

During the course of recent inspections of various UCBs following common irregularities have been observed by Reserve Bank of India

- (i) CRAR :- the difference between CRAR as worked out by bank and Inspecting Officer (I O) of RBI due to IFR not considered by I O as tier II capital , Short provision if any not deducted from Tier I Capital, treatment given to excess BDDR etc
- (ii) Investment
  - A. Creation of IFR :- Should have been created out of net profit on sale of Govt securities by way of appropriation
  - B. Govt securities should be shown at acquisition cost and there should not be any Premium A/c for the securities purchase at premium.
  - C. Concept of front office and back office
  - D. Deal slip to be prepared and serially numbered
  - E. Confirmation copy of deal to be obtained as well as sent.
  - F. Classification of security at the time of purchase depending on intension of purchase
  - G. Entire SLR i.e. 25% of NDTL to be maintained in Govt securities which are eligible for SLR purpose.
  - H. Maximum amount of securities in HTM category should not exceed 25% of NDTL
  - I. Limit per broker
  - J. Quarterly certificate of holding of SLR securities and Non SLR securities by Auditors to be submitted to RBI
  - K. Half yearly review of Investment portfolio as on 31 March and 30 Sept to be submitted to RBI
  - L. Non SLR investment should not be more than 10% of previous year deposits
  - M. Non SLR security is to be classified under AFS category
  - N. Due diligence for purchase of Non SLR security
  - O. Purchase of Non SLR security should be within single party exposure limit as per prudential exposure norms based on capital fund
  - P. Securities kept under AFS/HFT category should be mark to market at frequent intervals and provide for depreciation in the value of securities, if any and ignore appreciation
  - Q. Amortization , if security purchased at premium and held under HTM category
  - R. Investment policy
  - S. Investment committee
- lii Deposits:-
  - A High cost deposits
  - B Concentration of deposits
- IV Loan and Advances
  - A Credit appraisal: - Assessment of credit requirement and repaying capacity: Sanction of Ad hoc limit; various ratios;

- B. Prudential exposure norms for individual and group of borrowers based on Capital Funds.
- C. Gold Loan bullet payment to be allowed up to loan of Rs 1.00 lakh
- D. No loan to directors and their relatives except for loan against banks own FDR, N S C, LIC policy. Director should not be guarantor for any loan sanctioned.
- E. Pre and Post disbursement supervision: - Submission of stock statement and working of Drawing Power; Insurance policy; valuation of property mortgage to bank.
- F. Classification of NPA on ongoing basis. Making provision as per provisioning norms. Compliance to IRAC norms
- G. Adherence to limit fixed for Unsecured loan, Real Estate Loan and loan to nominal members etc
- H Low C D ratio
- I Fair Practice Code
- J Delegation of powers
- K Loan Policy

V Management:-

- A. Adherence to Do's and Don'ts as prescribed by RBI
- B. Submission of various reviews as per Calendar of reviews

VI Earning

- A Difference between assessed profit and declared profit
- B. Short provision on Staff Gratuity and Leave Encashment
- C. Provision of interest on mature fixed deposits
- D. 15% to be appropriated towards BDDR out of net profit as per Section 67 and 67(A) of the GCS Act.

VII Housekeeping & Internal Control

- A. Concurrent Audit
- B. EDP Audit
- C. Internal audit as per Ghosh Committee
- D. Disaster Management and Business continuity plan

- E. CBS enable and Data integrity report
- F. Security arrangement use of CCTV
- G. Branch visit, Surprise verification Cash, Gold Packet and sensitive stationery
- H. Assets Liability Management:- Structural Liquidity statement and ALCO committee
- I. KYC Policy:- KYC norms for customers as well as Share holders
- J. Clean Note Policy: - Issue of serially numbered printed receipt to the tender of forged note.
- K. Anti Money Laundering:- Submission of CTR/STR report to FIU-IND
- L. Clearing Transaction:- Thrust hold limit of 2% for Inward Return and 4% for Outward Return
- M. Priority and Weaker Sector Advances :-  
Priority Sector advances 40% of Adjusted Bank Credit  
Weaker Section advances 10% of Adjusted Bank Credit
- M Off Balance Sheet item: - Policy for issue of Bank Guarantee/ Letter of Credit
- N Financial inclusion: - Opening of No Frill Account