



CAIIB PAPER-1

Module-D Unit-7

Advanced Bank Management (ABM)



CAIIB Paper 1 (ABM) Module D Unit 7: Fraud and Vigilance in Banks

Definition Of Fraud

Fraud is basically an intentional deception to secure unfair or unlawful gain for money either directly or indirectly. Fraud is a very common term in the present day highly monetised societies. It may take various forms depending upon the context being referred to. It has been defined differently in various acts though the gist remains the same. Accordingly, it may be civil wrong doing or criminal offence depending upon the context and severity.

Fraud has been defined in **section 17 of the Indian Contract Act, 1881** whereby **“Fraud”** means and includes any of the following acts committed by a party to a contract, or with his connivance, or by his agent, with intent to deceive another party thereto or his agent, or to induce him to enter into the contract:

- The suggestion, as a fact, of that which is not true, by one who does not believe it to be true.
- The active concealment of a fact by one having knowledge or belief of the fact.
- A promise made without any intention of performing it.
- Any other act fitted to deceive.
- Any such act or omission as the law specially declares to be fraudulent.

Definition Of Forgery

A fraud may be committed through various innovative ways. One of the oldest ways is through forgery. Forgery generally means forging a document i.e., creation of a false written document or alteration of a genuine document with the intent to defraud.

Forgery has been defined u/s 463 of IPC 1860 “Whoever makes any false document [or false electronic record] or part of a document [or electronic record] with intent to cause damage or injury, to the public or to any person, or to support any claim or title, or to cause any person to part with property, or to enter into any express or implied contract, or with intent to commit fraud or that fraud may be committed, commits forgery.

Further, making a false document has been defined u/s 464. So, without going into drudgery of further sections of IPC, Forgery may be described/elaborated as follows:

- The offence of making a false document is complete as soon as a document is made with intent to commit a fraud.
- It is not necessary that the document should be made in the name of a really existing person. It may be in the name of a fictitious person or a deceased person.
- If several persons combine to forge an instrument and each takes a distinct part in it, they are nevertheless all guilty.
- The word forgery is used in Section 463 as a general term and that section is referred to in a comprehensive sense in Section 195 CrPC.
- Counterfeiting a document to support a legal claim will amount to forgery.

- Antedating a document may become forgery if the date is a material part of the forgery.
- A document made to conceal a previous fraudulent or dishonest act amounts to forgery. But such falsification is not forgery if it is only for the purpose of concealing a previous negligent act.
- A man's signature of his own name may amount to forgery.
- Offence of forgery can be abetted.
- The expression affixing electronic signature shall have the meaning assigned to it in clause (d) of sub section (1) of section 2 of Information Technology Act, 2000.

Banking And Cyber Frauds

Post demonetisation on account of thrust of government and policy makers towards digital banking, convenient, affordable and cheaper mode of transaction; the pace of digital transactions has increased many folds. With the advancement of technology, the fraudsters have also moved with the time and cyber frauds are thing more frequent these days. As identity data is available at various platforms and its being compromised in many ways. What one can do is to have proper safeguards and never ever fall prey to greed, freebees as there is nothing absolutely free in this materialistic world.

The main types of cyber threats are:

- Distributed denial of service (DDoS)
- Social engineering
- Man in the Middle (MitM)
- Malware and spyware
- Password attacks
- Advanced persistent threats (APT)

Vigilance Function In Banks

- The dictionary defines Vigilance as being watchful and cautious to detect danger, being ever awake and alert. While being vigilant is important in all walks of life, the observance of vigilance becomes more critical in the financial sector and particularly for institutions like banks, which deal with public money.
- Banks, which act as an intermediary between depositors and lenders, are duty bound to observe the highest standards of safeguards to ensure that money accepted from depositors are not mis-utilised and are put to gainful use or are available with them to be paid on demand.
- To ensure this, banks are not only required to do due diligence on the borrowers but are also expected to put in place appropriate safeguards to ensure that the transactions being undertaken by the staff are as per laid down guidelines. The watchfulness enforced by the vigilance function is required to ensure that public money, which banks hold in fiduciary capacity is not allowed to be misused by the delinquent elements in any manner.

Types of Vigilance in Banks:

There are Mainly Three Types of Vigilance in Banks

- **Preventive Vigilance:** It plays an important role in strengthening the vigilance set up of any organisation. Preventive Vigilance sets up procedure and systems to restrain the acts of wrong doing and misconduct in the various areas of the functioning of department.
- **Detective Vigilance:** Effective use and scan of Complaints, Inspection Reports, Audit Reports, etc. Detection of Corrupt Practices, Malpractices, Negligence, Misconduct and better surveillance of public contact points. Close watch on officers at sensitive posts of doubtful integrity and detect fraud and scrutiny of decision taken by officials having discretionary powers.
- **Punitive Vigilance:** It includes investigation and collection of evidence and speedy departmental inquiries. Swift and deterrent action against the real culprit.

- [Join CAIIB Telegram Group](#)

- **For Mock test and Video Course Visit:** test.ambitiousbaba.com

- Join Free Classes: **JAIIBCAIIB BABA**

- [Download APP For Study Material: Click Here](#)

- [Download More PDF](#)

[Click here to get Free Study Materials Just by Fill this form](#)



**CAIIB
NEW
SYLLABUS**

- ✓ Video Course
- ✓ Mock Tests
- ✓ Capsule PDFs
- ✓ New Syllabus

JOIN NOW

 Visit us for more information

 ambitious baba .com

