

Chapter 21

When Citi was Found Sleeping

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EXECUTIVE SUMMARY

“Citi never sleeps” is the famous signature claim of Citi bank. But their claim was made a mockery in a high profile branch in India where several depositors and high-net worth individuals were duped in a fraud to the tune of Rs 460.91 crore, engineered by their Global Wealth Manager Shivraj Puri who was working at Gurgaon branch of the bank. Corporate houses like the Hero group and 20-odd people invested in schemes which were sold to them by showing them a forged letter of the market regulator, Sebi. The clients were offered super normal returns and were lured by the Relationship Manager who enjoys a special relationship of trust and confidence with the clients. The clients were cheated understandably for their lack of understanding of the nuances of the product. But the greater issue at stake was the onerous practices of Wealth Management by banks in India and the lack of regulatory control in this fast developing area that allowed the incident to happen in the first place.

LEARNING/TEACHING OBJECTIVES

1. To examine the various underlying issues relating to the fraud that took the industry observers, market players and regulators by surprise and shock.
2. To understand the various issues relating to Wealth Management in general and the practices in India, in particular.

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3. To understand the implications of the case for the future of Wealth Management, with special reference to India, in the greater interests all the stakeholders, particularly the investors at large.

THE CASE SYNOPSIS

A fraud involving more than Rs. 460 crore was unearthed at the leading multinational lender Citibank's Gurgaon (Haryana) branch (*NDTV Profit*, 2013a). Gurgaon Police lodged an FIR under sections of cheating and forgery against a bank employee and three others and 18 accounts having close to Rs. 4 crore belonging to them was frozen. The fraud is said to be a handiwork of Shivraj Puri, the employee who is alleged to have sold investment products to high net worth clients claiming that they would generate unusually high returns. It is also alleged that Puri, who is named in the FIR, showed a forged notification of market regulator Securities and Exchange Board of India for obtaining funds from customers. He is also accused of claiming that these products were authorized by the bank's investment product committee. Puri allegedly sought deposits from high net worth customers in lucrative schemes but transferred the funds to some fictitious accounts. Funds amounting to Rs. 460.91 crore belonging to about 20 customers were transferred to such accounts, it was revealed.

Industry observers, management of the company, and all stakeholders including regulators were taken by surprise. But the fraud has opened a Pandora's Box and the whole host of issues is being debated such as the role of a Relationship Manager, Product Development in Wealth Management, Regulation of Wealth Management Business in India, among others. The case is aimed at highlighting the issues and the action being taken/contemplated over the issues. As the matters, reported in December 2010, is still under the process of investigation and follow up action at certain quarters, the case is updated till the date of completion, 25th May 2011.

FULL CASE STUDY-THE GURGAON FRAUD AT CITIBANK

The Incident

Gurgaon police on 30th December 2010 arrested Citibank Relationship Manager Shivraj Puri, who allegedly masterminded a major fraud in the Gurgaon branch of the Bank. Puri was alleged to have opened 78 accounts in his name and in the names of his grandparents, Premnath Puri and Sheela Premnath Puri besides an account in the name of his mother, Deeksha Puri. These accounts are with different financial

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