

# STATE BANK OF INDIA OFFICERS' ASSOCIATION

## (BENGAL CIRCLE)

(Registered under Trade Unions Act 1926-Regd. No. 6908)

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IP No. 500077

Circular No. 155/2019

Date : 23.12.2019

To All Members (Please Circulate)

## EMPOWERMENT SERIES COMPLIANCE

Compliance has emerged as an essential element of corporate governance in banks and financial institutions. The compliance function has received a high level of attention from regulators worldwide. Non compliance can lead to several risks, viz, legal or regulatory sanctions, financial loss, damage to reputation or impairment of integrity. These particularly arise when a Bank fails to comply with laws, directives, rules, regulations, prescribed practices, internal policies and procedures, or the standards or codes of conduct applicable to all of that Bank's varied business activities and functions.

The compliance testing process for closure of the audit reports has now been made risk based and system driven. The documents required to be uploaded by the auditee unit against each value statements has been identified on the basis of aggregate number of deviations reported in the RFIA and criticality of the value statements (VS) under which the deviations were reported, subject to a maximum of 405 items under CRM Parameters & 150 items under ORM Parameters. However, the number of compliance evidences to be uploaded by the auditee unit would vary based on the aggregate risk at the branch and the sampling logic.

Compliance Module will be enabled to Auditee Unit (AU) i.e. branch to start/record the compliances without loss of time, in the OARPS after finalization of RFIA audit scores by the Internal Auditor (IA). Evidence Based Compliance Testing (EBCT) Module will be activated immediately on provisional acceptance of compliance remarks by CAOs/CAU. The EBCT module will display the details of the value statements for which the branches (AU) is required to upload documentary evidences. The timelines for submission of compliance remarks / compliance reports, as under:

- The Processing Officers (PO) at CAOs/CAU undertake the compliance testing on critical parameters with **2** items each in respect of branches and branches (AUs) are to provide evidences within **48** hours of raising the demand. If any of the compliances submitted by the AUs is false, penalty is imposed by reducing score from the branch's total audit score before awarding final rating to the branch.
- The EBCT module would remain active for a total of **9** working days— **2** (two) working days for the branches (AUs) to collect/scan/make ready the required documents for upload and **7**(seven) working days to the AU/Controller to upload, verify, re-verify correct (if required) and finally submit the required documents to the concerned CAO/CAU.
- The EBCT module would be automatically disabled/deactivated for uploading of evidences on completion of stipulated **7** (seven) working days.
- The branches (AUs) need to upload the relative documents in ".doc, .jpg and .PDF formats" only against the SDRM Code, by using the documents upload option. Controller(s) of the respective branches (AUs) would have a provision to view the evidences for correctness/relevance/completeness and to return to the branches (AUs) for necessary corrections, if required, till the deactivation of EBCT module.
- Finally, if documentary evidences, is not submitted within the life cycle of the EBCT module (**9 working days**) it will be treated that there is no documentary evidence available (since the compliances are already affirmed by the AUs) and such compliances will be treated as **false compliances**.

At present, Bank has initiated number of **disciplinary proceedings cases** against the Branch Managers and other operating functionaries due to submission of false compliances to deviations pointed out in RFIA and penalty has also been imposed in many cases. Also our, Bank, vide e-circular no :CDO/P&HRD-CDS/55/2019–20 issued on 13.11.2019,

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has issued instructions to extend disincentive to officials at the levels of Checker 1 and/or Checker 2 who indulge in false compliance of statutory regulations and awarding a **negative score up to 5 (-) in Career Development System**. It is also stated in the circular that a **permanent noting** will be made in the Service Records of such officials in HRMS. As per the e-circular, such noting may also be taken into cognizance while considering an official for extension in service, promotion, posting in sensitive posts, etc.

In the recent past, we have witnessed many instances wherein branches have been penalised by way of reduction in the audit scores for submission of false compliances and explanations have also been called from the Branch Manager/ other officials dealing in audit. Now, disciplinary actions are being initiated in almost all such cases which demonstrate a major shift in the bank's stand as far as accountability is concerned.

Apropos the above, despite pressure from the controller regarding various business targets and other operational matters, and also in order to strengthen the compliance culture in our day to day banking activities, we strongly suggest our members to submit factual compliance only to restrict unwarranted financial as well as reputation loss.

Some of the **critical and Zero Tolerance Areas** are follows:

## **CRM:**

1. Prescribed KYC documents of Borrower / Guarantor not held on record.
2. Pre-sanction inspection to the site / farm / unit / residence /business place of borrower / guarantor not done / not on record.
3. Physical verification of property not done and independent verification of valuation not carried out, as per Annexure F.
4. Scrutinized copy of Control Return for sanction not on record, even after three months from Date of Sanction.
5. Documents not produced for verification.
6. Mortgage of all properties stipulated in sanction not created.
7. Registration of EM with Central Registry (CERSAI) has not been done.
8. Registration of charge with ROC not done within the stipulated period.
9. Eligible accounts not covered under CGTMSE/ CGFMU.
10. Half yearly verification of Gold Ornaments other than Joint Custodian.
11. For Express Credit Loan, it is better to check CIBIL report meaningfully.

## **ORM:**

1. Fraud on detection, Branches to report immediately to Controllers. Any deviation in reporting to Controllers.
2. KYC documents / Signature of the account opening functionaries not verified.
3. Opening and maintaining of Parking Accounts without approval.
4. Back-up register not maintained for recording all entries passed manually through Interest Expense a/c and Interest Income a/c. All entries not scrutinized and authorized by the competent authority.
5. Locker access module in the CBS is not put into use.
6. Instances of Incorrect / False Certification observed.
7. Meaningful OVVR checking should be done on the same day.
8. Adjustment of Debit entries in BGL by debit to Charges or Commission A/C must be approved by Controller (OTMS).
9. Proper record of USROMD A/C.
10. All purchase of Fixed Assets as per delegation of Financial Power of Branch Manager must be controlled by Controller.

In view of the above, we strongly urge upon our members to totally avoid false compliance which will minimize the risk of financial penalties/ disciplinary proceedings. Please ensure that the data which is captured in the system should be correct, exactly in the same form as given in the stipulated documents as per Bank norms. Authenticity of the documents must also be established by validating/scrutinizing these carefully, as per the laid down instructions of the Bank.

With revolutionary greetings,



**Shubhajyoti Chattopadhyay**  
(General Secretary)

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