

FRAUD TODAY

Exclusive Report

3rd Annual Fraud Management Conference

Date

3rd and 4th July'2006

Venue

Taj Lands End

3RD ANNUAL FRAUD MANAGEMENT CONFERENCE

Mumbai:

The third annual fraud management seminar was organized recently at the Taj Land's End, Mumbai. This was a unique forum, which provided with up-to-date and state-of-the-art information on the industry sector trends, the diverse kinds of frauds, which are showing up at an alarming rate and the various tools to tackle them.

The eminent chairpersons of the event were **K Unnikrishnan**, Senior Vice-President – Retail Banking, Indian Banks' Association and **Riten Gohil**, Principal, ECrimes Consulting Ltd UK.

Mr. Unnikrishnan in his introductory speech defined fraud as an act of dishonesty, which has financial implications. He gave a very comprehensive overview of the fraud scenario around the world. Revealing statistics from a survey done by the IBA, he informed the house, that of all the frauds that are committed, 35% are committed by outsiders, 20% by insiders and approximately 45% by a collaboration of the outsiders and insiders. That amounts to a whopping 65% of the frauds being committed by insiders. He therefore called for a better scrutiny in the internal affairs of the organizations in the first place. He further said that co-operation and sharing and disseminating information over fraud is the need of the hour. He stressed for a co-operation between enforcement authorities and companies to curb down the occurrences of frauds.

He appreciated the fact that compliance risk has been taken more seriously by the companies in the recent past. He however stressed on the independence of compliance function as also the need to audit compliance functions and to avoid any kind of conflict of interest. Talking about the Sarbanes-Oxley Act 2002, he said that SOX is aimed at restoring investor confidence and assuring market integrity. He added that the principal

objectives of SOX are to strengthen enforcement of Federal Security Laws and to restore confidence in the audit system. He said that SOX recognizes that effective operation of gatekeepers in the market place is fundamental to preserving integrity of the market.

Talking about BASEL II, he said that it will be implemented from 31st March 2007 and described it as the new approach to capital allocation in banking business as adopts a risk based approach in allocating capital to meet credit risk. Basal II will replace the accord of 1998.

Summarizing his speech he said that we are in a process of complete integration with the Global Economy and therefore lag behind in compliance with global norms and standards.

Riten Gohil of ECrimes on the other hand gave an overview of the fraud scenario in UK. He said that information, identity and internet are the catalysts to modern day fraud. He said that e-commerce fraud is one of the biggest concerns of to the world's banking and e-tailer communities. Phishing is another major area of concern and UK has registered a loss of 23.2 million pounds in 2005...an increase by 90% compared to the earlier year. He said that India is one of the fastest growing economies and therefore the global economy sees it as an opportunity to further their respective commercial interests. This aspect is also attracting criminals and therefore India should be more cautious. He ended his speech by saying that solving fraud in the Information Age requires use of technical and process driven solutions, educating staff and consumers on the threats, working in partnership and last but the not the least, being bold.

Another speaker, **Mr Rajeeva L Karandikar**, Head of Analytics of Cranes Software International Limited, said that consumers should be a little more careful while net banking and while giving their credit card no., ATM card no., etc. to any website and that they should use a high level of discretion while net banking. He added that the process of net banking is not fool proof and there are many ways of fraud being carried out.

Mr. Lalit Srivastav, General Manager, Reserve Bank of India, Mumbai, gave a very broad over view of the various ways in which money laundering is carried out as also about the various measures by which RBI assures safety to the customers.

Chetan Dalal of the Chetan Dalal Investigation and Management Services defined fraud as an act of omission, which is intended to cause financial damage. He said that the fraudster always leaves behind certain trails and it is these factors that a fraud manager should never miss out on. He added that the first and the foremost quality needed by a fraud detector is to have an open mind and to be able to accept anything and everything.

Mayur S. Joshi, Director Indiaforensic Consultancy Services defined forensic accounting. He said that India might be losing \$40 billion to occupational frauds and further explained the importance of analytical tools in detection of frauds to curb the frauds with the aid of technology.

Mr. R K Nair, Executive Director Vigilance and Investment Management Department of SEBI while informing about the law in India said that a legal framework does exist in India but it is in a nascent stage. He said that the SEBI (FUTP) 2003 provides for a provision by which proving intention in white collar financial crimes becomes next to impossible.

The two day seminar attracted many big wigs from the industry, who had all come together for knowledge and information sharing to put a brakes on these fraudulent practices.