

A black and white photograph of a man in a dark suit, white shirt, and striped tie, wearing a fedora hat. He is standing on a staircase, looking down. The background features a wall with a floral pattern and a wooden staircase railing.

A GROUP PRESENTATION ON

THE PNB HEIST

SECRETS FROM THE PAST OF INDIA'S
BIGGEST BANK FRAUD



OVERVIEW

About PNB:

Established in 1894, Punjab National Bank (PNB) is a leading public sector bank in India.

Scam Details:

A ₹11,400 crore (\$1.8 billion) scam involving fraudulent Letters of Undertaking (LoUs) was uncovered in 2018.

Nirav Modi and Mehul Choksi used fake LoUs from PNB's Brady House branch (Mumbai) to secure loans from foreign banks.

The fraud went undetected for 7+ years (2011-2018) due to collusion between PNB officials and weak internal controls.

Key Individuals Involved:

Nirav Modi (Jeweler, Firestar Diamond)

Mehul Choksi (Gitanjali Group)

Gokulnath Shetty & Manoj Kharat (PNB officials)

Impact:

Exposed major corporate governance failures in Indian banking.

Led to stricter banking regulations and enhanced fraud detection measures.

KEY DETAILS

Fraud Details:

₹11,400 crore scam using fraudulent Letters of Undertaking (LoUs).

Conducted between 2011–2018 through PNB's Brady House Branch (Mumbai).

Nirav Modi & Mehul Choksi secured loans using fake LoUs.

Scam remained undetected due to weak internal controls.

THE DIGITAL APOSTLE



Attention

BEWARE

SCAM ALERT

HISTORY OF PNB



Brief History of Punjab National Bank (PNB)

Established: 1894, Lahore (British India) by Lala Lajpat Rai & others.

Headquarters: New Delhi, India.

One of India's largest public sector banks, offering retail, corporate banking, and financial services.

Nationalized in 1969, becoming a government-owned entity.

Expanded globally with branches in UK, Hong Kong, Dubai, and more.

Faced a major setback with the 2018 Nirav Modi Scam (₹11,400 crore fraud).

Continues to be a key player in India's banking & financial sector.

GOVERNANCE LAPSES & ETHICAL CHALLENGES




Governance Issues:

- ✓ Lack of Board Oversight – Poor monitoring of high-value transactions.
- ✓ Fraudulent Reporting – LoUs issued without collateral or approvals.
- ✓ Insider Collusion – PNB officials bypassed banking protocols.
- ✓ Whistleblowing Failures – No internal red flags raised for years.

Ethical & Leadership Challenges:

No accountability at top levels leading to systemic failure.
Weak risk management & due diligence.
Erosion of trust in public sector banking.



IMPACT OF THE PNB SCAM 2018

1. Financial & Reputational Damage:

₹11,400 crore loss led to a liquidity crisis for PNB.

Stock value dropped, eroding investor confidence.

Tarnished PNB's reputation, reducing customer trust.

2. Impact on Stakeholders:

Employees: Increased job insecurity & stricter regulations.

Shareholders: Huge losses due to stock price decline.

Society: Decline in trust in public sector banks, stricter loan approvals.

3. Broader Industry & Economic Impact:

Stricter banking regulations & RBI oversight.

Tighter credit policies, affecting MSMEs & businesses.

Increased scrutiny on fraud detection & corporate governance.

CHANGES IN CORPORATE GOVERNANCE FRAMEWORK

Post-Scam Governance Reforms:

Stricter RBI Regulations:

Banks required to strengthen fraud detection systems and internal audits.

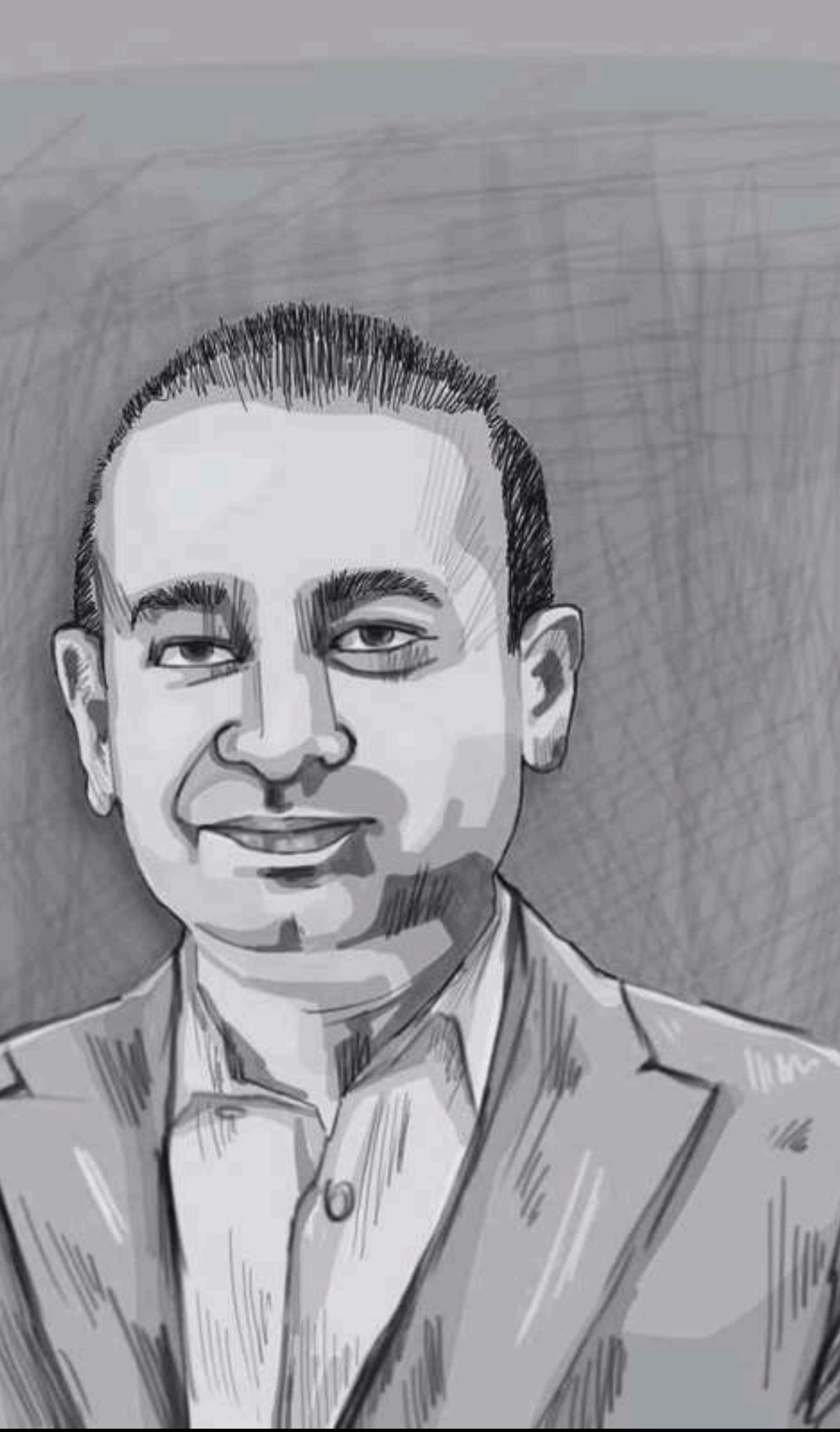
More stringent oversight on foreign transactions and SWIFT messaging.

Enhanced Board Oversight:

Increased board-level scrutiny on high-value transactions and risk management processes.

Banks instructed to improve governance frameworks and transparency in decision-making.





SPECIFIC REFORMS INTRODUCED

Key Reforms:

Securities and Exchange Board of India (SEBI) introduced stricter disclosure norms for banks.

New Audit & Compliance Policies:

Mandatory third-party audits and regular internal reviews to ensure financial transparency.

Whistleblower Protection Laws:

Introduced to encourage reporting of financial misconduct without fear of retaliation.

Enhanced Legal Framework:

The Companies (Amendment) Act, 2019 increased penalties for corporate fraud and financial misreporting.

RBI's Revised Guidelines on SWIFT Systems:

Tightened procedures for foreign transactions and interbank communications

PRESENT STATUS OF PUNJAB NATIONAL BANK (PNB)

Is PNB Still Operational?

Yes, PNB is operational and continues to function as one of India's largest public sector banks.

Recovery Measures & Restructuring Efforts:

Restructured governance framework with improved risk management and internal auditing systems.

Strengthened fraud detection systems and compliance with RBI's stricter regulations.

Increased focus on digital banking and customer trust recovery.

Penalties & Legal Actions:

Legal action against Nirav Modi & Mehul Choksi, including extradition efforts.

Fines imposed by RBI for lapses in governance.

PNB paid compensation to affected parties and underwent increased regulatory scrutiny.





KEY GOVERNANCE LESSONS

1. Importance of Board Oversight:

Stronger oversight on financial transactions and risk management is crucial.

Regular reviews of high-value transactions to ensure transparency.

2. Internal Controls and Audit Systems:

Robust fraud detection mechanisms and internal auditing processes to prevent financial misreporting.

Segregation of duties and stricter controls on employee access to sensitive information.

3. Transparency and Accountability:

Companies must ensure clear, accurate financial reporting and accountability at all levels.

Strong whistleblower protection mechanisms to encourage reporting of unethical practices.

ACTIONABLE RECOMMENDATIONS TO PREVENT FUTURE FAILURES

1. Strengthen Internal Audits and Compliance:

Implement third-party audits to detect fraud early.

Adopt a zero-tolerance policy towards internal collusion or fraudulent practices.

2. Improve Whistleblower Mechanisms:

Create a safe, anonymous reporting system for employees to raise concerns without fear of retaliation.

3. Enhance Risk Management Frameworks:

Regularly update risk management policies and train employees to identify potential threats.

Leverage technology (AI, data analytics) to track and prevent fraudulent activities.

4. Reinforce Legal and Regulatory Compliance:

Ensure strict adherence to RBI regulations and other relevant laws.

Increase penalties for non-compliance and unethical practices.



SCAN

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THANK YOU!

**BEWARE OF
SCANNERS!**