



Ref. No. NB.DoS.HO.CFMC / 24307 / P-80 / 2025-26

16 May 2025

External Circular No. 129 / DoS - 09 / 2025

The Managing Director/ Chief Executive Officer

All State Cooperative Banks/All District Central Cooperative Banks

Madam/Dear Sir

Fraud Risk Management in State Cooperative Banks (StCBs)/District Central Cooperative Banks (DCCBs) – Reporting of Incidents of Fraud and Theft/Burglary/Dacoity/ Robbery to NABARD

Please refer to our circular reference no. NB.DoS.HO.CFMC/2579/P-80/2017-18 dated 29 September 2017 advising guidelines regarding classification, reporting and monitoring of frauds. In view of the Master Directions on Fraud Risk Management in Urban Cooperative Banks (UCBs) / State Cooperative Banks (StCBs) / District Central Cooperative Banks (DCCBs) issued by RBI [vide Reference No. RBI/DOS.CO.FMG.SEC.No.6/23.04.001/2024-25 dated 15 July 2024 which is applicable to StCBs and DCCBs with effect from 15 July 2024], the instructions contained in our circular reference No. NB.DoS.HO.CFMC/2579/P-80/2017-18 dated 29 September 2017 stand repealed.

2. As per chapter-VI and chapter-IX of the aforementioned Master Directions on Fraud Risk Management issued by RBI, StCBs/DCCBs shall report the incidents of fraud, theft, burglary, dacoity and robbery to NABARD in the manner and in the returns/formats as prescribed by NABARD. Accordingly, in the exercise of powers conferred to NABARD under Section 27 (3) read with Section 56 of the Banking Regulation Act, 1949, we advise that StCBs/DCCBs shall report incidents of fraud through returns on Fraud Monitoring System (FMS) and the incidents of theft, burglary, dacoity and robbery through Returns on Bank Robbery (RBR) to NABARD. The detailed guidelines for reporting of incidents of fraud and theft/burglary/dacoity/robbery to NABARD are herewith furnished in the annexure.

3. You are advised to ensure timely and complete submission of FMS and RBR returns online through the ENSURE portal (reporting portal of NABARD), failing

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National Bank for Agriculture and Rural Development

पर्यवेक्षण विभाग

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which StCBs/DCCBs shall be deemed violating Section 27 (3) read with Section 56 of the Banking Regulation Act, 1949, and thus they would be liable for penal action as prescribed under Section 47(A) of the Act, *ibid*.

4. Please acknowledge receipt of the circular to our concerned RO.

Yours faithfully

(Sudhir Kumar Roy)
Chief General Manager

Encl.: as above

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Annexure

Fraud Risk Management in State Cooperative Banks (StCBs) /District Central Cooperative Banks (DCCBs) – Reporting of Incidents of Fraud and Theft/ Burglary/ Dacoity / Robbery to NABARD

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1. Introduction

The rise of digital banking has increased pressure on banking channels to deliver timely and high-quality services, sometimes leading to bypassing of internal controls. The inherent financial risk in banking is high due to the involvement of money. This along with weak internal controls creates opportunities for fraud, both from internal staff and external collusion and may significantly impact a bank's financial and reputational health. To address these risks, Reserve Bank of India (RBI) vide Reference No. RBI/DOS.CO.FMG.SEC.No.6/23.04.001/2024-25 dated 15 July 2024 has issued Master Directions to State Cooperative Banks (StCBs) and District Central Cooperative Banks (DCCBs) for a fraud risk management framework aimed at establishing a proper governance structure, controls and processes in StCBs/DCCBs for prevention, early detection, classification of fraud adhering to the principles of natural justice, monitoring, timely reporting of fraud incidents to relevant authorities, closure and other related matters including staff accountability.

2. Reporting of Incidents of Fraud to NABARD

To ensure uniformity and consistency while reporting incidents of fraud to NABARD through FMS returns using the online portal i.e. ENSURE, StCBs/DCCBs 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 StCBs/DCCBs; and
- (xi) Other type of fraudulent activity not covered under any of the above.

3. Return for Reporting Incidents of Fraud to NABARD

3.1 StCBs/DCCBs shall furnish FMS-1 return to report individual incidents of fraud, irrespective of the amount involved, immediately but not later than 14 days from the date of classification of an incident/account as fraud (date of classification as defined at para 8.4.3 in the RBI Master Directions on Fraud Risk Management dated 15 July 2024).

3.2 StCBs/DCCBs shall adhere to the timeframe prescribed in this circular for reporting of fraud cases to NABARD. StCBs/DCCBs shall examine and fix staff accountability for delays in the identification of fraud cases and in reporting to NABARD.

3.3 While reporting incidents of fraud, StCBs/DCCBs shall ensure that persons/entities who/which are not involved/associated with the fraud are not reported in the FMS.

3.4 StCBs/DCCBs may, under exceptional circumstances, withdraw FMS/remove name(s) which were wrongly reported under perpetrator(s) from FMS. Such withdrawal/ removal shall, however, be made with due justification and with the approval of the Board.

4. Closure of Fraud Cases reported to NABARD

4.1 StCBs/DCCBs shall close fraud cases where the actions as stated below are complete:

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

4.2 StCBs/DCCBs shall report to NABARD through FMS-2 return in ENSURE portal, the details of the fraud cases closed along with reasons for the closure.

4.3 In all closure cases of reported fraud, StCBs/DCCBs shall maintain details of such cases for examination by auditors.

5. Reporting on Credit facility/Loan account classified as Red-flagged Accounts (RFA)

5.1 The StCBs/DCCBs are required to report RFA in FMS-2. An account shall be classified as an RFA based on the following criteria:

- i. Indicators of Suspicious Activity: Any suspected fraudulent events or irregular transactions detected by the bank's internal auditors, staff, media reports,

market intelligence, or similar sources, which warrant further investigation from a potential fraud perspective and call for preventive action.

- ii. Early Warning Signals (EWS): Loan or credit facilities that exhibit signs of possible fraud due to the presence of one or more EWS indicators (for banks where EWS framework is applicable as per the Master Direction on Fraud Risk Management issued by RBI vide Reference No. DOS.CO.FMG.SEC. No.6/23.04.001/2024-25 dated 15 July 2024).

5.2 Once an account has been red-flagged, StCBs/DCCBs shall complete the entire process of classification of the account as fraud or removal of red flagged status within the period of 180 days from the date of first categorising the account as red-flagged. StCBs/DCCBs have to submit the status of such accounts in the FMS-2 return in ENSURE portal.

5.3 Cases remaining in red-flagged status beyond 180 days shall be reported to the Special Committee of the Board for Monitoring and Follow-up of cases of Frauds (SCBMF) for review with adequate reasoning / justification thereof. Such cases shall also be subject to supervisory review by NABARD.

6. Reporting of Accounts classified as Fraud and sold to other Lenders/Asset Reconstruction Companies (ARCs)

StCBs/DCCBs shall furnish details of accounts classified as fraud and sold¹ to other Lenders/ Asset Reconstruction Companies (ARCs) through FMS-2 return in ENSURE portal. Further, StCBs/DCCBs shall continue to report subsequent developments in such accounts to NABARD, by obtaining requisite information periodically from the concerned ARCs.

7. Reporting Status of Outstanding Fraud Cases

StCBs/DCCBs shall submit case-wise quarterly progress report on all frauds in FMS-3 return through ENSURE portal. If there are no fraud cases outstanding, StCBs/DCCBs may submit a nil FMS-3 return.

¹StCBs/DCCBs to follow regulatory guidelines issued by RBI in this regard when such accounts are sold.

8. Returns on Bank Robbery (RBR-1 and RBR-2) for reporting cases of Theft, Burglary, Dacoity and Robbery

8.1 StCBs/DCCBs shall report instances of theft, burglary, dacoity and robbery (including attempted cases) to NABARD immediately but not later than seven days from the date of occurrence through Return on Bank Robbery (RBR-1) in ENSURE portal).

8.2 StCBs/DCCBs shall also submit a quarterly Return on Bank Robbery (RBR-2) through ENSURE portal covering all cases of theft, burglary, dacoity and robbery pertaining to the quarter as well as the total outstanding cases of theft, burglary, dacoity and robbery.

8.3 StCBs/DCCBs which do not have any instances of theft, burglary, dacoity and robbery to report during the quarter and no outstanding cases of theft, burglary, dacoity and robbery, may submit a nil RBR-2 return.

9. Timelines for Submission of FMS and RBR returns

The timelines for submission of returns are as under:

Name of the Return	Periodicity	To be submitted within
FMS-1	Ad-hoc	Within 14 days from the date of classification of an incident/account as fraud
FMS 2	Quarterly	30 days from the end of quarter
FMS 3	Quarterly	30 days from the end of quarter
RBR 1	Ad-hoc	Within seven days from the date of occurrence of incidents of theft/burglary, dacoity and robbery
RBR 2	Quarterly	30 days from the end of quarter

10. Repeal

With the issue of Master Directions on Fraud Risk Management in Urban Cooperative Banks (UCBs) / State Cooperative Banks (StCBs) / District Central Cooperative Banks (DCCBs) issued by RBI vide Reference No. RBI/ DOS. CO. FMG. SEC. No.6/ 23.04.001/2024-25 dated 15 July 2024, and the guidelines on reporting of incidents of fraud and theft/burglary/dacoity/robbery to NABARD through this circular, the instructions/guidelines contained in the circulars issued by the NABARD enlisted in the Appendix stand repealed.

Appendix

List of Circulars repealed with the issuance of this circular:

Sl. No.	Reference No.	Date of Circular	Subject
1.	NB.DoS.HO.HYD/5859/ Pol./J.1/2000-01	12 January 2001	Frauds, Misappropriation, Embezzlements in Co-operative banks - Submission of returns to NABARD
2.	NB.DoS.HO.POL.4911/J. 1/2004-05	16 March 2005	Incidences of Frauds, Misappropriation, Embezzlements, Defalcations, etc., in SCBs and DCCBs – Review by Board, etc.
3.	NB.DoS.HO.POL.3819/P. 81/2006-07	20 December 2006	Incidences of Frauds, Misappropriation, Embezzlements, Defalcations, etc., in Cooperative Banks – Review
4.	NB.DoS.HO.POL.CFMC/ 4068/P.78/2007-08	29 January 2008	Review of Frauds - Revised Guidelines on Monitoring and Reporting System
5.	NB.DoS.HO.CFMC./ 1294 /P-72/2009-10	08 July 2009	Prevention / monitoring of frauds in banks
6.	NB.DoS.HO.POL.CFMC/ 3662 /P. 78/2009-10	10 November 2009	Fraud Risk Management System in banks – Role of Chairmen / Chief Executive Officers
7.	NB.DoS.HO.POL. 3987/CFMC/P.80/2011- 12	06 January 2012	Review of Frauds - Guidelines on Monitoring and Reporting System
8.	NB.DoS.HO.POL.CFMC. No./157/P-80/2014-15	17 April 2014	Review of Frauds – Revision in the cut-off limit for reporting to CFMC, DoS, NABARD, HO
9.	NB.HO.DoS.CFMC/2579 /P-80/2017-18	29 September 2017	Frauds – Guidelines for Classification, Reporting and Monitoring
10.	NB.DOS.CFMC/625/P- 80/2018-19	31 May 2019	Study on Adherence to Fraud Monitoring & Reporting Guidelines by Banks
11.	NB. DoS. Pol. HO. / 5867 / J- 1/ 2022-23	24 February 2023	Reporting of Cyber Incident/ Cyber Fraud to Fraud Monitoring Cell