, closure and withdrawal of fraud cases, as well as weaknesses observed in the critical processes in the fraud risk management framework of the bank, including delay in reporting, non-reporting, conduct of staff accountability examination and prudential provisioning.

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[6] Reference is invited to the Reserve Bank of India (Commercial Banks - Transfer and Distribution of Credit Risk) Directions, 2025.

Chapter IX - Reporting Cases of Theft, Burglary, Dacoity and Robbery

65. The bank shall report instances of theft, burglary, dacoity and robbery (including attempted cases), to Fraud Monitoring Group (FMG), Department of Supervision, Central Office, Reserve Bank of India, immediately (not later than seven days) from their occurrence, in the prescribed 'Return on Bank Robberies, Dacoities, Thefts and Burglaries (RBR)' format through e-mail (doscofrmc@rbi.org.in). The format is available on RBI website.

66. The bank shall also submit a quarterly Return (RBR) on Bank Robberies, Dacoities, Thefts and Burglaries to RBI using online portal, covering all such cases during the quarter. This shall be submitted within 15 days from the end of the quarter to which it relates.

Chapter X - Repeal and Other Provisions

A. Repeal and Saving

67. With the issue of these Directions, the existing directions, instructions, and guidelines relating to Fraud Risk Management as applicable to Commercial Banks stand repealed, as communicated vide circular no. DoS.CO.PPG.66/11.01.005/2026-27 dated July 31, 2026. The directions, instructions, and guidelines already repealed vide any of the directions, instructions, and guidelines listed in the above circular shall continue to remain repealed.

68. Notwithstanding such repeal, any action taken or purported to have been taken, or initiated under the repealed directions, instructions, or guidelines shall continue to be governed by the provisions thereof. All approvals or acknowledgments granted under these repealed lists shall be deemed as governed by these Directions. Further, the repeal of these directions, instructions, or guidelines shall not in any way prejudicially affect:

(1) any right, obligation or liability acquired, accrued, or incurred thereunder;

(2) any penalty, forfeiture, or punishment incurred in respect of any contravention committed thereunder;

(3) any investigation, legal proceeding, or remedy in respect of any such right, privilege, obligation, liability, penalty, forfeiture, or punishment as aforesaid; and any such investigation, legal proceedings or remedy may be instituted, continued, or enforced and any such penalty, forfeiture or punishment may be imposed as if those directions, instructions, or guidelines had not been repealed.

B. Application of Other Laws not barred

69. The provisions of these Directions shall be in addition to, and not in derogation of the provisions of any other laws, rules, regulations, or directions, for the time being in force.

C. Interpretations

70. For giving effect to the provisions of these Directions or to remove any difficulties in the application or interpretation of the provisions of these Directions, RBI may, if it considers necessary, issue necessary clarifications in respect of any matter covered herein and the interpretation of any provision of these Directions given by RBI shall be final and binding.

(C. Saravanan)
Chief General Manager