



Mains Practice Question

Case study

Recently, the Digi Bank-Biocoins loan fraud case was in the news for loan fraud and irregularities in loans provided to the Biocoins Group by Digi Bank, where Teesha Verma was the CEO and Managing Director. Verma and her family allegedly received kickbacks in exchange for granting loans to the Biocoins group, many of which became non-performing assets (NPAs) and caused a loss of 1,730 crores to the bank. Furthermore, Teesha Verma's husband was in the head position in Biocoins company, and the loan indirectly benefitted him, as he siphoned off all the funds to his Swiss bank accounts. The Enforcement Director is called upon to carry out the further investigation, further you as the senior officer leading the case and there has been political pressure to hush up the matter so that Teesha and her Husband don't get involved in the case.

As a senior enforcement director officer what would you do in this situation? Also Suggest actions that could have been taken to prevent and address these ethical violations.

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Approach

- Start your answer by introducing the case.
- Discuss the stakeholders involved.
- Discuss the ethical issues involved in the case.
- Discuss the ethical dilemma faced by enforcement officer.
- Discuss the various options available in front of enforcement officer and suggest measures to prevent these issues.
- Conclude accordingly.

Introduction

- The above case revolves around allegations of loan fraud and irregularities in loans provided to the Biocoins Group by Digi Bank, where the CEO and Managing Director, Teesha Verma, and her family allegedly received kickbacks in exchange for granting loans. These loans became non-performing assets and caused huge loss to the bank.
- Verma's husband, who was in a leadership position at Biocoins, allegedly siphoned off the funds to his Swiss bank accounts. The Enforcement Director is investigating the case and there is political pressure to hush up the matter to protect Verma and her husband from involvement.

Body

- **Stakeholders involved:**
 - Digi bank
 - Biocoins Group
 - Teesha Verma
 - Teesha Verma's husband
 - Political leaders
 - Enforcement Director

- Me as a senior officer investigating the matter.
- Society at large

▪ **Ethical issues involved:**

- **Conflicts of Interest:** Teesha Verma, as the CEO and Managing Director of Digi Bank, had a conflict of interest in granting loans to the Biocoin Group, as her husband was in a key position in the company. This raises questions about the impartiality and integrity of the loan approval process.
- **Kickbacks (money that is secretly and illegally paid to someone in exchange for their help):** Allegations of kickbacks being received by Teesha Verma and her family in exchange for granting loans to the Biocoin Group raises ethical concerns about the use of public funds for personal gain.
- **Fraud:** The fact that many of the loans provided to the Biocoin Group became non-performing assets (NPAs) and caused a loss of 1,730 crores to the bank suggests that fraud may have been involved in the loan approval process.
- **Misuse of Funds:** The alleged siphoning of funds from the Biocoin Group to Swiss bank accounts by Teesha Verma's husband raises ethical concerns about the misuse of public funds.
- **Political Pressure:** The pressure to hush up the matter and protect Teesha and her husband raises ethical concerns about the role of politics in the investigation and prosecution of financial crimes.
- **Lack of Transparency:** The lack of transparency in the loan approval process and the alleged involvement of kickbacks and fraud raises ethical concerns about the accountability and transparency of the financial institution.
- **Lack of Responsiveness:** The lack of responsiveness from the Enforcement Director to carry out further investigation raises ethical concerns about the ability of the authorities to effectively investigate and prosecute financial crimes.

▪ **Ethical dilemma involved:**

- **Rule of Law v/s Political Pressure:** The enforcement officer may face pressure from politicians to hush up the matter in order to avoid negative publicity or backlash. This pressure may put the officer in a difficult position as he must balance the needs of the investigation without getting involved in the political agenda of the government.
- **Integrity v/s Biasness towards the accused:** The enforcement officer may have a bias towards Teesha and her husband, as they may be well-connected individuals. This could lead to a lack of impartiality in the investigation and could result in a lack of evidence against the accused.
- **Public interest v/s personal safety:** The enforcement officer may face a dilemma of balancing the public interest of investigating the fraud and bringing the guilty parties to justice, with their personal safety and well-being. As he may fear retaliation from Teesha and her husband if they investigate the case thoroughly.
 - This could include threats, intimidation, or even physical harm, which could affect the officer's ability to conduct an unbiased and impartial investigation.
- **Bank's interest's v/s public interest:** The enforcement officer may face a dilemma of balancing the bank's interests of recovering the lost funds and protecting its reputation, with the public interest of investigating the fraud and bringing the guilty parties to justice.

▪ **Options available before the enforcement officer:**

- **The first option would be:**
 - **To investigate the case and take action against the individuals involved:** This option would involve thoroughly investigating the case, gathering evidence, and taking legal action against those found to be responsible for the fraud and irregularities.
 - **Merit:** The merit of this option is that it would ensure accountability and potentially lead to the recovery of the funds lost.
 - **Demerit:** The demerit of this option is that the enforcement officer may lose his job and his career would be finished.
- **The second option would be:**
 - **Close the case without further investigation:** This option would involve not pursuing the case any further and closing it without taking any action against the individuals involved.
 - **Merit:** The merit of this option is that it could potentially avoid political

pressure to not pursue the matter and the personal life of the enforcement officer would not get effected, rather he would be promoted in professional sphere.

- **Demerit:** The demerit is that it would not hold anyone accountable for the fraud and irregularities and would not lead to the recovery of the funds lost, further it would erode trust of the public in the system.
- **The third option would be:**
 - **Refer the case to an independent agency:** This option involves referring the case to an independent agency such as the Central Bureau of Investigation (CBI) or the Serious Fraud Investigation Office (SFIO) to investigate the case.
 - **Merit:** The merit of this option is that it would ensure that the investigation is conducted by an unbiased and independent agency, free from political pressure.
 - **Demerit:** The demerit is that it may take a long time to complete the investigation and the agency may not have the necessary resources or expertise to fully investigate the matter.
- **Best choice available:**
 - Therefore, the best choice available from the above options would be to investigate the case and take action against the individuals involved.
 - While this option may have the potential to negatively impact the enforcement officer's career, it is the most important and necessary step in ensuring accountability and recovering the funds lost and providing justice to the accountholder of the bank.
 - It is also the most fair and just option for the public, as it holds those responsible for the fraud and irregularities accountable for their actions.
- **Actions that could have been taken to prevent and address these ethical violations:**
 - Strict adherence to internal policies regarding conflict of interest and internal lending.
 - Regular review and update of internal policies.
 - Implementation of a robust risk management system.
 - Stronger oversight and monitoring of the activities of top management.
 - Encouraging a culture of transparency and integrity within the organization.
 - Strict enforcement of laws and regulations related to banking and finance.

Conclusion

The Digi-Bank-Biocoins loan fraud case highlights the importance of maintaining the highest ethical standards within the banking sector. It serves as a reminder of the need for strict adherence to internal policies and regulations, as well as the importance of maintaining transparency and integrity within organizations. The lessons learned from this case can be used to prevent similar ethical violations in the future.