



Ref. No. NB. DoS/3161 /CFMC/2019-20 **06 February 2020**
(Circular No. DoS- 31/06 /2019-20 dated 06 February 2020)

The Chairman / CEO
All Regional Rural Banks / All Cooperative Banks

Dear Sir / Madam

Fraud Vulnerability Index (VINFRA) of Banks

The rising incidence of frauds in RFIs is a matter of serious concern. NABARD has been advising banks from time to time on Fraud Management, the Controls and Systems to be put in place to prevent frauds as well as protocol to deal with frauds. The primary responsibility to contain frauds lies with the concerned banks.

2. Consequent to our studies conducted Pan India on the Implementation of Fraud Monitoring Guidelines by the Rural Financial Institutions and presentation made to the Board of Supervision, an Index called Fraud Vulnerability Index (VINFRA) of Banks to measure adherence to fraud management guidelines has been prepared to sensitise the banks on their vulnerability to such incidents.

3. This index attempts to capture policies, their implementation, control, systems and problem indicators being implemented by the banks all of which have bearing on the likelihood of frauds happening in the bank.

4. This indicator is being published as one of the statutory inspection statements in the inspection module/OSS annual return. Upon furnishing data in this return in ENSURE, it would throw up an assessment which the Top Management may use as self- assessment tool to evaluate the banks' fraud prevention mechanism and to take appropriate action deemed fit by the Management. Banks are hereby advised to place this feedback before their Audit Committee and Board for further internal guidance and necessary action.

5. Please acknowledge receipt.

Yours faithfully

(K.S. Raghupathi)
Chief General Manager

राष्ट्रीय कृषि और ग्रामीण विकास बैंक

National Bank for Agriculture and Rural Development

पर्यवेक्षण विभाग

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Fraud Vulnerability Index of RFIs (VINFRA)

Sl. No.	Parameter	(2 mark)	(0 mark)
1	Board approved Fraud Risk Management Policy	Policy in place and fully implemented	Policy not in place
2	Constitution and functioning of Board level Special Committee on frauds for review of frauds over Rs.20 lakh and Audit Committee of Board for frauds upto Rs.20 lakh	Committees set up and review done periodically.	No Committees No meetings
3	Review of frauds placed before Board	Review placed before Board	No review placed before Board
4	Board approved outsourcing policy.	Outsourcing policy in place and scrupulously followed	Adhoc/Need based outsourcing
5	Password Management	Policy in place. No sharing of password.	No Policy / Policy not implemented
6	Cyber Security Framework	Frame work implemented and action on Cyber frauds, if any was prompt	No framework implemented
7	I S Audit	IS audit done	No I S Audit done
8	I S Audit - Compliance	Compliance done	Compliance not done / not done fully
9	HR Policy – Adequacy of staff, job rotation/transfer/job charts	HR policy implemented. Regular transfers and job rotation	No HR Policy; Adhoc placement of Staff
10	Audit Mechanism - Concurrent Audit & Internal Audit	Timely conduct and Compliance submission monitored.	Delayed conduct of audit or Receipt of compliance not monitored.



Sl. No.	Parameter	(2 mark)	(0 mark)
11	System of early warning signals and red flagging of accounts.	System in place and monitored	No system
12	System based STR monitoring mechanism	System in place and monitored	No system/ no monitoring
13	Registration with CERSAI	Registered with CERSAI and security interest registered	No registration with CERSAI
14	Membership of Credit Bureaus	Membership in all 4 credit bureaus and uploading of information	Membership in not all 4 credit bureaus/ No uploading
15	Provision made for frauds	100%	Less than 100%
16	Vigilance Cell set up	Vigilance Cell in place and functional	No Vigilance Cell in place.
17	Grievance redressal mechanism, complaint management	Grievance Redressal Mechanism in place and promptly attended	No system in place
18	Adherence to KYC/PML guidelines	Fully adhered to	No full adherence
19	Unreconciled entries under branch adjustment pending over 6 months	Less than 10% of outstanding entries unreconciled over 6 months	Above 10% of outstanding entries unreconciled over 6 months
20	Existence of migration dump	No dump.	Migra dump yet to be reconciled
21	Reconciliation of bank accounts	All bank accounts reconciled monthly	Bank accounts pending reconciliation for over a month
22	Availability of fraud insurance cover	Adequate and comprehensive insurance	No insurance



Sl. No.	Parameter	(2 mark)	(0 mark)
23	New frauds reported in last financial year	No new frauds Reported	New frauds reported
24	Resolution of fraud cases	Fraud cases are getting closed after due process	Fraud cases remain unresolved for long period
25	Staff side action	Responsibility fixed and Action taken promptly	No staff responsibility fixed
26	Reporting of fraud to investigative agencies	No delay	Delayed reporting
27	Delay in reporting of fraud to NABARD	No delay	Delayed reporting /Non reporting
	Total	54	0

Sl. No.	Range of Marks	Vulnerability	Gradation / Category	Inference
1	41-54	Least Vulnerable	A	Excellent
2	26-40	Moderately Vulnerable	B	Satisfactory
3	16-25	Vulnerable	C	Adequate
4	0-15	Highly vulnerable	D	Poor

Care: The above Vulnerability Assessment (VINFRA) is a self-assessment tool and gradation / inference does not preclude the vulnerability of the bank against fraud.

