

International Banking Division, HO: Corporate Office, East Wing,  
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**Confidential**

12 February 2018

To,

All Chairman/MD & CEO's

Allahabad Bank, Andhra Bank, Bank of Baroda, Bank of India,  
Bank of Maharashtra, Canara Bank, Central Bank of India,  
Corporation Bank, Catholic Syrian bank, Dena Bank,  
Dhan Laxmi Bank, ICICI Bank, IDBI Bank, Indian Overseas Bank,  
Indusind Bank, J & K bank, Karnataka bank, Karur Vysya Bank,  
Lakshmi vilas Bank, Oriental bank of Commerce, Punjab & Sindh bank,  
Standard Chartered Bank, State Bank of India, State bank of Mauritius,  
Syndicate Bank, Union Bank of India, United bank of India, UCO bank,  
Vijaya Bank, Exim bank.

**CAUTION NOTICE**

Dear Sir/Madam,

**Reg: Modus-Operandi of Suspected Fraud in one of our branches**

It has been reported through a preliminary investigation that the suspected fraud has been carried out by the perpetrators in collusion with the staff at one of our branches in Mumbai. Apparently, the modus operandi adopted was as under:

- i. It was found through SWIFT trail that one junior level branch official unauthorisedly and fraudulently issued Letters of Undertakings (LOUs) on behalf of some companies belonging to Nirav Modi Group viz. Solar Exports, Steller Diamonds and Diamond R Us for availing buyers' Credit from overseas branches of Indian Banks. The companies were maintaining only current accounts with the branch and were not enjoying any fund/non fund based limits. None of the transactions were routed through the CBS system, thus avoiding early detection of fraudulent activity.
- ii. Similar modus operandi was used by the same branch official in companies belonging to M/s. Gitanjali Gems Ltd, promoted by Mr. Mehul Choksi viz. Gitanjali Gems, Gili India and Nakshatra, while issuing LOUs/FLCs. These companies enjoy credit (FB & NFB) facilities. In case of FLCs, it has been found out that at the time of issuing FLC for a smaller amount by SWIFT, the transaction was routed through the CBS system but subsequently, amendments were made in these FLCs by substantially enhancing the amount of FLC

and transmitted through SWIFT without routing these enhancements through CBS. The said official would subsequently convey via SWIFT the acceptance of Bills for the full amount of FLC to the overseas negotiating bank. The detailed investigation is still in progress.

- iii. LOUs were opened in favour of overseas branches of Indian Banks for import of pearls for a period of one year, for which as per RBI guidelines, the total time period allowed is 90 days from the date of shipment. This stipulation was overlooked by overseas branches of Indian Banks, who are also required to follow RBI guidelines. There is clear criminal connivance of group companies of Sh. Nirav Modi and Gitanjali  
Gems with our branch official and also apparently, with officials of overseas branches of Indian banks.
- iv. None of the overseas branches of India based Banks have shared with us any document/ information made available to them by these Indian companies at the time of availing buyers' credit from them.
- v. The Buyer's Credit availed against fraudulent LOU was used either to retire import bills or replenish the maturing Buyer's credit of some other Banks.
- vi. The fraudulent acts were found out when subsequent to superannuation of the said branch official, these companies again approached our branch for availing LOUs. On being asked to provide 110% margin because of no sanction of any FB/NFB limit, the companies informed the branch that they have been undertaking such transactions for last so many years.
- vii. This information is being shared strictly for exercising necessary caution in the matter.



**GENERAL MANAGER**