



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

www.rbi.org.in

RBI/2024-25/119

DOS. CO. FMG.SEC. No. 6 /23.04.001/2024-25

July 15, 2024

The Chairman / Managing Director / Chief Executive Officer
All Primary (Urban) Cooperative Banks (UCBs)
All State Cooperative Banks (StCBs) and
Central Cooperative Banks (CCBs)

Madam / Dear Sir,

Master Directions on Fraud Risk Management in Urban Cooperative Banks (UCBs) / State Cooperative Banks (StCBs) / Central Cooperative Banks (CCBs)

Please find enclosed as [Annex](#) 'Reserve Bank of India (Fraud Risk Management in UCBs / StCBs / CCBs) Directions, 2024' issued in exercise of the powers conferred under Section 21 and Section 35A read with Section 56 of the Banking Regulation Act, 1949. These Directions shall supersede the earlier directions on the subject, namely, ['Master Circular- 'Classification and Reporting' \(DCBR.CO.BPD.MC.No.1/12.05.001/2015-16\) dated July 1, 2015.](#)

Yours faithfully

(Rajnish Kumar)
Chief General Manager

Encl.: as above

Master Directions (MD) on Fraud Risk Management in Urban Cooperative Banks (UCBs) / State Cooperative Banks (StCBs) / Central Cooperative Banks (CCBs)

CONTENTS
<u>INTRODUCTION</u>
<u>CHAPTER I</u>
<u>1.1 Short Title and Commencement</u>
<u>1.2 Applicability</u>
<u>1.3. Purpose</u>
<u>CHAPTER II</u>
<u>2. Governance Structure in UCBs / StCBs / CCBs for Fraud Risk Management</u>
<u>CHAPTER III</u>
<u>3. Framework for Early Warning Signals for Detection of Frauds</u>
<u>CHAPTER IV</u>
<u>4.1 Credit facility / Loan account / Other banking transactions- Indication of fraudulent activities</u>
<u>4.2 Independent confirmation from the third-party service providers including professionals</u>
<u>4.3 Staff Accountability</u>
<u>4.4 Penal Measures</u>
<u>4.5 Treatment of accounts under Resolution</u>
<u>CHAPTER V</u>
<u>5. Reporting of Frauds to Law Enforcement Agencies (LEAs)</u>
<u>CHAPTER VI</u>
<u>6.1 Reporting of Incidents of Fraud to Reserve Bank of India (RBI)</u>
<u>6.2 Modalities of Reporting Incidents of Fraud to RBI</u>
<u>6.3 Closure of Fraud Cases Reported to RBI</u>
<u>CHAPTER VII</u>
<u>7. Cheque Related Frauds - Reporting to LEAs and RBI / NABARD</u>
<u>CHAPTER VIII</u>
<u>8. Other Instructions</u>
<u>8.1 Legal Audit of Title Documents in respect of Large Value Loan Accounts</u>
<u>8.2 Treatment of Accounts classified as Fraud and sold to other Lenders / Asset Reconstruction Companies (ARCs)</u>
<u>8.3 Role of Auditors</u>
<u>8.4 'Date of Occurrence', 'Date of Detection' and 'Date of Classification' of Fraud - for the purpose of reporting under FMR</u>
<u>CHAPTER IX</u>
<u>9. Reporting Cases of Theft, Burglary, Dacoity and Robbery</u>
<u>CHAPTER X</u>
<u>10. Repeal</u>

INTRODUCTION

In exercise of the powers conferred under Section 21 and Section 35A read with Section 56 of the Banking Regulation Act, 1949, the Reserve Bank of India being satisfied that it is necessary and expedient in the public interest and in the interest of banking policy to do so, hereby, issues the Directions hereinafter specified.

CHAPTER I

1.1 Short Title and Commencement

These Directions shall be called the Reserve Bank of India (Fraud Risk Management in UCBs / StCBs / CCBs) Directions, 2024.

1.2 Applicability

The provisions of these Directions shall, unless otherwise provided, apply to all Primary (Urban) Cooperative Banks (UCBs) and Rural Cooperative Banks i.e. State Cooperative Banks (StCBs) and Central Cooperative Banks (CCBs) licensed or permitted to carry on banking business in India by the Reserve Bank of India. Such Cooperative Banks shall hereinafter collectively be referred to as 'Cooperative Banks' for the purpose of these Directions.

1.3 Purpose

These Directions are issued with a view to providing a framework to Cooperative Banks for prevention, early detection and timely reporting of incidents of fraud to Law Enforcement Agencies (LEAs), Reserve Bank of India (RBI) and NABARD¹ and dissemination of information by RBI and matters connected therewith or incidental thereto.

CHAPTER II

2. Governance Structure in Cooperative Banks for Fraud Risk Management

2.1 There shall be a Board² Approved Policy³ on fraud risk management delineating roles and responsibilities of Board / Board Committees and Senior Management of the Cooperative Bank. The Policy shall also incorporate measures for ensuring

¹ StCBs / CCBs shall report the incidents of fraud to NABARD as hitherto.

² Board of Directors of a Cooperative Bank

³ The policy shall *inter alia* contain measures towards prevention, early detection, investigation, staff accountability, monitoring, recovery and reporting of frauds.

compliance with principles of natural justice⁴ in a time-bound manner which at a minimum shall include:

2.1.1 Issuance of a detailed Show Cause Notice (SCN) to the Persons⁵, Entities and its Promoters / Whole-time and Executive Directors against whom allegation of fraud is being examined⁶. The SCN shall provide complete details of transactions / actions / events basis which declaration and reporting of a fraud is being contemplated under these Directions.

2.1.2 A reasonable time of not less than 21 days shall be provided to the Persons / Entities on whom the SCN was served to respond to the said SCN.

2.1.3 Cooperative Banks 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.

2.1.4 A reasoned Order shall be served on the Persons / Entities conveying the decision of the Cooperative Banks 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.

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

2.3 Special Committee of the Board for Monitoring and Follow-up of cases of Frauds:

2.3.1 Cooperative Banks 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,

⁴ Please 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.

⁵ Including Third Party Service Providers and Professionals such as architects, valuers, chartered accountants, advocates, etc.

⁶ 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, Cooperative Banks may take this into consideration before proceeding against such directors under these Directions.

consisting of the Chief Executive Officer and two directors⁷. The Committee shall be headed by one of the directors. UCBs categorised as Tier 1 & 2 for regulatory purposes⁸ and StCBs / CCBs having deposits below ₹1000 crore⁹, shall have the option of constituting a Committee of the Executives (CoE) with a minimum of three members, at least one of whom shall be the Chief Executive Officer for the purpose of performing the roles and responsibilities of SCBMF as required under these Directions.

2.3.2 SCBMF shall oversee the effectiveness of the fraud risk management in the Cooperative Bank. SCBMF shall review and monitor the 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 coverage¹⁰ and periodicity of such reviews shall be decided by the Board of the Cooperative Bank.

2.4 The Senior Management shall be responsible for implementation of the fraud risk management policy approved by the Board of the Cooperative Bank. A periodic review of incidents of fraud shall also be placed before Board / Audit Committee of Board (ACB), as appropriate, by the Senior Management of the Cooperative Bank.

2.5 Cooperative Banks shall put in place a transparent mechanism to ensure that Whistle Blower complaints on possible fraud cases / suspicious activities in accounts(s) are examined and concluded appropriately under their Whistle Blower Policy.

2.6 Cooperative Banks shall set-up an appropriate organisational structure for institutionalisation of fraud risk management¹¹ within their overall risk management functions / Department. A sufficiently senior official shall be responsible for monitoring and reporting of frauds.

⁷ i.e. directors with suitable banking experience or with relevant professional qualification in the fields of law, accountancy or finance.

⁸ 'Revised Regulatory Framework - Categorization of Urban Co-operative Banks (UCBs) for Regulatory Purposes' issued vide [Circular Ref. DOR.REG.No.84/07.01.000/2022-23 dated December 01, 2022](#).

⁹ The deposits of StCBs and CCBs shall be reckoned as per audited balance sheet as on 31st March of the immediate preceding Financial Year.

¹⁰ 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, etc.

¹¹ i.e. prevention, early detection, investigation, staff accountability, monitoring, recovery, analysis and reporting of frauds, etc. and other related aspects under the Board approved Policy.

CHAPTER III¹²

3.1 Framework for Early Warning Signals for Detection of Frauds

3.1.1 UCBs categorised as Tier 3 & 4 and StCBs / CCBs having deposits above ₹1000 crore (i.e. Applicable Cooperative Banks for the purpose of this Chapter) shall have a framework for Early Warning Signals (EWS) under the overall Fraud Risk Management Policy approved by the Board.

3.1.2 A Board Level Committee¹³ shall oversee the effectiveness of the framework for EWS. The Senior Management shall be responsible for implementation of a robust Framework for EWS within the Applicable Cooperative Bank.

3.1.3 Applicable Cooperative Banks shall identify appropriate early warning indicators for monitoring credit facilities / loan accounts and other banking transactions. These indicators shall be reviewed periodically for their effectiveness. Suspicion of fraudulent activity thrown up by the presence of one or more EWS indicators shall alert / trigger deeper investigation from potential fraud angle and initiating preventive measures.

3.1.4 The EWS framework shall be subject to suitable validation in accordance with the directions of the Board Level Committee so as to ensure its integrity, robustness and consistency of the outcomes.

3.2 The EWS Framework shall provide for, among others:

(i) A system of robust EWS which is integrated with Core Banking Solution (CBS) or other operational systems; (ii) Initiation of remedial action on triggers / alerts from EWS System in a timely manner; and (iii) Periodic review of credit sanction and monitoring processes, internal controls and systems.

3.3 EWS Framework for Credit Facilities / Loan Accounts

3.3.1 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

¹² The Directions under Chapter III shall be applicable to UCBs categorised as Tier 3 & 4 for regulatory purposes and StCBs / CCBs having deposits above ₹1000 crore only.

¹³ i.e. Risk Management Committee or any other Committee having similar functions.

capture could be based on the transactional data of accounts, financial performance of borrowers, market intelligence, conduct of the borrowers, etc.

3.3.2 Generation of EWS alert(s) / trigger(s) shall necessitate examination whether the account needs to be investigated from potential fraud angle.

3.4 EWS Framework for other banking / non-credit related transactions¹⁴

3.4.1 Applicable Cooperative Banks shall develop / strengthen their EWS system by identifying suitable indicators and parameterising them in their EWS system for monitoring other banking / non-credit related transactions. Applicable Cooperative Banks 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.

3.4.2 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 basis¹⁵. Applicable Cooperative Banks shall remain vigilant in monitoring transactions / unusual activities, specifically in the non-KYC compliant and money mule accounts etc., so as to contain unauthorised / fraudulent transactions and to prevent misuse of banking / financial channel.

3.4.3 The dedicated MIS Unit or other Analytics Setup in Applicable Cooperative Banks shall extensively monitor and analyse financial transactions, including transactions carried out through digital platforms / applications, in order to identify unusual patterns and activities which could alert the Applicable Cooperative Banks in time for initiating appropriate measures towards prevention of fraudulent activities.

3.5 Applicable Cooperative Banks shall put in place / suitably upgrade their existing EWS system within six months from the date of issuance of these Directions.

¹⁴ i.e., other than those transactions covered under Para 3.3.

¹⁵ or with a minimum time lag without compromising the effectiveness of the outcome of EWS system in prevention / detection of potential frauds.

CHAPTER IV

4. Credit facility / Loan account / Other banking transactions - Indication of fraudulent activities

Cooperative Banks shall monitor activities in credit facility / loan account / other banking transactions and remain alert on activities which could potentially turn out to be fraudulent.

4.1 In cases where there is a suspicion / indication of wrongdoing or fraudulent activity, Cooperative Banks shall use an external audit¹⁶ or an internal audit as per their Board Approved Policy for further investigation in such accounts.

4.1.1 Cooperative Banks 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 Cooperative Banks within a specified time limit, as approved by the Board.

4.1.2 The loan agreement with the borrower shall contain clauses for conduct of such audit at the behest of lender(s). In cases where the audit report submitted remains inconclusive or is delayed due to non-cooperation by the borrower, Cooperative Banks shall conclude on status of the account as a fraud or otherwise based on the material available on their record and their own internal investigation / assessment in such cases¹⁷.

4.1.3 Cooperative Banks (sole lending, multiple banking arrangement or consortium lending) shall ensure that the principles of natural justice¹⁸ are strictly adhered to before classifying / declaring an account as fraud.

¹⁶ Auditors who are qualified to conduct audit under relevant statutes.

¹⁷ Cooperative Banks shall ensure that principles of natural justice are strictly adhered to before classifying / declaring an account as fraud (Please refer to Para 2.1 *ibid*).

¹⁸ Please 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 (Please refer to Para 2.1 *ibid*).

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

4.1.5 In cases where Law Enforcement Agencies (LEAs) have *suo moto* initiated investigation involving a borrower account, Cooperative Banks shall follow the process of classification of account as fraud as per their Board approved Policy and in tune with the process as given under Para 2.1 *ibid*.

4.2 Independent confirmation from the third-party service providers including professionals

Cooperative Banks place reliance on various third-party service providers as part of pre-sanction appraisal and post-sanction monitoring. Therefore, Cooperative Banks may incorporate necessary terms and conditions in their 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.

4.3 Staff Accountability

4.3.1 Cooperative Banks shall initiate and complete the examination of staff accountability in all fraud cases in a time-bound manner in accordance with their internal policy.

4.3.2 In cases involving very senior executives of the Cooperative Banks (MD & CEO / Chief Executive Officer / Executives of equivalent rank)¹⁹, the ACB shall initiate examination of their accountability and place before the Board.

4.4 Penal Measures

4.4.1 Persons / Entities classified and reported as fraud by Cooperative Banks and also Entities and Persons associated²⁰ with such Entities, shall be

¹⁹ Such executive shall not participate in the meeting of the Board / ACB / SCBMF in which their accountability is to be considered.

²⁰ (a) 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.

(b) 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.

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.

4.4.2 Lending to such Persons / Entities, being commercial decisions, the lending Cooperative Banks 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 Para 4.4.1 above.

4.5 Treatment of accounts under Resolution

4.5.1 In case an entity classified as fraud has subsequently undergone a resolution either under IBC or under the resolution framework of RBI²¹ resulting in a change in the management and control of the entity / business enterprise, the Cooperative 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 prudential framework. This would, however, be, without prejudice to the continuance of criminal action against erstwhile promoter(s)/ director(s)/ persons who were in charge and responsible for the management of the affairs of the entity / business enterprise.

4.5.2 The penal measures as detailed in Para 4.4 shall not be applicable to entities / business enterprises after implementation of the resolution plan under IBC or aforesaid prudential framework.

4.5.3 The penal measures detailed in Para 4.4 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.

²¹ [Prudential Framework for Resolution of Stressed Assets dated June 7, 2019](#) (as amended from time to time) issued by the RBI.

CHAPTER V

5. Reporting of Frauds to Law Enforcement Agencies (LEAs)

5.1 Cooperative Banks shall immediately report the incidents of fraud to appropriate LEAs viz. State Police authorities, etc. subject to applicable laws.

5.2 Cooperative Banks 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 VI²²

6.1 Reporting of Incidents of Fraud to Reserve Bank of India (RBI)

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

- (i) Misappropriation of funds and criminal breach of trust;
- (ii) Fraudulent encashment through forged instruments;
- (iii) Manipulation of books of accounts or through fictitious accounts, and conversion of property;
- (iv) Cheating by concealment of facts with the intention to deceive any person and cheating by impersonation;
- (v) Forgery with the intention to commit fraud by making any false documents/electronic records;
- (vi) Wilful falsification, destruction, alteration, mutilations of any book, electronic record, paper, writing, valuable security or account with intent to defraud;
- (vii) Fraudulent credit facilities extended for illegal gratification;
- (viii) Cash shortages on account of frauds;
- (ix) Fraudulent transactions involving foreign exchange;
- (x) Fraudulent electronic banking / digital payment related transactions committed on UCBs; and
- (xi) Other type of fraudulent activity not covered under any of the above.

²² The reporting requirements prescribed under Chapter V are not applicable to StCBs / CCBs. They shall report incidents of fraud to NABARD in the manner and in Returns / Formats as prescribed by NABARD.

6.2 Modalities of Reporting Incidents of Fraud to RBI

6.2.1 UCBs shall furnish FMR²³ in individual fraud cases, irrespective of the amount involved, immediately but not later than 14 days from the date of classification²⁴ of an incident / account as fraud.

6.2.2 UCBs shall adhere to the timeframe prescribed in these Master Directions for reporting of fraud cases to RBI²⁵. UCBs must examine and fix staff accountability for delays in identification of fraud cases and in reporting to RBI.

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

6.2.4 UCBs 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 director.

6.3 Closure of Fraud Cases Reported to RBI

6.3.1 UCBs shall close fraud cases using 'Closure Module' where the actions as stated below are complete:

- (i) The fraud cases pending with LEAs / Court are disposed of; and
- (ii) The examination of staff accountability has been completed.

6.3.2 In all closure cases of reported frauds, UCBs shall maintain details of such cases for examination by auditors.

CHAPTER VII

7. Cheque Related Frauds – Reporting to LEAs and RBI / NABARD²⁶

7.1 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

²³ Updates to the FMR shall be provided through FMR Update Application (FUA).

²⁴ As defined under Para 8.4.3.

²⁵ Delay in reporting of frauds, and the consequent delay in alerting other UCBs, could result in similar frauds being perpetrated elsewhere.

²⁶ Reporting to NABARD in case of StCBs / CCBs.

presenting banker. In such cases the presenting Cooperative Bank shall immediately handover the underlying instrument to the drawee / paying Cooperative 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.

7.2 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 Cooperative Bank, the presenting Cooperative Bank which is defrauded or is put to loss by paying the amount before realisation of the instrument shall file the fraud report with the RBI and inform the LEAs for investigation and further action under law.

CHAPTER VIII

8. Other Instructions

8.1 Legal Audit of Title Documents in respect of Large Value Loan Accounts

Cooperative Banks shall subject the title deeds and other related title documents in respect of all credit facilities of ₹1 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 clause 2.1 above.

8.2 Treatment of Accounts classified as Fraud and sold to other Lenders / Asset Reconstruction Companies (ARCs)²⁷

Cooperative Banks shall complete the investigation from fraud angle before transferring the loan account / credit facility to other lenders / ARCs. In cases where Cooperative Banks conclude that a fraud has been perpetrated in the account, they shall report it to RBI / NABARD²⁸ before selling the asset to other lenders / ARCs²⁹.

8.3 Role of Auditors

8.3.1 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

²⁷ Reference is invited to Master Direction – Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021 (ref: [DOR.STR.REC.51/21.04.048/2021-22 dated September 24, 2021](#)) as updated from time to time.

²⁸ StCBs / CCBs shall report to NABARD.

²⁹ In cases where accounts are sold to ARCs, Cooperative Banks shall continue to report subsequent developments in such accounts to RBI / NABARD, by obtaining requisite information periodically from the concerned ARCs.

should immediately bring it to the notice of the senior management and if necessary, to the Audit Committee of the Board (ACB) of the Cooperative Banks for appropriate action.

8.3.2 Internal Audit in Cooperative Banks shall cover controls and processes involved in prevention, detection, classification, monitoring, reporting, closure and withdrawal of fraud cases, and also weaknesses observed in the critical processes in the fraud risk management framework of the Cooperative Bank³⁰.

8.4 'Date of Occurrence', 'Date of Detection' and 'Date of Classification' of Fraud – for the purpose of reporting under FMR

8.4.1 The 'date of occurrence' 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.

8.4.2 The 'date of detection' to be reported in FMR is the actual date when the fraud came to light in the concerned branch / audit / department, as the case may be, and not the date of approval by the competent authority of the Cooperative Bank.

8.4.3 The 'date of classification' is the date when due approval from the competent authority has been obtained for such a classification, and the reasoned order is passed.

CHAPTER IX³¹

9. Reporting Cases of Theft, Burglary, Dacoity and Robbery

9.1 Cooperative Banks shall report³² 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.

³⁰ Including delay in reporting, non-reporting, conduct of staff accountability examination, prudential provisioning, etc.

³¹ The reporting requirements prescribed under Chapter VIII are not applicable to StCBs / CCBs. They shall report incidents of theft, burglary, dacoity and robbery to NABARD in the manner and in Returns / Formats as prescribed by NABARD.

³² In the prescribed format 'Report on Bank Robbery, Theft, etc. (RBR) through e-mail (fmgcoub@rbi.org.in).

The format is available on RBI website (<https://website.rbi.org.in/en/web/rbi/home/regulatory-reporting/list-of-returns>)

9.2 Cooperative Banks shall also submit a quarterly Return (RBR) on theft, burglary, dacoity and robbery 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

10. Repeal

With the issue of these Directions, instructions / guidelines contained in the Circulars issued by the Reserve Bank of India listed in [Appendix](#) stand repealed, as the contents of the same have been incorporated in the Master Directions. All the instructions / guidelines contained in these Circulars shall be deemed as given under these Directions.

List of Circulars Repealed

S. No.	Circular No.	Circular Date	Subject
1.	DOS.CO.FMG.No.S402/23.14 .019/2022-23	20-05-2022	Migration of reporting of frauds by UCBs to new XBRL Phase II Live setup
2.	DCBS.CO.OSS.No.443/18.00. 024/2018-19	27-08-2018	Reporting of Frauds on XBRL – FMR1 submission, FMR 2 discontinuation and introduction of FMR - 3
3.	DCBS.CO.Cir.No.001/12.17.0 01/2015-16	19-05-2016	Frauds in UCBs: Changes in Monitoring and Reporting mechanism