



Ref. No. NB.DoS.HO.CFMC / 24317/ P-80 / 2025-26

16 May 2025

External Circular No. 128 / DoS - 08 / 2025

The Chairman

Regional Rural Banks

Madam/Dear Sir

Fraud Risk Management in Regional Rural Banks (RRBs)– Reporting of Incidents of Fraud and Theft/Burglary/Dacoity/ Robbery to NABARD

Please refer to our circular reference no. NB.HO.DoS.CFMC/2927/P-80/2016-17 dated 06 December 2016 advising guidelines regarding classification, reporting and monitoring of frauds. In view of the Master Directions on Fraud Risk Management in Commercial Banks (including Regional Rural Banks) and All India Financial Institutions issued by RBI (vide reference no. DOS.CO.FMG.SEC. No.5/23.04.001/2024-25 dated 15 July 2024 which is applicable to RRBs with effect from 15 July 2024), the instructions contained in our circular reference no. NB.HO.DoS.CFMC/2927/P-80/2016-17 dated 06 December 2016 stand repealed.

2. As per chapter-VI and chapter-IX of the aforementioned Master Directions on Fraud Risk Management issued by RBI, RRBs 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) of the Banking Regulation Act, 1949, we advise that RRBs 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 RRBs shall be deemed violating Section 27 (3) 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 Regional Rural Banks (RRBs)– 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.5/23.04.001/2024-25 dated 15 July 2024 has issued Master Directions to Regional Rural Banks (RRBs) for a fraud risk management framework aimed at establishing a proper governance structure, controls and processes in RRBs 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, RRBs 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 RRBs; 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 RRBs shall furnish FMS-1 return to report individual incident 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 RRBs shall adhere to the timeframe prescribed in this circular for reporting of fraud cases to NABARD. RRBs 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, RRBs shall ensure that persons/entities who/which are not involved / associated with the fraud are not reported in the FMS.

3.4 RRBs 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 RRBs 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 RRBs 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, RRBs shall maintain details of such cases for examination by auditors.

5. Reporting on Credit facility/Loan account classified as Red-flagged Account

5.1 RRBs shall report the account details which are classified as red-flagged account as per Master Directions on Fraud Risk Management issued by RBI vide reference no. RBI/DOS.CO.FMG.SEC. No.5/23.04.001/2024-25 dated 15 July 2024 through FMS-2 return in ENSURE portal.

5.2 Once an account has been red-flagged, RRBs 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. RRBs 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) as stipulated in the Master Directions on Fraud Risk Management 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)

RRBs 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, RRBs 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

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

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

8.1 RRBs 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 RRBs 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.

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

8.3 RRBs 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 etc.
RBR 2	Quarterly	30 days from the end of quarter

10. Repeal

With the issue of Master Directions by RBI on Fraud Risk Management in Commercial Banks (including Regional Rural Banks) vide Reference No. RBI/DOS.CO.FMG.SEC. No. 5/23.04.001/2024-25 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.

List of Circulars repealed with the issuance of this circular:

Sl. No.	Reference No.	Date of Circular	Subject
1.	NB.DoS.HO.HYD./5858 /Pol./J.1/2000-01	12 January 2001	Frauds, Misappropriation, Embezzlements in RRBs - Submission of returns to NABARD
2.	NB.DoS.HO.POL.4909/ J.1/2004-05	16 March 2005	Incidences of Frauds, Misappropriation, Embezzlements, Defalcations, etc., in RRBs – Review by Board, etc.
3.	NB.DoS.HO.POL/ 2957/J.1/2006-07	27 October 2006	Management Information System - DoS Q-IV- Details of cases of Robberies/Dacoities, etc.
4.	NB.DoS.HO.POL.3677/ P.81/2006-07	15 December 2006	Incidences of Frauds, Misappropriation, Embezzlements, Defalcations, etc., in RRBs – Review
5.	NB.DoS.HO.POL.CFMC ./4068/P.78/2007-08	29 January 2008	Review of Frauds - Revised Guidelines on Monitoring and Reporting System
6.	NB.DoS.HO.CFMC./ 1294 /P-72/2009-10	08 July 2009	Prevention / monitoring of frauds in banks
7.	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
8.	NB.DoS.HO.POL. 3991/CFMC/P.80/2011-12	06 January 2012	Review of Frauds - Guidelines on Monitoring and Reporting System
9.	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
10.	NB.HO.DoS.CFMC/292 7/P-80/2016-17	06 December 2016	Frauds – Guidelines for Classification, Reporting and Monitoring
11.	NB.DOS.CFMC/625/P-80/2018-19	31 May 2019	Study on Adherence to Fraud Monitoring & Reporting Guidelines by Banks
12.	NB. DoS. Pol. HO. / 5867 / J- 1/ 2022-23	24 February 2023	Reporting of Cyber Incident/ Cyber Fraud to Fraud Monitoring Cell