



**India Corporate Fraud
Perception Survey 2018**

Edition III

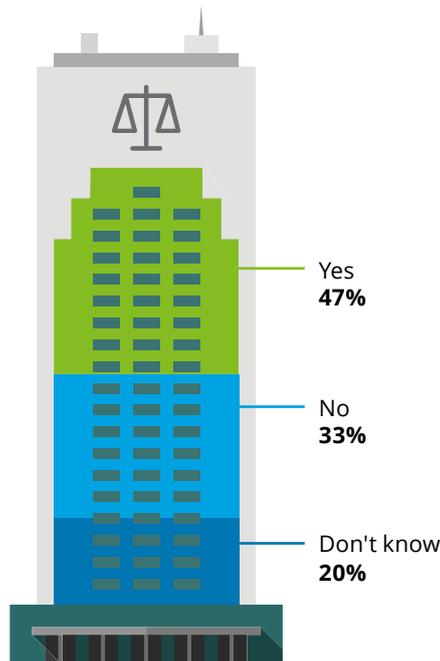
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Section 3

The impact of anti-fraud regulation on corporate fraud

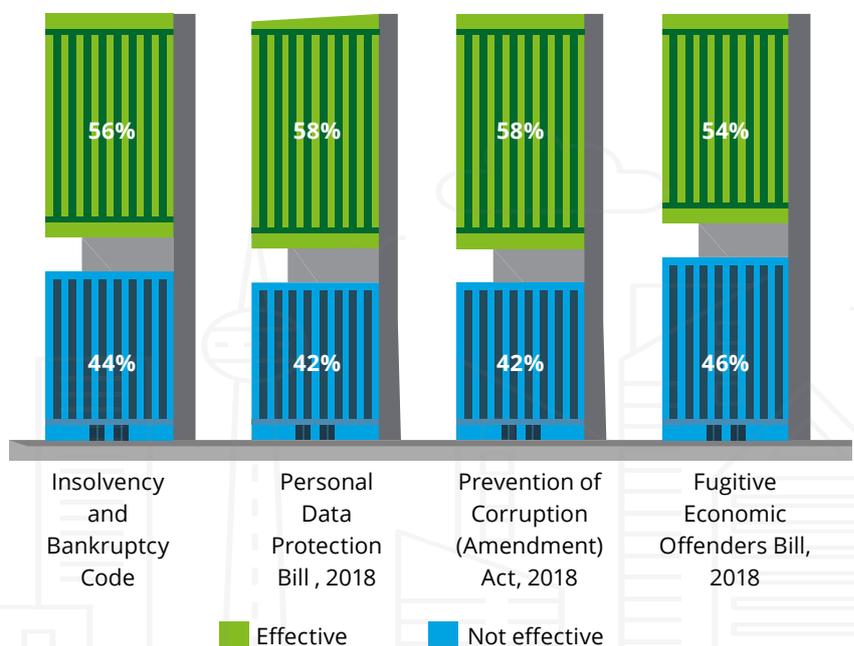
Key Findings

About 47% of respondents believe that anti-fraud legislations have been successful in curbing incidents of fraud, misconduct, and noncompliance.



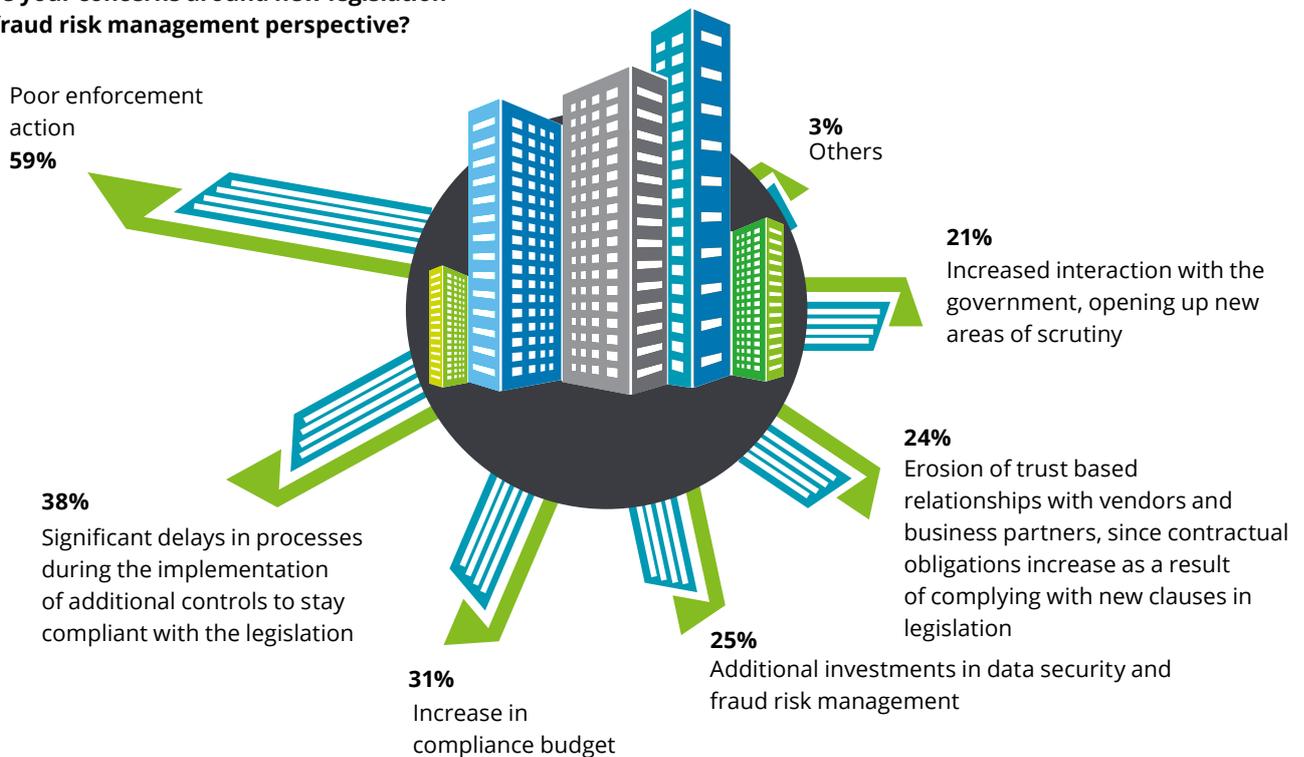
In line with that, the majority of respondents feel positively about legislations such as the Insolvency and Bankruptcy Code (56%), Personal Data Protection Bill, 2018 (58%), Prevention of Corruption (Amendment) Act, 2018 (58%), and Fugitive Economic Offenders Bill, 2018 (54%).

How effective do you feel some of the following legislations (enacted and proposed) will be in curbing fraud?



Organisational concerns from new legislations appeared to be based on poor enforcement action in the past.

What are your concerns around new legislation from a fraud risk management perspective?



Some questions allowed for respondents to provide multiple choices. For those questions, the total percentage will exceed 100%.

Our observations

In recent years, India has passed at least five legislations specifically supporting efforts towards preventing corporate fraud, malpractice, and misconduct. This is a sign that regulators are aware of the challenges faced by organisations in curbing fraud and are determined to ensure business is conducted ethically. The Prevention of Corruption (Amendment) Act, 2018 is now more comprehensive and targets bribe givers too, with the objective of ensuring that organisations work towards putting in place adequate procedures designed to prevent bribery. The Fugitive Economic Offenders Bill, 2018 is expected to deter individuals involved in fraud and other economic offences (valued at Rs 100 Crore and above) from fleeing stressed the country to escape criminal prosecution¹⁴. The IBC is improving

insolvency resolutions in India by conducting proceedings in a time bound manner alongside providing economically viable alternatives to resume stressed business. The code also prohibits certain parties from submitting a resolution plan in the case of defaults – willful defaulters, promoters/ management of companies with outstanding non-performing debts and disqualified directors, among others¹⁵.

While organisations may need to invest additionally towards putting in place processes and ensure compliance with these regulations, we believe these efforts will help better manage fraud risks in the long term and build a culture of compliance. Some of the teething issues experienced initially are bound to be addressed by the

regulator and simplification of processes may eventually be possible so as to accommodate small and medium enterprises who may not have the resources available for compliance. In this regard, globally, regulators are beginning to rely on technology for better compliance at affordable costs. A report estimates that by 2023, close to 50 million KYC checks will be run through artificial intelligence¹⁶, thereby freeing up resources to focus on more serious compliance tasks. In India large organisations already leverage technology for fraud risk management and compliance, and we believe with the growing presence of indigenous technology providers, small to mid-size organisations will also be able to use technology at an affordable price.

¹⁴ <https://www.livemint.com/Companies/R4Bl7gZUwFgVjU25WNoiQP/Fugitive-Economic-Offenders-Bill-gets-presidents-assent.html>

¹⁵ Source: <http://www.prsindia.org/billtrack/the-insolvency-and-bankruptcy-code-amendment-bill-2017-5017/>

¹⁶ Source: <https://www.juniperresearch.com/resources/infographics/regtech-market-summary-key-takeaways>

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