सत्यमेव जयते

केंद्रीय सतर्कता आयोग
CENTRAL VIGILANCE COMMISSION

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CENTRAL VIGILANCE COMMISSION

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सं. / No. 024/VGL/017-7

दिनांक / Dated 27.07.2026

Master Circular No. : 07/MC/2026

Subject: Master Circular on Vigilance Administration in Public Sector Banks, Public Sector Insurance Companies and Public Sector Financial Institutions.

The Central Vigilance Commission as part of its mandate of effective superintendence over the vigilance administration of the organisations covered under its advisory jurisdiction, has issued a number of guidelines, circulars etc. from time to time, about vigilance administration in Public Sector Banks (PSBs), Public Sector Insurance Companies (PSICs) and Public Sector Financial Institutions (PSFIs).

2. The Commission, in order to ensure ease of reference about Vigilance Administration in PSBs, PSICs and PSFIs, has consolidated, updated and revised the earlier guidelines, circulars etc. issued by it on the above mentioned subject. The same have been compiled in the form of Master Circular No 07/MC/2026 titled **'Vigilance Administration in Public Sector Banks, Public Sector Insurance Companies and Public Sector Financial Institutions'** which is enclosed to this Office Memorandum. With the issuance of this Master Circular, all earlier guidelines, circulars etc. issued by the Commission on the above mentioned subject, stand superseded.

3. The Commission welcomes suggestions and inputs on the Master Circular. Any communication or clarifications sought in this regard may be addressed to 'The Secretary, Central Vigilance Commission'.

4. This Master Circular is available on the website of the Commission, i.e. www.cvc.gov.in under the head 'Publications' and sub-head 'Master Circulars'.

Encl: As above.

(Trishaljit Sethi)
Secretary

To

(i) The Secretaries of all Ministries/Departments of GoI
(ii) All Chief Executives of Central Public Sector Enterprises / Public Sector Banks / Public Sector Insurance Companies /Autonomous Bodies etc.
(iii) All CVOs of Ministries / Departments of GoI / CPSEs / Public Sector Banks / Public Sector Insurance Companies / Autonomous Bodies etc.
(iv) Website of Central Vigilance Commission.

सत्यमेव जयते

Master Circular No. : 07/MC/2026

MASTER CIRCULAR
ON
VIGILANCE ADMINISTRATION IN PUBLIC SECTOR BANKS, PUBLIC SECTOR INSURANCE COMPANIES AND PUBLIC SECTOR FINANCIAL INSTITUTIONS

CENTRAL VIGILANCE COMMISSION

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Vigilance Administration in Public Sector Banks, Public Sector Insurance Companies and Public Sector Financial Institutions

SHORT TITLE, APPLICABILITY AND COMMENCEMENT

This circular shall be referred to as the 'Master Circular on Vigilance Administration in Public Sector Banks, Public Sector Insurance Companies and Public Sector Financial Institutions'. This circular shall be applicable to all ministries, departments and organisations of the Central Government, covered under the jurisdiction of the Central Vigilance Commission (hereinafter referred to as the Commission) and shall come into effect from the date of its issuance.

2. PURPOSE

This circular is being issued in supersession of all earlier Circulars / Guidelines / Office Orders / letters etc. issued by the Commission from time to time regarding Vigilance Administration in Public Sector Banks, Public Sector Insurance Companies and Public Sector Financial Institutions and is aimed at bringing clarity about the same.

3.0 VIGILANCE ANGLE IN PUBLIC SECTOR BANKS

3.1 There are certain misconduct on the part of an official, where existence of vigilance angle is obvious. Such misconduct include: -

(i) Demanding and / or accepting gratification other than legal remuneration in respect of an official act or for using his influence with any other official.

(ii) Obtaining valuable thing(s), without consideration or with inadequate consideration from a person with whom he has or likely to have official dealings or his subordinates have official dealings or where he can exert influence.

(iii) Obtaining for himself or for any other person, any valuable thing(s) or pecuniary advantage by corrupt or illegal means or by abusing his position as a public servant.

(iv) Possession of assets disproportionate to known sources of income.

(v) Cases of misappropriation, forgery or cheating or other similar criminal offences committed in discharge of official duties.

3.2 There are other irregularities where circumstances will have to be weighed carefully to take a view as to whether the official's integrity is in doubt. Irregularities like gross or willful negligence; recklessness in decision making; blatant violation of systems and procedures; exercise of discretion in excess where no ostensible public interest is evident; failure to keep the controlling authority / superiors informed of required transactions and issues in time; and / or any undue / unjustified delay in disposal of a case, would require the Competent Authority (CA), with the help of the CVO, to carefully study the case, consider all relevant factors and weigh the circumstances to come to a conclusion, as to whether there is reasonable ground to doubt the integrity of the official concerned.

3.3 In addition to the misconducts / irregularities as stated in Paras 3.1and 3.2 above, there are certain irregularities specific to Public Sector Banks (PSBs), which may have a perceivable vigilance angle. Some irregularities are listed below:-

(i) Irregularities in opening of accounts leading to creation of fictitious accounts;

(ii) Irregularities in operation of accounts leading to fraudulent transactions;

(iii) Frequent instances of accommodation granted to a party / parties against norms;

(iv) Case (s) in which there is a reasonable ground to believe that criminal misconduct has been committed by the alleged official but the evidence forthcoming is not sufficient for prosecution in a court of law;

(v) Misappropriation of the bank's assets;

(vi) Falsification of the bank's records;

(vii) Disclosure of secret or confidential information;

(viii) Making false claims on the bank;

(ix) Failure to take necessary action to protect the interest of the bank;

(x) Sacrificing / ignoring the interest of the bank and causing loss to the bank;

(xi) Violation of security / safety norms and guidelines issued by the bank;

(xii) Conduct of the official is such that his decisions or recommendations do not appear to be objective and transparent and seem to be calculated to promote improper gains for himself or for anyone else;

(xiii) Acting in a manner that violates or undermines the policies of the bank or acting against the decisions taken by the management;

(xiv) Complying with unauthorised and unlawful oral instructions of senior official(s) without bringing the same to the notice of the CA, as per extant guidelines;

(xv) Exceeding discretionary power(s) and taking action(s) which do not appear justifiable or which do not serve the bank's interest.

3.4 The list of irregularities as indicated in Paras 3.1 to 3.3 above is only an 'illustrative list' and not an exhaustive one. There may be other irregularities by an official of a PSB which may attract vigilance angle. Therefore, the authorities concerned, including the respective Disciplinary Authority (DA) and the CVO, should examine a perceived irregularity in the light of broad parameters, as described in Paras 3.1 to 3.3 above, before arriving at a conclusion regarding the presence or absence of vigilance angle, in that case.

3.5 It is to be kept in view that the purpose of vigilance activities is not to reduce, but to enhance the level of managerial efficiency and effectiveness in the bank. Commercial risk taking is a part of business activities. Therefore, every loss caused to the bank, either in pecuniary or non- pecuniary terms, may not be considered as having vigilance angle. Thus, whether a person of common prudence, working within the ambit of the prescribed rules, regulations, instructions and procedures, would have taken the decision under the prevailing circumstances in the commercial / operational interest of the bank, is one possible criterion for determining whether the decision is bonafide. A positive response to this question may indicate that the decision is bona-fide. A negative response, on the other hand, might indicate that decision taken is not bonafide and presence of vigilance angle.

4.0 MANDATE OF THE INTERNAL ADVISORY COMMITTEE IN PUBLIC SECTOR BANKS

4.1 Keeping in view the specialised nature of functions of PSBs, Internal Advisory Committee (IAC) of three members should be in place in each PSB. It shall be the responsibility of the Managing Director & Chief Executive Officer to ensure that the IAC meets periodically to review cases placed before it.

4.2 The IAC should consist of three members, preferably of the level of Chief General Managers (CGMs), but not below the level of General Managers (GMs). All those cases, where, after investigation, involvement of official(s) of the bank is observed, are to be referred to the IAC for consideration. The IAC is required to consider the case(s) referred to it and give its recommendations regarding existence or absence of vigilance angle, in respect of each official found responsible for certain lapses in that case. In case of difference of opinion between the members of the IAC, the majority view would prevail. The IAC shall record reasons for giving its recommendations and shall forward the recommendations to the CVO.

5.0 DETERMINATION OF VIGILANCE ANGLE IN PUBLIC SECTOR BANKS

5.1 The CVO, while taking a view regarding presence or absence of vigilance angle, in respect of irregularities noticed against each official found involved in a particular case, is required to take into consideration the recommendations of the IAC. The recommendations of the IAC are, however, not binding on the CVO, who may differ with the recommendations of the IAC, giving cogent reasons.

5.2 The CVO should forward his recommendations, along with the IAC's views, to the DA concerned. In case the CVO and the DA both agree to the existence of vigilance angle and the official(s) found involved in that case are covered under the jurisdiction of the Commission (including a composite case), the case is to be forwarded to the Commission for obtaining its First Stage Advice (FSA) in accordance with the procedure as stated in the 'Master Circular No. 06/MC/2026 on Procedure for Obtaining and Implementing the advice of the Central Vigilance Commission'. In case, the CVO and the DA agree to the existence of vigilance angle and all officials found involved in that case are outside the jurisdiction of the Commission, further action is to be taken by the DA, in consultation with the CVO. In respect of a particular case, if the CVO and the DA, both agree to the absence of vigilance angle, further action in that case would be taken by the DA, as per extant rules.

5.3 It may be noted that in case of difference of opinion between the CVO and the DA regarding existence of vigilance angle against any or all officials involved in a particular case, the matter is to be forwarded to the Commission for obtaining its advice, irrespective of the level of official(s) found involved in that case.

6.0 ROLE OF THE CHIEF VIGILANCE OFFICER IN DETERMINATION OF STAFF ACCOUNTABILITY IN PUBLIC SECTOR BANKS

6.1 The Staff Accountability Report in respect of advances, which have been categorized as Fraud or have turned into Non-Performing Assets (NPA), is to be forwarded to the CVO for scrutiny, keeping in view the instructions issued by Department of Financial Services (DFS), Reserve Bank of India (RBI)[1] and other organisations, as the case may be, from time to time.

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[1]RBI's Master directions on Fraud Risk Management in Commercial Banks (including Regional Rural Banks) and All India Financial Institutions, issued vide their letter No. RBI/DOS/2024-25/118 DOS.CO.FMG.SEC.No.5/23.04.001/2024-25 dated 15.07.2024, refers, as may be amended from time to time.

6.2 It may also be noted that in respect of case(s) involving staff accountability, the Commission is to be approached for advice by the CVO, as per procedure as stated in Para 5.1 of 'Master Circular No. 06/MC/2026 on Procedure for Obtaining and Implementing the advice of the Central Vigilance Commission'.

6.3 The CVO of each PSB is required to obtain information about i) quick mortality borrowal accounts; ii) special letters / reports sent by Internal Inspection / Audit Teams; iii) names and inspection report of branches that have slipped to unsatisfactory grade; iv) details of One Time Settlement (OTS) entered into; and v) accountability reports in cases of large value non-performing advances. The CVO should scrutinize such report(s) / information on selective basis. The modalities / criteria to select such report(s) / information for scrutiny by the CVO may be finalized by each bank, in consultation with the CVO. In case any irregularity with a perceived vigilance angle is noticed, the same should be acted upon by the CVO as per procedure prescribed in 'Master Circular No. 06/MC/2026 on Procedure for Obtaining and Implementing the advice of the Central Vigilance Commission'. Data relating to scrutiny of report(s) / information, as stated above in this para, should be mentioned in the relevant column(s) of online Quarterly Performance Report (QPR) being submitted by the CVO to the Commission.

7. VIGILANCE ADMINISTRATION IN REGIONAL RURAL BANKS

For the sake of uniformity in the vigilance structure in Regional Rural Banks (RRBs), sponsored by PSB(s), the sponsoring PSB is required to adopt the following measures to strengthen vigilance structure in the respective RRB: -

(i) To set up Vigilance Cell in each RRB, to be headed by a sufficiently senior officer of the sponsoring bank;

(ii) To implement Complaint Handling Policy and Whistle Blower Policy, in accordance with the guidelines issued by the Commission and other govt. organisations;

(iii) To seek advice of the Commission in respect of official(s) of RRB(s) covered under the jurisdiction of the Commission;

(iv) To ensure rotational transfer of officials, as per prescribed guidelines / timelines;

(v) To ensure submission of Monthly Vigilance Reports by Vigilance Cell of each RRB to the CVO of the sponsoring PSB;

(vi) To conduct regular training programme for officials of each RRB.

8.0 PREVENTIVE VIGILANCE IN PUBLIC SECTOR BANKS AND REGIONAL RURAL BANKS

8.1 It is noted that banking operations include acceptance of deposits and granting advances, which makes banking operations vulnerable to frauds and other misconduct. Irregularities, if committed with malafide intention(s), cause not only financial loss, but also loss of reputation and goodwill to the bank.

8.2 One of the main causes of frauds in banking sector may be the bank's failure to know its customers, to know its employees and to know its partners / vendors. Each bank is required to strictly follow the instruction on these subjects, as may have been issued by the RBI, DFS or other govt. organisations, from time to time. The management of the respective bank may also formulate appropriate Policies, Standard Operating Procedures (SOPs) etc. in this regard, with due approval of the CA.

8.3 In order to protect the financial health of PSBs and to uphold public trust in them, a more focused approach is required towards effective preventive vigilance measures in PSBs. Measures requiring special attention may include (i) study and updation of existing policies, procedures, practices, manuals etc. in order to plug systemic loopholes; (ii) developing a mechanism for control over abuse of discretionary powers; (iii) monitoring and sensitization of officials about security and safety of online / electronic data and processes; and (iv) capacity building at all levels.

9.0 FRAUD REPORTING TO THE CENTRAL VIGILANCE COMMISSION

9.1 Incidents of fraud(s) in PSBs and RRBs are to be determined and reported to the RBI and Law Enforcement Agency (LEA) in accordance with the RBI's Master Directions dated 15.07.2024[1]. In addition, all such incidents of frauds involving amount of Rs. 1 Cr. and above, where involvement of official(s) of a PSB, either alone or in collusion with other official(s) and / or private person(s)/entities is observed, should be reported to the Commission on quarterly basis. The report should be forwarded to the Commission by the CVO, latest by 15th day of the succeeding month after the Quarter ending in March, June, September and December i.e. latest by 15th April, 15th July, 15th October and 15th January, respectively. It may be noted that the above information is to be provided separately for incidents of frauds reported to the RBI & LEA during the previous quarter and for incidents of frauds reported to the Commission earlier than previous quarter, where action has not yet been brought to a logical conclusion. The requisite information is to be provided in the formats enclosed as Annexure-I and Annexure-II to this circular.

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[1] *RBI's Master directions on Fraud Risk Management in Commercial Banks (including Regional Rural Banks) and All India Financial Institutions, issued vide their letter No. RBI/DOS/2024-25/118 DOS.CO.FMG.SEC.No.5/23.04.001/2024-25 dated 15.07.2024, refers, as may be amended from time to time.*

9.2 In all reported cases of frauds, where vigilance angle is observed against official(s) of a PSB, the CVO should closely monitor the progress of such cases to ensure that departmental action is finalized within the prescribed timelines. The CVO should also analyze such incident(s) of fraud(s) with a view to identify the modus operandi and systemic loopholes leading to occurrence of such incidents. Based on the analysis, the CVO should suggest to the management, systemic improvement measures, in order to plug such loopholes and to avoid recurrence of such incident(s) of fraud(s). Systemic improvement measures suggested to the management should also be reported to the Commission in the online QPR being submitted by each CVO.

10. 0 VIGILANCE ANGLE IN PUBLIC SECTOR INSURANCE COMPANIES

10.1 Vide Paras 3.1 and 3.2 of this circular, common irregularities indicating existence of vigilance angle in a case have been stated. In addition, there are certain irregularities specific to Public Sector Insurance Companies (PSICs), which may have a perceivable vigilance angle. Some irregularities are listed below:-

(i) Pre-dating of cover notes;

(ii) Settlement of bogus claim in collusion with the Insured / Surveyor / Workshop / any distribution channel;

(iii) Payment of an inflated amount as claim;

(iv) Irregularities in disposal of salvage;

(v) Collusion with doctors, hospitals, Third Party Administrators (TPAs) and other outsourced agencies (Agents, Brokers, Surveyors, Advocates) and others on medical examination of prospects;

(vi) Deliberate bad underwriting practices;

(vii) Acting against the interest of the company in placement of funds;

(viii) Conversion of direct business to agency business without proper mandate and causing undue loss to the company, along with corresponding gain to private party;

(ix) Case(s) in which there is a reasonable ground to believe that a criminal misconduct has been committed by the alleged official but the evidence forthcoming is not sufficient for prosecution in a court of law;

(x) Misappropriation of the company’s assets;

(xi) Falsification of the company’s records;

(xii) Disclosure of secret or confidential information;

(xiii) Making false claims on the company;

(xiv) Failure to take necessary action to protect the interest of the company;

(xv) Sacrificing / ignoring the interest of the company and causing loss to the company;

(xvi) Violation of security / safety norms and guidelines issued by the company;

(xvii) Conduct of the official is such that his decisions or recommendations do not appear to be objective and transparent and seem to be calculated to promote improper gains for himself or for anyone else;

(xviii) Acting in a manner that violates or undermines the policies of the company or acting against the decisions taken by the management;

(xix) Complying with unauthorised and unlawful oral instructions of senior official(s) without bringing the same to the notice of the CA, as per extant guidelines;

(xx) Exceeding discretionary power(s) and taking action(s) which do not appear justifiable or which do not serve the company's interest.

10.2 The list of irregularities as indicated in Para 10.1 above is only an 'illustrative list' and not an exhaustive one. There may be other irregularities by an official of a PSIC, which may attract vigilance angle. Therefore, the authorities concerned, including the respective DA and the CVO, should examine a perceived irregularity in the light of broad parameters, as described in Paras 3.1, 3.2 and 10.1 above, before arriving at a conclusion regarding the presence or absence of vigilance angle, in that case.

10.3 It is to be kept in view that the purpose of vigilance activities is not to reduce but to enhance the level of managerial efficiency and effectiveness in the insurance companies. Commercial risk taking is a part of business activity. Therefore, every loss caused to the insurance company, either in pecuniary or non- pecuniary terms, may not be considered as having vigilance angle. Thus, whether a person of common prudence, working within the ambit of the prescribed rules, regulations, instructions and procedures would have taken the decision under the prevailing circumstances in the commercial / operational interest of the, insurance company is one possible criterion for determining whether the decision is bonafide. A positive response to this question may indicate that the decision is bonafide. A negative response, on the other hand, might indicate that the decision taken is not bonafide and presence of vigilance angle.

11.0 MANDATE OF THE INTERNAL ADVISORY COMMITTEE IN PUBLIC SECTOR INSURANCE COMPANIES

11.1 Keeping in view the specialized nature of functions of PSICs, IAC of three members should be in place in each PSIC. It shall be the responsibility of the [Chief Executive Officer & Managing Director / Chairman & Managing Director (as the case may be)] concerned to ensure that the IAC meets periodically to review case(s) placed before it.

11.2 The IAC should consist of three members, preferably of the level of officers immediately below the Board of Directors but not less than two steps below the Board of Directors. All those cases, where, after investigation, involvement of official(s) of a PSIC is observed are to be referred to the IAC for consideration. The IAC is required to consider the case(s) referred to it and give its recommendations regarding existence or absence of vigilance angle, in respect of each official found responsible for certain lapses in that case. In case of difference of opinion between the members of the IAC, the majority view would prevail. The IAC shall record reasons for giving its recommendations and shall forward the recommendations to the CVO.

12.0 DETERMINATION OF VIGILANCE ANGLE IN PUBLIC SECTOR INSURANCE COMPANIES

12.1 The CVO, while taking a view regarding presence or absence of vigilance angle, in respect of irregularities noticed against each official found involved in a particular case, is required to take into consideration the recommendations of the IAC. The recommendations of the IAC are, however, not binding on the CVO who may differ with the recommendations of the IAC, giving cogent reasons.

12.2 The CVO should forward his recommendations, along with the IAC's views, to the DA concerned. In case the CVO and the DA both agree to the existence of vigilance angle and the official(s) found involved in that case are covered under the jurisdiction of the Commission (including a composite case), the case is to be forwarded to the Commission for obtaining its FSA in accordance with the procedure as stated in the 'Master Circular No. 06/MC/2026 on Procedure for Obtaining and Implementing the advice of the Central Vigilance Commission'. In case, the CVO and the DA agree to the existence of vigilance angle and all officials found involved in that case are outside the jurisdiction of the Commission, further action is to be taken by the DA, in consultation with the CVO. In respect of a particular case, if the CVO and the DA, both agree to the absence of vigilance angle, further action in that case would be taken by the DA concerned, as per extant rules.

12.3 It may be noted that in case of difference of opinion between the CVO and the DA regarding existence of vigilance angle against any or all officials involved in a particular case, the matter is to be forwarded to the Commission for obtaining its advice, irrespective of the level of official(s) found involved in that case.

13.0 PREVENTIVE VIGILANCE IN PUBLIC SECTOR INSURANCE COMPANIES

13.1 The management of each PSIC has to ensure that appropriate guidelines are in place and are implemented in all functional areas e.g. processing of proposals, processing of claims, reconciliation of accounts, empanelment of Surveyors, TPAs, Hospitals, Brokers etc. Each PSIC should ensure that policy guidelines or any instructions issues by the DFS, Insurance Regulatory and Development Authority of India (IRDAI) and other organisations, are followed in letter and spirit by it.

13.2 Other areas requiring specific attention may include (i) study and updation of existing procedures / practices / manuals in order to plug systemic loopholes; (ii) developing mechanism for control over abuse of discretionary power; (iii)) monitoring and sensitization of officials about security and safety of online / electronic data and processes; and (iv) capacity building at all levels.

14.0 VIGILANCE ANGLE IN PUBLIC SECTOR FINANCIAL INSTITUTIONS

14.1 Vide Para 3.1 to Para 3.2 of this circular common irregularities, indicating existence of vigilance angle in a case, have been stated. In addition, there are certain irregularities specific to Public Sector Financial Institutions (PSFIs), which may have a perceivable vigilance angle. Some irregularities are listed below:-

(i) Irregularities in appraisal of projects / entities, ignoring the institution's policies, procedures and regulatory guidelines;

(ii) Irregularities in monitoring of project execution and / or loan utilisation;

(iii) Irregularities in resource mobilization and investment decisions, ignoring the institution's policies and procedures;

(iv) Irregularities in resolution of stressed assets, ignoring the institution's policies and procedures;

(v) Case(s) in which there is a reasonable ground to believe that a criminal misconduct has been committed by the alleged official but the evidence forthcoming is not sufficient for prosecution in a court of law;

(vi) Misappropriation of the institution's assets;

(vii) Falsification of the institution's records;

(viii) Disclosure of secret or confidential information;

(ix) Making false claims on the institution;

(x) Failure to take necessary action to protect the interest of the institution;

(xi) Sacrificing / ignoring the interest of the institution and causing loss to the institution;

(xii) Violation of security / safety norms and guidelines issued by the institution;

(xiii) Conduct of the official is such that his decisions or recommendations do not appear to be objective and transparent and seem to be calculated to promote improper gains for himself or for anyone else;

(xiv) Acting in a manner that violates or undermines the policies of the institution or acting against the decisions taken by the management;

(xv) Complying with unauthorised and unlawful oral instructions of senior official(s) without bringing the same to the notice of the CA, as per extant guidelines;

(xvi) Exceeding discretionary power(s) and taking action(s) which do not appear justifiable or which do not serve the institution's interest.

14.2 The list of irregularities as indicated in Para 14.1 above is only an 'illustrative list' and not an exhaustive one. There may be other irregularities by an official of a PSFI which may attract vigilance angle. Therefore, the authorities concerned, including the respective DA and the CVO should examine a perceived irregularity in the light of broad parameters, as described in Paras 3.1, 3.2 and 14.1 above, before arriving at a conclusion regarding the presence or absence of vigilance angle in that case.

14.3 It is to be kept in view that the purpose of vigilance activities is not to reduce but to enhance the level of managerial efficiency and effectiveness in the institution. Commercial risk taking is a part of business activities. Therefore, every loss caused to the institution, either in pecuniary or non- pecuniary terms, may not be considered as having vigilance angle. Thus, whether a person of common prudence, working within the ambit of the prescribed rules, regulations, instructions and procedures, would have taken the decision under the prevailing circumstances in the commercial / operational interest of the institution, is one possible criterion for determining whether the decision is bonafide. A positive response to this question may indicate that the decision is bonafide. A negative response, on the other hand, might indicate that decision taken is not bonafide and presence of vigilance angle.

15.0 MANDATE OF THE INTERNAL ADVISORY COMMITTEE IN PUBLIC SECTOR FINANCIAL INSTITUTIONS

15.1 Keeping in view the specialized nature of functions of PSFIs, IAC of three members should be in place in each PSFI. It shall be the responsibility of the Chief Executive Officer [Chairman, Chairman-cum-Managing Director or Managing Director (as the case may be)] to ensure that the IAC meets periodically to review case(s) placed before it.

15.2 The IAC should consist of three members, preferably of the level of officers immediately below the Board of Director but not less than two steps below the Board of Directors. All those cases, where, after investigation, involvement of official(s) of the institution is observed, are to be referred to IAC for consideration. The IAC is required to consider the case(s) referred to it and give its recommendations regarding the existence or absence of vigilance angle, in respect of each official found responsible for certain lapses in that case. In case of difference of opinion between the members of the IAC, the majority view would prevail. The IAC shall record reasons for giving its recommendations and shall forward the recommendations to the CVO.

16.0 DETERMINATION OF VIGILANCE ANGLE IN PUBLIC SECTOR FINANCIAL INSTITUTIONS

16.1 The CVO, while taking a view regarding the presence or absence of vigilance angle, in respect of irregularities noticed against each official found involved in a particular case, is required to take into consideration the recommendations of the IAC. The recommendations of the IAC are, however, not binding on the CVO, who may differ with the recommendations of the IAC, giving cogent reasons.

16.2 The CVO is to forward its recommendations, along with the IAC's views, to the DA concerned. In case the CVO and the DA both agree to the existence of vigilance angle and the official(s) found involved in that case are covered under the jurisdiction of the Commission (including a composite case), the case is to be forwarded to the Commission for obtaining its FSA in accordance with the procedure as stated in the 'Master Circular No. 06/MC/2026 on Procedure for Obtaining and Implementing the advice of the Central Vigilance Commission'. In case, the CVO and the DA agree to the existence of vigilance angle and all officials found involved in that case are outside the jurisdiction of the Commission, further action is to be taken by the DA, in consultation with the CVO. In respect of a particular case, if the CVO and the DA both agree to the absence of vigilance angle, further action in that case would be taken by the DA concerned, as per extant rules.

16.3 It may be noted that in case of difference of opinion between the CVO and the DA regarding existence of vigilance angle against any or all officials involved in a particular case, the matter is to be forwarded to the Commission for obtaining its advice, irrespective of the level of official(s) found involved.

17.0 PREVENTIVE VIGILANCE IN PUBLIC SECTOR FINANCIAL INSTITUTIONS

17.1 It is noted that operations of PSFIs include acceptance of deposits and granting advances, which make their operations vulnerable to frauds and other types of misconduct. Irregularities, if committed with malafide intention(s), cause not only financial loss, but also loss of reputation and goodwill to the financial institution.

17.2 One of the main causes of frauds in PSFIs may be the institution's failure to know its customers, to know its employees and to know its partners / vendors. Each PSFI is required to strictly follow the instructions on these subjects, as may have been issued by RBI or other govt. organisations, from time to time. The management of the respective PSFI may also formulate appropriate Policies, SOPs etc. in this regard, with due approval of the CA.

17.3 In order to protect the financial health of each PSFI and to uphold public trust in them, a more focused approach is required towards effective preventive vigilance measures in PSFIs. Measures requiring special attention may include (i) study and updation of existing policies, procedures, practices, manuals etc. in order to plug systemic loopholes; (ii) developing mechanism for control over abuse of discretionary powers; (iii) monitoring and sensitization of officials about security and safety of online / electronic data and processes; and (iv) capacity building at all levels.

18. ROTATIONAL TRANSFER OF OFFICIALS HOLDING SENSITIVE POSTS

Each PSB, PSIC and PSFI should take steps to identify and review sensitive posts in the organisation and to ensure rotational transfer of official(s) holding such sensitive posts, in accordance with the detailed guidelines contained in the 'Master Circular No. 09/MC/2026 on Identification of Sensitive Posts and Rotation of Officials holding Sensitive Posts'.

19.0 MANDATE FOR REFERRING CASES TO THE ADVISORY BOARD FOR BANKING AND FINANCIAL FRAUDS

19.1 The Commission, based on the recommendations of an Expert Committee, constituted by the RBI under the Chairmanship of Sh. Y. H. Malegam, has constituted Advisory Board for Banking and Financial Frauds (ABBFF), in consultation with RBI. ABBFF is required to examine frauds involving Rs. 3 Crores and above in a PSB, PSIC and PSFI and recommend action.

19.2 In such cases declared as frauds in a PSB, PSIC and PSFI, the CVO is to give its recommendations for further criminal investigation to the DA within 15 days of receipt of recommendations of the IAC. In case of involvement of Whole Time Directors (WTDs), a reference is to be made to the administrative ministry by the CVO of the organisation. The CVO is to act as point of interface between the organisation and ABBFF. It may be noted that a detailed SOP for making references to ABBFF has been issued by the Commission separately.

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Annexure -'I'

Name of organization--

Format for new Fraud Cases

S. No.	Date of Detection	Name of Branch	Name(s) of officials involved	Name of account	Amount Involved	Whether sole / multiple / consortium banking	Date of submission of Fraud Investigation Report	Brief facts / Modus operandi of the case	Date of Reporting to RBI	Date of Reporting to LEA	Date of FIR, if registered	Departmental action(whether contemplated / initiated	Systemic Improvement suggested to by CVO (on a separate sheet)

Date:--------------------

Signature of CVO

(Name of CVO)

Annexure -'II'

Name of organization---

Format for present status of Fraud Cases already reported to Central Vigilance Commission in quarters preceding the last quarter

S. No.	Date of Detection	Name of Branch	Name(s) of officials involved	Name of account	Amount Involved	Whether sole / multiple / consortium banking	Brief facts / Modus operandi of the case	Date of Reporting to RBI	Date of Reporting to LEA	Present Status of FIR / criminal investigation	Present status of Departmental action, if initiated	Present status of implementation of systemic improvement, if suggested (on a separate sheet)

Date:--------------------

Signature of CVO

(Name of CVO)

ACRONYM / ABBREVIATION

Acronym	Full Form
ABBFF	Advisory Board for Banking and Financial Frauds
CA	Competent Authority
CGMs	Chief General Managers
CVO	Chief Vigilance Officer
DA	Disciplinary Authority
DFS	Department of Financial Services
FSA	First Stage Advice
GMs	General Managers
IAC	Internal Advisory Committee
IRDAI	Insurance Regulatory and Development Authority of India
LEA	Law Enforcement agency
NPA	Non-Performing Assets
OTS	One Time Settlement
PSBs	Public Sector Banks
PSFIs	Public Sector Financial Institutions
PSICs	Public Sector Insurance Companies
QPR	Quarterly Performance Report
RBI	Reserve Bank of India
RRBs	Regional Rural Banks
SOPs	Standard Operating Procedures
TPA	Third Party Administration
WTDs	Whole Time Directors

Notes

Notes

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