

Dir. Social Welfare

UB

No. B. 14015/48/2017 – F.Est
GOVERNMENT OF MIZORAM
FINANCE DEPARTMENT

Aizawl, the 31st January, 2022.

To

All Administrative/Heads of Department
Government of Mizoram

Subj:

- (i) Standard Operating Procedures (SOPs) under section 17A of the Prevention of Corruption Act, 1988 – regarding
- (ii) Staff Accountability Framework for NPA Accounts upto Rs 50 crores (other than fraud cases).

All Administrative/Heads of Departments may please find enclosed herewith letter D.O No. 14/17/2019-Vig. . Dt 29.11.2021 with its enclosures received from secretary, Government of India, Department of Financial Services, Ministry of Finance for information and strict compliance.

Encl: As above.

Yours faithfully,

(VANLALYUANA)

Joint Secretary to the Govt. of Mizoram,
Finance Department (E).

For strict compliance.
Pls forward to all our
subordinate offices &
also upload it in our Deptt website.
7/2/22

~~Director~~ Saitei

Director
S.W.A.

7/2/22 357

Ru Zaiia

Directorate of Social Welfare
& Tribal Affairs

Receipt No.....
File No. 3225
Date 7/2/22

देबाशीष पण्डा, भा.प्र.से.
सचिव

Debasish Panda, IAS
Secretary

Tel : +91-11-23343478
+91-11-23340222
Fax : +91-11-23340027



सत्यमेव जयते

भारत सरकार
वित्तीय सेवाएँ विभाग
वित्त मंत्रालय

जीवन दीप भवन, तीसरी मंजिल
१०, पार्लियामेन्ट स्ट्रीट,
नई दिल्ली-११०००१

GOVERNMENT OF INDIA
DEPARTMENT OF FINANCIAL SERVICES
MINISTRY OF FINANCE
3rd FLOOR, JEEVAN DEEP BUILDING
SANSAD MARG, NEW DELHI-110 001
E-mail : secy-fs@nic.in

Dated, the 29th November, 2021

FC - 1464
463/11
(211)

29/11/21

GOVERNMENT OF INDIA
FINANCE DEPARTMENT (E)
RECEIPT NO. 716
DATE 3-12-2021

D.O. No. 14/17/2019-Vig

Dear Chief Secretary,

Government has consistently been assuring Bankers that adequate measures shall be taken to protect bona-fide commercial decisions taken by them and distinction would be made between genuine commercial failures and culpability. As part of this endeavour of Government, Section 17A was incorporated in Prevention of Corruption Act requiring prior permission before initiating action against a Public Servant.

2. Consequently, in order to standardise and operationalise procedures with a view to achieving uniform and effective implementation for prior approval processes under Section 17A of PC Act, Department of Personnel and Training (DoPT) has laid down Standard Operating Procedures (SOP) for handling information in respect of a Public Servant, which stipulates a mandatory requirement for a Police Officer, to seek previous approval for conducting any enquiry or inquiry or investigation into any offence committed by a Public Servant under the Prevention of Corruption Act, which is relatable to any recommendation made or decision taken by him in the discharge of his official functions/ duties. A copy of DoPT letter no. 428/07/2021-AVD-IV(B) dated 03.09.2021 is enclosed.

3. Further, Government, by way of safeguard against inadequately informed investigations against bank officers/ workmen, has separately issued Framework on Staff Accountability for NPA Accounts up to Rs.50 crores (other than fraud accounts) which are also aimed at protecting employees for their bona-fide decisions while ensuring accountability for wrong doing or inaction. (Copy enclosed).

4. I would, therefore, request you to bring the above two guidelines to the notice of all concerned, including all subordinate and attached offices and organisations under the administrative control of the Ministries/ Departments of the respective State Government for strict compliance.

Yours Sincerely,

Debasish Panda
(Debasish Panda)

Chief Secretaries, All States / UT (List Attached)

Copy to:

The Cabinet Secretary, Cabinet Secretariat, Rashtrapati Bhawan, New Delhi
Home Secretary, Ministry of Home Affairs, North Block, New Delhi
Secretary, Department of Personnel & Training, North Block, New Delhi

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29/11/21
F.C.

Debasish Panda
JS(E)

with regards
Sudesh
29/11/21

DS(E)

29/11/21

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DS(E)-723
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2/12/21

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1/11/21

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No. 428/07/2021 - AVD.IV(B)
Bharat Sarkar/ Government of India
Ministry of Personnel, Public Grievances and Pensions
(Department of Personnel and Training)

North Block, New Delhi
The 3rd September, 2021

To,

The Chief Secretaries of all State Governments/
Union territory Administrations
(As per standard Mailing List)

Subject: Standard Operating Procedures (SOPs) for processing of cases under section 17A of the Prevention of Corruption Act, 1988 - regarding

Sir/ Madam,

The undersigned is directed to state that the Prevention of Corruption Act, 1988 was amended by the Prevention of Corruption (Amendment) Act, 2018 and after the Presidential assent thereto has been brought into force from the 26th July, 2018. It may be recalled that the amendments inter alia, include insertion of a new section 17A which reads as follows:

“17A. Enquiry or Inquiry or Investigation of offences relatable to recommendations made or decision taken by public servant in discharge of official functions or duties. —

No police officer shall conduct any enquiry or inquiry or investigation into any offence alleged to have been committed by a public servant under this Act, where the alleged offence is relatable to any recommendation made or decision taken by such public servant in discharge of his official functions or duties, without the previous approval—

(a) in the case of a person who is or was employed, at the time when the offence was alleged to have been committed, in connection with the affairs of the Union, of that Government;

(b) in the case of a person who is or was employed, at the time when the offence was alleged to have been committed, in connection with the affairs of a State, of that Government;

(c) in the case of any other person, of the authority competent to remove him from his office, at the time when the offence was alleged to have been committed;

Provided that no such approval shall be necessary for cases involving arrest of a person on the spot on the charge of accepting or attempting to accept any undue advantage for himself or for any other person.

Provided further that the concerned authority shall convey its decision under this section within a period of three months, which may, for reasons to be recorded in writing by such authority, be extended by a further period of one month”.

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2. So as to standardise and operationalise procedures with a view to achieving uniform and effective implementation for prior approval processes under section 17A of the Act, a set of SOPs are hereby conveyed.

3. The SOPs provide for –

- i. Stage-wise processing of information received by a Police officer;
- ii. Specifying the rank of police officer to seek prior approval under section 17A in respect of different categories of public servants;
- iii. Consideration of the proposals under section 17A of the Act by the Appropriate Government or Authority;
- iv. Laying down of single window procedure to specify receipt stage of the proposal; and
- v. Check List for submitting proposals under section 17A.

4. All Administrative Authorities, including Ministries and Departments of the Central and the State Governments and the Investigating Agencies are requested to take note of the SOPs, as appended herewith and bring the same to the notice of all concerned, including subordinate and autonomous statutory bodies and PSEs/ PSBs under their respective control for strict compliance.

Encl: as above

Yours faithfully

Deepti U

(Deepti Umashankar)

Additional Secretary to the Government of India

Copy to:

1. Secretaries, All Ministries/ Departments with the request that these SOPs may be given wide publicity and may be circulated to all concerned including all subordinate and attached offices and organisations under the administrative control of respective Ministries/ Departments/ Organisations for compliance.
2. Director, CBI with the request that all field Units may kindly be apprised of these SOPs for strict compliance.
3. Central Vigilance Commission.
4. Secretaries, GAD with the request that these SOPs may be given wide publicity and may be circulated to all concerned including all subordinate and attached offices and organisations under the administrative control of respective Ministries/ Departments/ Organisations for compliance.

STANDARD OPERATING PROCEDURES FOR HANDLING INFORMATION IN RESPECT OF A PUBLIC SERVANT, ALLEGING OFFENCES UNDER PREVENTION OF CORRUPTION ACT, 1988 – SEEKING OF PREVIOUS APPROVAL FOR CONDUCT OF ENQUIRY OR INQUIRY OR INVESTIGATION UNDER SECTION 17A OF THE ACT

The information received by a police officer alleging offences under Prevention of Corruption Act (hereinafter referred to as the Act), against public servants will be processed in the manner as laid down by the Standard Operating Procedures (SOPs) hereinunder.

2. It may be emphasized here that the provisions of section 17A stipulate a mandatory requirement for a Police Officer to seek previous approval for conducting any enquiry or inquiry or investigation into any offence alleged to have been committed by a public servant under the Prevention of Corruption Act, where the alleged offence is relatable to any recommendation made or decision taken by such public servant in discharge of his official functions or duties.

3. PROCESSING OF INFORMATION RECEIVED BY A POLICE OFFICER

3.1 A Police Officer upon receipt of such information shall verify, whether the same –

- (a) pertains to or the information avers to the allegation of the commission of an offence(s) by a public servant under provisions of the Act;
- (b) prima facie reveals actual commission of an offence under the Act;
- (c) contains information to identify –
 - i. the public servant(s) against whom the offence has been alleged;
 - ii. the present status of such public servant against whom an offence under the Act has been alleged so as to determine the rank of appropriate Police Officer for seeking previous approval for conducting enquiry, inquiry or investigation under section 17A of the Act. For this purpose, in case the person who has ceased to be public servant the position/office last held by him shall be determined;
 - iii. specific act(s) of commission or omission attributable to such public servant(s);
 - iv. whether such act(s) are relatable to the official function or duty discharged by such public servant(s) specific to the office/post held at the time of commission of the alleged offence;
 - v. the specific recommendation(s) made or decision taken by such public servant(s); and
 - vi. deriving of an undue advantage for self or any other person to fulfil the ingredients of offences alleged against a public servant.

3.2. Deriving of an undue advantage by the public servant for self or for others is a key ingredient for establishing an offence against him and in absence of fulfilment of this condition any act of omission or commission amounts to an administrative misdemeanour only.

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3.3. The Police Officer in receipt of an information shall place the matter before the Police Officer of Appropriate Rank for seeking previous approval under section 17A of the Act, by such Police Officer of Appropriate Rank.

3.4. The Police Officer of Appropriate Rank who shall make a proposal to the Appropriate Government/Authority under Section 17A of the Act, in respect of a person who is or has been a public servant, will be as specified in **Annexure-I**. Specifying ranks of police officers for seeking previous approval shall ensure due diligence for the purpose of processing proposals under section 17A of the Act.

4. PROCESSING OF 'INFORMATION' RECEIVED BY A POLICE OFFICER OF APPROPRIATE RANK

4.1. The Police Officer of Appropriate Rank as referred to above shall decide upon whether information received, merits to be -

- a) enquired; or
- b) inquired into; or
- c) investigated

4.2. "Enquiry" for the purposes of these SOPs, means any action taken, for verifying as to whether the information pertains to commission of an offence under the Act.

4.3. The proposal of the Police Officer of Appropriate Rank shall contain the following information -

- i. the office held by the public servant(s) when the offence was alleged to have been committed;
- ii. the present rank and status of the public servant; or
- iii. the post/ office last held by the person who ceases to be a public servant; and
- iv. the appropriate Government or Authority, before whom the proposal of previous approval is to be made in accordance with the provisions of clauses (a) to (c) of section 17A of the Act.

4.4. The Police Officer of Appropriate Rank shall make a proposal to the Appropriate Government or Authority, as the case may be, through the single window procedure as laid down by these SOPs and shall ensure that the proposal is in accordance with the requirements laid down in the Check List and encloses clear, legible and authenticated documents, as may be required.

4.5. Separate proposals shall be submitted for enquiry, inquiry or investigation, as the case may be.

4.6. Separate proposals shall be made in respect of each public servant, where a composite offence is alleged against more than one public servant.

4.7. The complete proposal shall be submitted in a sealed cover in accordance with the Check List as attached at **Annexure II**.

STANDARD OPERATING PROCEDURES FOR HANDLING INFORMATION IN RESPECT OF A PUBLIC SERVANT, ALLEGING OFFENCES UNDER PREVENTION OF CORRUPTION ACT, 1988 - SEEKING OF PREVIOUS APPROVAL FOR CONDUCT OF ENQUIRY OR INQUIRY OR INVESTIGATION UNDER SECTION 17A OF THE ACT

The information received by a police officer alleging offences under Prevention of Corruption Act (hereinafter referred to as the Act), against public servants will be processed in the manner as laid down by the Standard Operating Procedures (SOPs) hereinafter.

2. It may be emphasized here that the provisions of section 17A stipulate a mandatory requirement for a Police Officer to seek previous approval for conducting any enquiry or inquiry or investigation into any offence alleged to have been committed by a public servant under the Prevention of Corruption Act, where the alleged offence is relatable to any recommendation made or decision taken by such public servant in discharge of his official functions or duties.

3. PROCESSING OF INFORMATION RECEIVED BY A POLICE OFFICER

3.1. A Police Officer upon receipt of such information shall verify, whether the same -

(a) pertains to or the information avers to the allegation of the commission of an offence(s) by a public servant under provisions of the Act;

(b) prima facie reveals actual commission of an offence under the Act;

(c) contains information to identify -

- i. the public servant(s) against whom the offence has been alleged;
- ii. the present status of such public servant against whom an offence under the Act has been alleged so as to determine the rank of appropriate Police Officer for seeking previous approval for conducting enquiry, inquiry or investigation under section 17A of the Act. For this purpose, in case the person who has ceased to be public servant the position/office last held by him shall be determined;
- iii. specific act(s) of commission or omission attributable to such public servant(s);
- iv. whether such act(s) are relatable to the official function or duty discharged by such public servant(s) specific to the office/post held at the time of commission of the alleged offence;
- v. the specific recommendation(s) made or decision taken by such public servant(s); and
- vi. deriving of an undue advantage for self or any other person to fulfil the ingredients of offences alleged against a public servant.

3.2. Deriving of an undue advantage by the public servant for self or for others is a key ingredient for establishing an offence against him and in absence of fulfilment of this condition any act of omission or commission amounts to an administrative misdemeanour only.

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4.8. The Police Officer of Appropriate Rank shall submit the proposal for previous approval under section 17A of the Prevention of Corruption Act, 1988 to the officer designated by the Appropriate Government or Authority for the said purpose.

5. ACTION TO BE TAKEN ON PROPOSAL UNDER SECTION 17A OF THE ACT BY THE APPROPRIATE GOVERNMENT OR AUTHORITY - SINGLE WINDOW PROCEDURE

5.1. "Appropriate Government or Authority" means the Central or the State Government or an authority competent to remove a public servant from his office as stipulated by clauses (a) to (c) of section 17A.

5.2. The Central or the State Government may, by a general or special order, delegate powers for consideration of matters under section 17A in respect of public servants of different rank or status, as may be specified by such Government.

5.3. Appropriate Government or Authority shall designate an officer, serving such Government or Authority, not below the rank of an Under Secretary for receiving the proposals relating to previous approval under section 17A of the Act.

5.4. Incomplete proposals shall be returned for removing inadequacies and deficiencies for being addressed by the Police Officer of the Appropriate Rank within a reasonable period of time and expeditious submission of the complete proposal.

5.5. The statutory timelines for processing of the proposal shall be from the date of receipt of complete proposal duly acknowledged by the designated officer.

5.6. All appropriate measures shall be taken by the Appropriate Government or Authority for completing the examination of the proposal within the statutory timelines.

5.7. Legal consultations, if required, will be undertaken in accordance with procedures of the Appropriate Government or Authority. The Appropriate Government or Authority shall take due diligence to maintain secrecy at all stages including the legal consultation process.

5.8. The Appropriate Government or the Authority, as the case may be, shall examine the proposal, by independent application of mind and take an appropriate decision under section 17A of the Act, for being conveyed to the Police Officer of Appropriate Rank.

RANKS OF POLICE OFFICER FOR SEEKING PREVIOUS APPROVAL UNDER SECTION 17A IN RESPECT OF DIFFERENT CATEGORIES OF PUBLIC SERVANTS

S. No.	Designation/ Rank or equivalent	Rank and Status of persons who are or have been Public Servants
1.	Director General of Police or equivalent	<ul style="list-style-type: none"> i. Union Ministers ii. Appointees carrying the rank equivalent to Cabinet Ministers/Minister of State iii. Members of Parliament iv. Chief Ministers of State Governments v. Ministers of State Governments vi. Members of State Legislature vii. Judges of the Supreme Court and High Court viii. Public Servants at the level 16 as per the Seventh Pay Commission and above and their equivalent ix. Chairpersons/ Managing Directors of Public Sector Enterprises (both Central and State) and Public Sector Banks (Board level)
2.	Director General of Police or Addl. Director General of Police or equivalent	<ul style="list-style-type: none"> i. Public servants drawing pay at level 14 and 15 as per the Seventh Pay Commission and its equivalent ii. Board level (Directors), Senior Management level appointees, (Pay level E 7 to E 9) viz. General Managers, Senior Managers, Executive Directors, Deputy Managing Directors of Public Sector Enterprises (both Central and State) and Public Sector Banks and their equivalent
3.	Inspector General of Police or equivalent	<ul style="list-style-type: none"> i. Public servants drawing pay at level 11 to 13 and 13A as recommended by the Seventh Pay Commission and its equivalent. ii. Middle management level officers of Public Sector Enterprises (Pay level E3 to E 6) (both Central and State) and Public Sector Banks and their equivalent
4	Deputy Inspector General of Police, SSP, SP or ASP	<ul style="list-style-type: none"> i. Public servants drawing pay below level 11 as recommended by the Seventh Pay Commission and its equivalent. ii. Junior management level officers of Public Sector Enterprises (Pay level E0 to E 2) (both Central and State) and Public Sector Banks and their equivalent. iii. All other staff of Public Sector Enterprises and Public Sector Banks and their equivalent. iv. All other public servants.

NOTE: Persons authorised to investigate will not be below the rank of officers as stipulated under section 17 of the Act.

4.8. The Police Officer of Appropriate Rank shall submit the proposal for previous approval under section 17A of the Prevention of Corruption Act, 1988 to the officer designated by the Appropriate Government or Authority for the said purpose.

5. ACTION TO BE TAKEN ON PROPOSAL UNDER SECTION 17A OF THE ACT BY THE APPROPRIATE GOVERNMENT OR AUTHORITY - SINGLE WINDOW PROCEDURE

5.1. "Appropriate Government or Authority" means the Central or the State Government or an authority competent to remove a public servant from his office as stipulated by clauses (a) to (c) of section 17A.

5.2. The Central or the State Government may, by a general or special order, delegate powers for consideration of matters under section 17A in respect of public servants of different rank or status, as may be specified by such Government.

5.3. Appropriate Government or Authority shall designate an officer, serving such Government or Authority, not below the rank of an Under Secretary for receiving the proposals relating to previous approval under section 17A of the Act.

5.4. Incomplete proposals shall be returned for removing inadequacies and deficiencies for being addressed by the Police Officer of the Appropriate Rank within a reasonable period of time and expeditious submission of the complete proposal.

5.5. The statutory timelines for processing of the proposal shall be from the date of receipt of complete proposal duly acknowledged by the designated officer.

5.6. All appropriate measures shall be taken by the Appropriate Government or Authority for completing the examination of the proposal within the statutory timelines.

5.7. Legal consultations, if required, will be undertaken in accordance with procedures of the Appropriate Government or Authority. The Appropriate Government or Authority shall take due diligence to maintain secrecy at all stages including the legal consultation process.

5.8. The Appropriate Government or the Authority, as the case may be, shall examine the proposal, by independent application of mind and take an appropriate decision under section 17A of the Act, for being conveyed to the Police Officer of Appropriate Rank.

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CHECK LIST OF ITEMS FOR MATTERS RELATING TO SECTION 17A OF THE PREVENTION OF CORRUPTION ACT, 1988

S. No.	Head	Yes/No	Folder No./ Page No.
1.	Name, designation or office held by the public servant against whom the allegation of an offence under the Prevention of Corruption Act, 1988 has been made. If the person has ceased to be a public servant, the post or office last held by such person may also be indicated.		
2.	The post or office held by such public servant at the time of alleged commission of offence under the Prevention of Corruption Act. Please furnish the details of the Appropriate Government or Authority the public servant was serving at the relevant point of time.		
3.	(i) Whether the request is based on a complaint received? Please enclose a copy thereof. (ii) If yes, please enclose an authenticated translation thereof where the original complaint has been made in a vernacular language.		
4.	Whether the complaint prima facie reveals deriving of an undue advantage by a public servant for self or any other person? Please furnish details.		
5.	Whether any information is available in respect of the bribe giver? If so, please furnish details.		
6.	Mention clearly, the offences under specific provisions of the Prevention of Corruption Act, 1988 as alleged against the person who is or has been a public servant.		
7.	Please provide specific details of the recommendation made or decision taken by a public servant, which is relatable to the offence alleged against the public servant.		
8.	In case any preliminary enquiry/ inquiry was undertaken at any earlier stage, please enclose the findings thereof and it may also be confirmed as to whether prior approval was sought for such PE/ inquiry?		

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S. No.	Head	Yes/No	Folder No./ Page No.
9.	Whether any criminal offences under the Indian Penal Code or offences under any other law have also been alleged against the public servant? If so, please furnish details thereof.		
10.	Any other information which is considered to be relevant for consideration of the proposal.		
11.	Name, designation and contact details of person authorized by the Police Officer of Appropriate Rank to rectify inadequacies and deficiencies in the proposal seeking Previous Approval, as pointed out by the Officer designated to receive the proposal by Appropriate Government or Authority.		

Signature _____

Date: _____

Name of Police officer authorised
to seek prior approval
(in Block letters) _____

Designation _____

Telephone No. _____

email ID _____

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F.No.14/18/2019-Vig.
Government of India
Ministry of Finance
Department of Financial Services

3rd Floor, Jeevan Deep Building,
Parliament Street, New Delhi.
Dated the 29th October, 2021.

To:
The Chairman, SBI /
The MD&CEO, All PSBs/
The CVO, All PSBs

Sub: Staff Accountability Framework for NPA Accounts up to Rs.50 Crores (Other Than Fraud Cases)

Sir/Madam,

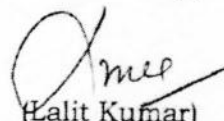
Consolidation and up-dation of guidelines on Staff Accountability in line with the current business requirements etc. has been engaging the attention of Government & Central Vigilance Commission (CVC) for some time. Staff accountability as an exercise is aimed at protecting employees for their bona fide actions while ensuring accountability for wrong doing or inaction.

2. Within this overall context, the guidelines on 'Staff Accountability Framework for NPA Accounts up to Rs.50 Crores (Other than Fraud Case)' have been finalised in consultation with Central Vigilance Commission, and are annexed herewith.

3. It is advised that Banks may suitably revise Staff Accountability Policy/ Other relevant Policies based on the above broad parameters and frame the procedures with approval of respective Board.

4. These guidelines shall be implemented w.e.f. 01.04.2022 i.e. for accounts turning NPA on or after 01.04.2022.

Yours faithfully,



(Lalit Kumar)
Joint Secretary to Govt. of India
Tel: 011-23748773
Email: lkumar@nic.in

Copy to:

- i) Shri P Daniel, Additional Secretary, Central Vigilance Commissioner w.r.t. his O.M. No. 20/Misc/27 dated 08.10.2021

Copy for information to:

- i) PS to Secretary, DFS
ii) PS to AS & CVO
iii) PS to AS (Insurance)
iv) Government Nominee Directors
v) Chief General Manager, Dept of Banking Supervision, RBI, Mumbai
vi) The Chairman, Indian Bankers Association, Mumbai

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STAFF ACCOUNTABILITY FRAMEWORK
FOR NPA ACCOUNTS UP TO RS. 50 CRORES (OTHER THAN FRAUD CASES)

The term 'Accountability' means that one is responsible for one's actions and omissions. Accountability is inherent when there is delegation of power or delegation of duty. In a large organization where number of people are vested with various levels of powers, it is fundamental and unavoidable that they should be responsible for their actions. As long as the actions are within the framework of the laid down guidelines, rules, regulations and procedures and are in the interest of the Bank, they do not attract accountability.

Banks are in the business of lending which involves risk. A loan can turn bad due to a number of reasons like change in market conditions, change in law, inefficient management, natural calamities etc. which are beyond the control of the Bank. However, there may be reasons attributable to the staff who handled the advance and who by negligence/ omission/ commission/ collusion failed to protect the interests of the Bank.

Loans going bad are a challenge but also present an opportunity to learn and improve. This process also involves identifying genuine mistakes as against malfeasance or mala fide for which accountability should happen.

Over a period of time, however, the term staff accountability has taken on a negative connotation and more so amongst the Banking fraternity since their dealings are entirely financial in nature. Bankers at different levels have become wary of taking business decisions over fear of making mistakes and concerns of future probes, if any, of the commercial decisions, despite being bona-fide, fail to meet acceptable parameters. This is defeating the entire purpose of conducting accountability exercise in NPA accounts, since the primary intention of conducting the accountability exercise is to not only identify lapses, if any, but also determine the reasons for the account turning NPA, drawing lessons for systemic improvement and assessing probabilities of recovery/revival in such accounts.

A growing economy depends heavily on bank credit. The Government and RBI also have on various occasions expressed their concern on slow credit off take and have stressed on eradication of fear in taking business decisions. Fair, predictable and transparent systems & procedures of conducting staff accountability are necessary to eliminate subjectivity.

OBJECTIVE:

The aim of the staff accountability should be to protect employees for their bona fide actions and at the same time make them accountable for any wrongdoing or any inaction on their part. Staff Accountability is also required to identify and punish only those employees who are prima facie responsible for the lapses of non-compliance with laid down systems & procedures or misconduct and/ or non-adherence to the 'due-diligence' norms. Within this, there would be a subset of cases of vigilance aspects involving connivance or corruption.

APPROACH:

'Staff Accountability' should not necessarily imply that each and every act will be subject to scrutiny for the sole purpose of punishment. Extant guidelines do not mandate assessment of Staff Accountability for each and every NPA. RBI circulars do, however, require Assessment of Staff Accountability in the following:

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- (i) Compromise or Negotiated Settlements of NPAs (DBOD No. BP.BC.81/21.01.040/95 dated July 28th, 1995);
 - (ii) Guidelines on purchase/sale of non-performing assets (DBOD dated July 13, 2005);
 - (iii) In matters relating to transfer of borrowal accounts from one bank to another, the policy may include norms relating to examination of Staff Accountability especially in cases of quick mortality of such cases after takeover (DBOD dated May 10, 2012);
 - (iv) RBI Circular DOS. No. PP.BC.20/6.03.026/96-97 dated November 01, 1996 on Report of the Working Group to Review the Internal Control and Inspection/ Audit System in Banks-Implementation of the Recommendations, advised the banks that with a view to keep the incidence of corruption and malpractice under check, there is a need for fixing staff accountability aspect of irregularities, malpractices etc., at all levels, at the appropriate time.

RBI guidelines as mentioned above must be followed without any deviation.

The motive of the Staff Accountability is not to discourage the exercise of initiative and decision making. The Bank's approach for staff accountability should be to instill confidence amongst the officials for decision making and to examine the reasons for the account turning into NPA and for non-recoverability of bank funds. Staff accountability exercise is to be carried out in the light of circumstances prevailing at the time the events occurred and not with benefit of hindsight. Isolating the specific cause(s) for the loss is an important step in fixing staff accountability.

If the cause of the NPA is essentially due to external factors and beyond the control of the Bank e.g. change in Government Policy, revised environmental norms, natural calamities, non-release of government subsidy/ grant, takeover of land or securities by the government agencies etc., it should not attract staff accountability.

Banks rely on certain third-party reports while processing/ sanctioning loan proposals or while handling the loan account. These third parties are service providers who are either empanelled by the Bank/ IBA based on their qualifications and credentials such as Advocates, Valuers or hold professional qualifications such as CAs etc. While the reports are generated externally, bank officials also have a role to play in terms of processing such reports. Individual Banks specify the role of the Bank officials for obtaining/ handling the reports of such intermediaries/ third party service providers. For instance, UDIN verification from the ICAI portal may be mandatory. The standard operating procedures (SOPs) issued by the Bank for obtaining/ handling of reports such as for Title Investigation, Valuation, Audited Accounts, Legal Opinion, Stock Audit are to be followed.

Structure of Accountability

The structure of accountability should factor in recent developments in banking. Appraisal and sanction of retail and home loans up to Rs.5.00 Crores is rapidly moving away from branches to loan factories, loan processing hubs and online platforms. Appraisal is being done by algorithms based on data and machine learning. The role of branches has become more about servicing and monitoring. In the context of the above background, after consultation with CVC, a four-tier structure is now envisaged for staff accountability.

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i. ACCOUNTS UPTO RS.10.00 LAKHS

Small value loans of up to Rs.10.00 lakhs are collateral free, as mandated by RBI. These loans are sanctioned to small units, small traders, small and marginal farmers and also for various activities under different Government Schemes. In many of these cases, the borrowers are new to credit i.e. new to borrowing from the formal banking system and lack financial literacy. This class of borrowers is also unaware about credit bureau scores and reporting (e.g. CIBIL) and consequences of default on credit record. Often, they do not have a documented financial background or a permanent place of business/ residence. In these types of activities, even a slight change in the circumstances including a family health crises or prolonged shutdowns or death in the family lead to disruption in daily cash flow resulting into default on Bank loan, thereby turning the loan account into NPA. These accounts are large in number but do not constitute a major percentage of the NPA portfolio by amount.

Increasingly most of the loans sanctioned in this range are template based with rapidly diminishing discretion available to the operating officials. Moreover, examining staff accountability in such low value accounts involves disproportionate costs, using up of management bandwidth esp. at middle level and it affects a large cohort of officers as the number of individual cases has been large. This puts a strain on already scarce resources. In general, staff accountability will therefore not be required to be examined in NPA accounts with outstanding up to Rs.10.00 lacs as on NPA date. This would include pre-approved digital personal loans with instant disbursement where pre-sanction/ post-sanction visits have been waived by the Bank.

Domestic Systemically Important Banks (D-SIBs) are large banks and are required to have higher capital adequacy which gives them additional loss absorbing buffers. For them, the number of accounts in this category are very large and at the same time, these Banks have a structured and more robust operational risk management framework in place including elevated monitoring, supervision and control mechanism apart from higher risk appetite. Domestic Systemically Important Banks (D-SIBs) would be permitted to decide the threshold limit between Rs.10.00 lakhs and Rs.20.00 lakhs, subject to approval of the respective Board, below which the staff accountability need not be examined.

There will however be some exceptions to this for all banks. Staff accountability would be examined in accounts having outstanding balance upto Rs.10.00 lakh (or higher limit in case of D-SIBs) where ever an account has been reported as fraud or facts indicating mala-fide intention of Bank employees have come to fore.

Wherever the controlling offices get an indication that there exists intentional and deliberate negligence on the part of any staff member, staff accountability may be examined in these cases also as per the procedure laid down for accounts in category-II i.e. up to Rs.1.00 Crore. Controlling Offices shall also identify branches/ regions/ zones, where, incidence of NPAs in this category of loans crosses number or percentages previously decided by a policy of the Board of the Bank. In such instances, staff accountability exercise would have to be mandatorily initiated.

ii. ACCOUNTS ABOVE RS.10.00 LAKHS AND UPTO RS.1.00 CRORE:

This category of NPA accounts generally include advances like Housing Loans, Car Loans, Mortgage Loans, SME Loans, Agriculture loans and other retail portfolio. Most Banks have well-structured processes for sanctioning of these loans with many banks having centralized processing offices for standardized appraisal based on algorithms and data for faster sanction. Branches tend to be involved in

documentation, disbursement, monitoring and follow-up. Staff accountability in these accounts may be done by a Committee formed at Regional/ Controlling offices, depending upon the sanctioning authority of the loan account, to carry out a preliminary examination and filter the accounts where staff accountability is to be examined. For preliminary examination by the committee, a brief report shall be submitted to the committee, through Controller, covering a summary profile of the account, reasons for account turning NPA, observations in the previous inspection/ audit reports for a period of 4 years as on the date of NPA including compliance thereof and also the chart of compliance of terms of sanction.

The committee shall take a view based on the brief report presenting the position of internal control and inspection/audit reports in line with the RBI guidelines dated 01.11.1996. The Committee would assess whether a case for examination of staff accountability exists. In all cases where staff involvement is perceived or critical non-compliances are observed, the staff accountability is to be examined by deputing a fact-finding officer as per system in vogue in the respective Banks. A clear distinction between administrative action and disciplinary action should be made to ensure that bona fide actions are protected.

Accountability for appraisal / sanction shall lie on the part of the Bank Officials for accounts in category (i) or this category which have been sanctioned through end to end, contact less/digital lending modes has to be done in a differentiated manner. In case of pre-approved digital business loans, accountability will be limited to role of officials in activities carried out at operating level as branch officials may be responsible for physically completing documentation prior to disbursement. Similarly, while initial or regular inspections for such digital loans may have been waived, inspections are usually required to be carried out based on triggers from Early Warning Signals/ Early Warning Systems (EWS) or for SMA Accounts. Failure to do so would be within the remit of Staff Accountability.

Digital platforms are at times being used only to generate leads prefetching certain data electronically including IT/GST returns etc. However, processing thereafter is not end to end digital. In such cases, accountability would not arise for pre-fetched data. As all other activities are in line with other loans, accountability procedures would also be similar.

The Audit and Inspection Department will not be directly involved in carrying out staff accountability in these accounts, However, the process of carrying out staff accountability by Regional/Controlling offices will be based on the internal control and inspection/audit system which is in synchronization with the RBI guidelines dated 01.11.1996 mentioned above.

A comprehensive SOP may be devised by respective Bank for carrying out staff accountability, which may include studying following points:

- Reasons for account turning NPA.
- Observations contained in previous Inspection/ Audit Reports for a period of four years as on the date of NPA to be examined.
- Past record of the concerned officials of the branch who have dealt with the said account.
- Number of accounts slipped to NPA in the branch.
- Any Special Report/ Flash Report pending in respect of the said NPA account.
- Examination of the NPA status report submitted by the Branch every quarter as also the internal audit reports.

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Staff accountability need not be examined in respect of accounts where there has been no adverse remark/comment in the audit report of the preceding 4 years.

iii. ACCOUNTS ABOVE RS.1.00 CRORE AND UPTO RS.50.00 CRORES:

Accounts falling in the above category i.e. above Rs.1.00 Crore and up to Rs.50.00 Crores are mostly credit facilities sanctioned to business units warranting examination by a specialized unit within the Bank well versed with the systems & procedures of the Bank. Such loan accounts are mostly loans to business units which require regular monitoring and due diligence. NPA accounts in this range of overall exposure shall undergo a preliminary examination by a Committee constituted at one level higher than the sanction level i.e. accounts sanctioned at Regional Office will be taken up at Zonal Level, those at Zonal Level by Circle Office/ Head Office and so on. The Committee shall be headed by the Official senior than the sanctioning Authority. For preliminary examination by the committee, a detailed report shall be submitted to the committee, through Controller, covering the profile of the account, reasons for account turning NPA, observations in the previous inspection/ audit reports for a period of 4 years as on the date of NPA including compliance thereof, a chart of compliance of terms of sanction, of disbursement, monitoring and reviews and possibilities of recovery/ upgrade. Preliminary examination by the Committees shall be based on audit reports and other internal reports viz. inspection, monitoring and available reports pertaining to the account/ sanctioning level etc. Audit vertical shall provide all requisite inputs for this preliminary examination.

Credit decisions in Banks are always process oriented in which Board approved policies and processes are followed by the sanctioning authorities. When an account turns NPA, the deficiency could be attributable to the Sanction Process, Documentation, Disbursement or in-Monitoring. If the Committee finds material lapses in any of the above said process, the account may be referred, at the discretion of the Committee to controlling Audit Office/ Audit Vertical/ Extant arrangements as the case may be for detailed examination of staff accountability.

Assessment of Staff Accountability is to be done based on internal control & inspection/ Audit system of the banks. This flows from RBI guidelines from 1996 and accepts the underlying principles that the Staff accountability examination up to Rs.50.00 Crores is to be based on internal audit systems. Once a case is referred, the Vertical as designated in the previous paragraph, may rely upon audit report of previous 4 years as well as other investigation/inspection reports such as:

- a) Branch Inspection Report
- b) Concurrent audit
- c) Stock audit
- d) ASM (Agency for Specialized Monitoring)
- e) Legal Process Audit Report
- f) Credit Process Audit
- g) Special Report,
- h) Control Returns relating to Monitoring etc. along with internal/ RBI audit report & conduct of the account for the purpose of examining Staff Accountability.
- i) Any other available relevant report

If during the above period of 4 years, available information is not sufficient, Designated Vertical may call for additional information from the Branch/Controlling office etc. or may collect the same itself. Upon conclusion of its analyses, it shall send its findings to the Committee which had made the initial reference to it.

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The internal audit system will in parallel need to be strengthened with adequate manpower and technical support. Banks will have to place right number of people with right kind of exposure, especially those who have worked as Branch Heads for reasonable period and have acquired adequate expertise of processing and sanctioning of Medium to Big ticket loans.

iv. ACCOUNTS ABOVE RS.50.00 CRORES:

In NPA accounts having total outstanding above Rs.50 Crores, staff accountability is to be examined as per extant guidelines.

Caveats in Examination of Staff Accountability:

As stated in the beginning, accountability encompasses all actions of an employee at a workplace. For a financial institution, the accountability framework finds major applicability in credit management. Examination of staff accountability has clear objectives as outlined initially. Certain caveats are, however, in order:

- Examination of lapses should not be done with hindsight and circumstances prevailing at the relevant time must be taken into account.
- Whether the business decision taken was bona-fide or had intentional negligence/ recklessness/ deliberate malfeasance, should be carefully looked into.
- If there were any contributing factors to the account turning NPA, then these need to be clearly brought out outlining the impact of the same. Where the account has turned NPA solely as a result of external factors, mere existence of procedural/operational lapses on part of officials in sanction of the credit facility should not form the basis for ascribing accountability.
- Responsibility needs to be fixed where it lies e.g. in an account turned NPA due to improper monitoring, accountability should not be ascribed on officials involved at sanctioning level.
- Past track record of the officials in appraisal/ sanction/ monitoring should be given due weightage
- Materiality of the alleged Omission/ Commission
- Recovery probabilities

Timelines

Banks must initiate and complete staff accountability exercise within six months from the date of classification of the account as NPA.

Scrutiny of Staff Accountability by CVO

As per CVC Guidelines, all cases where Staff Accountability has been determined and action has been initiated, the matter has to be mandatorily referred to Internal Advisory Committee (IAC) for deciding Vigilance or Non-Vigilance Angle. Thereafter, recommendations of IAC are sent to CVO for concurrence. As a result, all cases where Staff Accountability has been ascribed, are routed through CVO, irrespective of their being Vigilance or Non-Vigilance. CVC guidelines further provide that Staff Accountability reports of big borrowal accounts be shared with CVO for his scrutiny. The cut-off limit in this regard is proposed as under:

- (i) For Banks with total business below Rs.10 Lakh Crores, cut-off limit may be Rs.10.00 Crores. However, the Board may fix lower cut off limit.

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- (ii) For Banks with business above Rs.10 Lakh Crores & up to Rs.25 Lakh Crores, cut off limit may be Rs.30.00 Crores.
- (iii) Banks with business above Rs.25 Lakh Crores, cut off limit may be Rs.50.00 Crores.

(The limits of Rs.10 Lakh Crores/Rs.25 Lakh Crores of the business of the Bank, as the case may be, shall be reckoned on the basis of the previous financial year)

Implementation

- (i) These guidelines may be implemented w.e.f. 01.04.2022 i.e. accounts turning NPA on or after 01.04.2022 shall be dealt with as per these guidelines.
- (ii) Banks may suitably revise Staff Accountability Policy/ Other relevant Policies based on the above broad parameters and frame the procedures with approval of respective Board.
- (iii) The above guidelines would be applicable to NPA accounts having total outstanding up to Rs.50.00 Crores excluding fraud cases where staff accountability shall be examined as per extant guidelines of Reserve Bank of India.
- (iv) Boards of Banks may customize or specify additional steps as required within the framework of these guidelines.

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F.No.14/18/2019-Vig.
Government of India
Ministry of Finance
Department of Financial Services

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3rd Floor, Jeevan Deep Building,
Parliament Street, New Delhi
Dated the 1st November, 2021

To:
The C&MD, NABARD/SIDBI,
The MD&CEO, EXIM Bank/NHB/IFCI/IIFCL,
The CVO, All FIs

Sub: Staff Accountability Framework for NPA Accounts up to Rs.50 Crores (Other Than Fraud Cases)

Sir/Madam,

Consolidation and up-dation of guidelines on Staff Accountability in line with the current business requirements etc. has been engaging the attention of Government & Central Vigilance Commission (CVC) for some time. Staff accountability as an exercise is aimed at protecting employees for their bona fide actions while ensuring accountability for wrong doing or inaction.

2. Within this overall context, the guidelines on 'Staff Accountability Framework for NPA Accounts up to Rs.50 Crores (Other than Fraud Case)' have been finalised in consultation with Central Vigilance Commission, and are **annexed** herewith.

3. It is advised that all FIs/ PSICs may suitably revise Staff Accountability Policy/ Other relevant Policies based on the above broad parameters and frame the procedures with approval of respective Board.

4. These guidelines shall be implemented w.e.f. 01.04.2022 i.e. for accounts turning NPA on or after 01.04.2022.

Yours faithfully,



(Lalit Kumar)

Economic Advisor

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Email: lkumar@nic.in

Copy to:

- i) Shri P Daniel, Additional Secretary, Central Vigilance Commissioner w.r.t. his O.M. No. 20/Misc/27 dated 08.10.2021

Copy for information to:

- i) PS to Secretary, DFS
- ii) PS to AS & CVO
- iii) Government Nominee Directors
- iv) Chief General Manager, Dept of Banking Supervision, RBI, Mumbai
- v) The chairman, Indian Banks Association, Kolkata