ओरियन्टल बैंक ऑफ़ कॉमर्स
(भारत सरकार का उपक्रम)
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ओ.बी.सी.

ORIENTAL BANK OF COMMERCE
(A GOVERNMENT OF INDIA UNDERTAKING)
Head Office : Plot No. 5, Sect - 32,
Institutional Area, Gurgaon-122001

HO/MBD/2014

20.08.2014

The Chief Manager,
Surveillance,
National Stock Exchange of India Ltd.,
Exchange Plaza, 5th Floor, Bandra Kurla Complex,
Bandra (E), Mumbai-400051

Reg: Clarification/Confirmation on news item appearing in "DNA"

With reference to your letter no.NSE/CM/Surveillance/R-1593 dated 20.08.2014, we submit our reply as under:

(1) The sequence of events in chronological order pertaining to the news item is as follows:

a. The Bank's B/o Malwani, Mumbai received RTGS of Rs.110 cr. on 12.02.2014 for and on behalf of the Jawaharlal Nehru Port Trust for issuance of TD (Term Deposit) in favour of JNPT.

b. On 13.02.2014, the said branch received a fax purportedly signed by JNPT officer for transferring the funds amounting Rs.110.00 cr. to the Current Account of M/s Padmavati International.

c. Without receipt of TDR amounting to Rs.110 cr. by JNPT from the bank, again the said branch received RTGS of Rs.70 cr. for and on behalf of the Jawaharlal Nehru Port Trust for issuance of TD (Term Deposit) in their favour followed by letter purportedly signed by JNPT official for transferring the said funds in the Current Account of M/s Padmavati International.

d. Thereafter, JNPT enquired over the telephone on 05.03.2014, regarding non issuance of TDR in their favour from the said branch followed by a letter to Bank's Regional Office Mumbai on 06.03.2014 and recalled the amount since the Term Deposit Receipt was not received by them.

e. On receipt of the letter dated 06.03.2014 from JNPT, preliminary investigation was conducted by the Bank on 06.03.2014 itself and found that the said branch did not issue any TDR to JNPT, instead credited Rs.110 cr. on 13.02.2014 and Rs.70 cr. on 18.02.2014 in the Current Account of M/s Padmavati International as per authority letters dated 12.02.2014, 13.02.2014 & 17.02.2014 purportedly issued by JNPT received through Fax followed by hard copies of letters.

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f. Thereafter, the amount was remitted to seven banks and 12 clients through RTGS as per mandate given by the account holder M/s Padmavati International.

g. The Bank officials intervened immediately to ascertain the status of remittances made to various banks and took steps to freeze available balance in various accounts instantly and subsequently an amount of Rs.108.81 cr. was recovered and remitted to JNPT. For rest of the amount, efforts are being made for recovery.

h. Consequent upon non receipt of TDR from the Bank, JNPT lodged a complaint with CBI and the case is under investigation.

i. Bank reported the matter to RBI as well as to the Department of Financial Services, Ministry of Finance.

j. Bank also initiated departmental action against the erring officials.

k. Consequent upon this happening, further checks & balances have been put in place to mitigate such type of risks in future.

(2) Further we would submit that the disclosure in this regard was made by the Bank in "Notes to Accounts" forming part of Annual Financial Results for the period ended March 14 followed by disclosure by the Statutory Central Auditors in the Auditors' Report while finalizing Annual Results of the Bank. This was also part of the Annual Report of the Bank for the year 2013-14 and Reviewed Financial Results of the Bank for the quarter ended 30th June 2014.

In compliance of listing provisions, abovementioned results / annual report were sent to the Stock exchanges well within the prescribed time limit. Detail of disclosures made are given hereunder:

Bank's Annual Report for the year 2013-14, Notes to Accounts - Schedule 18 Note No. 15(I) : Accounting Standard – 29 on Provisions, Contingent Liabilities and Contingent Assets disclosed "Surreptitious Transfer of Funds from Our Malwani, Mumbai Branch: M/s Jawahar Lal Nehru Port Trust (JNPT) had placed funds aggregating Rs.180 cr. with the Bank initially for the purpose of term deposit in two tranches in February 2014. These funds were surreptitiously transferred out of the Bank upon instructions of the same signatory/ constituent. Later on M/s JNPT complained about non-receipt of Term Deposit Receipt to which the Bank has replied that the funds have been transferred on their instructions only. M/s JNPT has filed a case with Central Bureau of Investigation and the matter is under investigation. Out of the above, Rs.110.12 cr. lying with

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other banks has been seized under instructions of CBI, Rs.64.31 cr. is untraced as on date and the balance Rs.5.57 cr. which was lying with us has been remitted back to M/s JNPT. In the light of the above, the Bank treats the above as a Contingent Liability – Claim against the Bank not acknowledged as debt and, therefore, no provision has been considered necessary."

Independent Auditors' Report for the year 2013-14, the Auditors in the "Emphasis of Matter" drew attention to pt.8 (ii) "Note No. 15(I) of Schedule 18 regarding funds of M/s JNPT and pending investigation of matter by Central Bureau of Investigation. Due to uncertainty relating to future outcome of the investigation, we are unable to comment on claim on bank which may arise on finalisation of investigation."
"Our opinion is not qualified in respect of above matters."

Reviewed Financial Results of the Bank for the quarter ended 30th June 2014, also highlighted in the "Notes pt. no.4" that "M/s Jawahar Lal Nehru Port Trust (JNPT) had placed funds aggregating Rs.180 cr. with the bank initially for the purpose of term deposit in two tranches in February, 2014. These funds were surreptitiously transferred out of the bank upon instructions of the same signatory/constituent. Subsequently M/s JNPT filed a case with CBI for investigation and on receipt of the order of designated court, a sum of Rs.108.76 cr. has since been restored to M/S JNPT. The remaining amount of Rs.71.24 cr. which was transferred out of the banking system continues to be shown as contingent liability-claim against the bank not acknowledged as debt and therefore, no provision has been considered necessary."

The Auditors also mentioned in the **Limited Review Report for the quarter ended 30th June 2014** "We draw attention to Note no.4 regarding funds of M/s JNPT and pending investigation of matter by Central Bureau of Investigation".
"Our opinion is not qualified in respect of above matters."

From the above, it is evident that the Bank has duly informed all the stakeholders about this event by making disclosures in Annual Accounts for FY 2013-14 and thereafter in the Annual Report & Reviewed Financial Results / Review Report for the quarter ended June 2014.

Yours faithfully

Dy. General Manager (MBD) & Compliance Officer

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