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CORPORATE FRAUD IN INDIA: LESSONS FROM THE SATYAM SCANDAL TO THE PNB-NIRAV MODI CASE

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Abstract

The fraud by the corporations has become a major threat to financial integrity of India with big scandals such as the 2009 Satyam fraud case and the 2018 Punjab national bank (PNB)-Nirav Modi case having revealed gaping holes in the governance, auditing and banking regulation systems. The paper will critically look at these two key instances and use it to assess the development of mechanisms of corporate fraud and study the adequacy of the reforms thereafter. The research conducted by using a comparative case study approach to understand there are ongoing shortcomings of the Indian model of fraud prevention even with the legislative changes such as the Companies Act 2013 and the Fugitive Economic Offenders Act 2018.

The Satyam scandal case, where the company issued false financial reports to the tune of USD 1.5billion, reinforced the fact that auditor independence was not met and that the board oversight was not adequate, which has now been rectified in the form of Clause 49 of SEBI. Nevertheless, the PNB routine, in which $2 billion were stolen with the help of fraudulent Letters of Undertaking, showed that the other weak points of the banking control and real-time checks have been identified. Three major weaknesses as outlined in the paper include: (1) insufficient protections to whistleblowers, (2) extradition and the recovery of assets takes too long and (3) there is poor use of technology in combating fraud.

Using the reports of the RBI, judgments of enforcement courts as well as cross-referencing to a foreign regulatory regime, the current study develops a four-pillar reform agenda, including (1) compulsory use of artificial intelligence in transaction surveillance, (2) a centralized corporate fraud registry, (3) the presence of specialized fast-track courts on economic crime and (4) cross-border bilateral instruments to retrieve and unveil assets abroad. The report highlights that India should replace reactive solutions by creating proactive and technology-

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enabled preventative mechanisms against frauds in the future.

Keywords: Business fraud, Satyam scandal, Nirav Modi, SEBI, reforms auditing, banking control

Introduction

It is a serious issue to the economic stability in India, and with estimates that say that the annual losses tend to be equal to 1.5 percent of GDP, this is a serious problem according to 2024 report by the Reserve Bank of India. Section 447 of the Companies Act of 2013 legally defines corporate fraud as a wilful act of failing to act, covering up, or misusing positions with the view to misleading stockholders or gaining unauthorised advantages on the one hand, and putting the offenders behind bars and inflicting heavy fines on the other. The Satyam Computer services scandal of 2009 when it was revealed that there were fraudulent accounting practices of 1.5 billion dollars and the recent Punjab National bank Nirav Modi case of 2018 with its fraudulent transactions of 2 billion dollars have illustrated severe flaws in the corporate governance system in India regarding auditing procedures, supervision of banks and the effectiveness of the regulatory agencies.

The fact that some of the largest corporate frauds continue to take place in India, even after the post-Satyam reforms are a serious question that does not bode well with India in its response to this issue. As much as the legislative activities like the Companies Act 2013, and the clause 49 requirements imposed by SEBI on independent directors were considered a step in the right direction, their operationalisation has cast light on some of the shortfalls. The Nirav Modi case, which took place almost ten years after Satyam, has shown that the same vulnerability of the banking controls and cross-border cooperation still helped to develop such massive financial fraud cases. This trend of repetition indicates that the anti-fraud system of India needs deeper reforms touching on prevention and implementation.

In this paper, there are two key questions concerning the way of dealing with corporate fraud in India. The first focuses on the reasons why the reforms carried out in response to the Satyam debacle did not avert the PNB-Nirav Modi fraud, examining discrete oversights in audit requirements, bank oversight, and whistle blowing laws. Second, it is judging the success of extradition treaties and asset recovery tools in India, especially concerning the slow process of the Nirav Modi case, which has been running for five years ago because of the complications

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in the legal system in the UK under the aspect of prison treatment and human rights concerns. The approach has been to apply both the case study approach to the Satyam and Nirav Modi cases as well as conduct doctrinal study of cases of relevant SEBI enforcement proceedings and ED proceedings under the Prevention of Money Laundering Act. Comparative policy analysis, benchmarking the framework in India against the international standards by reference to the U.S. Sarbanes-Oxley Act, EU Anti Money Laundering Directives among others, is also included, to determine some points of intervention.

There are a few main themes arising out of this investigation on corporate fraud in India. The emphasis of the regulatory responses has been on structural measures like setting up National Financial Reporting Authority, with limited regard on deterrence of behaviours by means of prompt prosecutions and convictions. The existence of technological lapses in the monitoring systems has remained a mainstay irrespective of the digital progress, and the manual procedures still pose challenges in the banking operations that form a vulnerability. Importance of international aspects in the fight against financial crimes has gained prominence as there has been the necessity of a more global strategy and coordination which has been recently witnessed in the work of G20 working groups in seeking to find consensus on anti-corruption actions by India.

Economic effects of corporate fraud go beyond the direct economic loss of about 6.3 billion dollars per year to indirect effects on small and medium sized companies, retail investors, and general market faith in relying on such financial activities. The observations and the recommendations made in this paper to enhance the functioning of the system in terms of fraud prevention and enforcement, such as the use of technological means, like audits on AI, and the solution at the institutional level, like fast-track courts, are meant to help in more efficient fraud prevention and enforcement operations. Analyzing the failures together with possible mitigation solutions, this research aims at contributing to policy debate on the enhancement of Indian defenses against corporate misconduct on the increasingly complex financial backdrop.

The Satyam Scandal (2009) (1,000 words)

The Fraud Soul

One of the biggest cases of corporate accounting fraud in Indian history was exposed by the Satyam Computer Services scandal of 2009, which is sometimes called the Indian Enron. Ramalinga Raju, the founder and the chairman of the company, confessed that over the years,

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he fraudulently accumulated bogus incomes of about 1.5 Billion dollars by submitting fake invoices and inflated books of accounts (Sharma, 2010). This complex plan was inclusive of keeping parallel sets of books and creating bank statements demonstrating that there were non-actual cash balances. The bogus scheme was mainly done by creation of 6,000 quotations, which never translated to actual services rendered to artificially inflate revenue figures of this company by almost 27 percent (Sarkar & Sarkar, 2012).

Another key figure in this fraud was the collusion of the auditors of Satyam, Price Waterhouse (currently PwC India) who have played a critical role in this fraud. The auditing firm was found guilty of not having done any due diligence in terms of verifying the bank balances and accounts receivables which formed the very basic procedures of an audit (Chakrabarti, 2009). The auditors were also supposed to accept false bank statements and failed to personally verify that the clients and projects shown in the financial reports of Satyam existed. This laxity or even collusion, so to speak enabled the fraud to continue unabated all through till 2009 when it was finally detected after close to a seven-year period since its initiation in 2002 (Ramachandran & Banerjee, 2011).

Regulatory Fallout

The Satyam issue caused major changes in India to the corporate governance regime. As a reaction to the obvious gaps in control, the Securities and Exchange Board of India (SEBI) enacted amendments to the Clause 49 of the Listing Agreement in 2014(SEBI Circular No. CIR/CFD/POLICY CELL/2/2014). These reforms required more requirements of independent directors in the corporate boards in terms of qualification and criteria of independence. New clause modifications also mandated companies to have whistleblower measures and enhance the functioning of the audit committees (Varottil, 2015).

Some of the provisions of the Companies Act of 2013 have been put, which specifically confronted some of the shortcomings that the Satyam case revealed. Section 139 of the Act brought on compulsory rotation of auditor agency and restricted the maximum period staying of an audit firm with a firm to ten years (Companies Act, 2013). This was an effort to eliminate the formation of too comfortable relationship between companies and auditors, which in the case of Satyam led to the involvement of Price Waterhouse as an auditor of Satyam spanning almost a decade (Khanna, 2014). The National Financial Reporting Authority (NFRA) was also set as an independent auditing standards regulator but the full implementation took place as

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late as 2018 (Ministry of Corporate Affairs Notification, 2018).

Response by the Judiciary

The Indian court system was very instrumental in solving the Satyam scandal by making some land mark decisions. The case of SEBI v. Ramalinga Raju (2010), the supreme court of India reaffirmed the order of SEBI banning the Price Waterhouse to audit listed companies in two years to auditing (SEBI v. Ramalinga Raju, (2010 7 SCC 1). It was also important that the court imposed a 10-year ban of the particular auditors who had been engaged by Satyam, on accountability of practising before SEBI (Chandra, 2011). These sanctions were some of the harsh punishments to be accorded to an audit firm in India during that period.

The incidence has also led to high levels of compensations to the victims. In 2012, Upaid Systems, who used to be Satyam clients received settlement of 70 million dollars in an action of fraudulent misrepresentation (Upaid Systems Ltd. v. Satyam Computer Services Ltd., 2012). The case formulated principles that have significant implications on corporate liabilities in cross-border transactions. The settlement process also brought out the international aspects of the scandal as Satyam had many clients in the international market who had been victims of the scandal (Srinivasan, 2013).

Criminal cases against Ramalinga Raju and other executive of the Satyam company ended in 2015 leading to convictions of criminal conspiracy, cheating and forgery under Indian Penal Code (CBI v. As of 2015, Ramalinga Raju (2015) has said that. The trial court gave an order sentencing Raju to seven years in jail and fines in large numbers though the order was greatly oppressed as too modest considering the nature of the fraud (Rao, 2016). The case not only validated the possibilities and the weakness of the Indian legal system in dealing with complex cases of corporate crimes but also showed how the trial process also took a period of six years before a conclusion began to be reached even though special fast-track procedures were followed (Menon, 2015).

The PNB-Nirav Modi Fraud (2018) (1,200 words)

Modus Operandi

The PNB Nirav Modi scam is considered one of the biggest banking frauds in the history of India in which it is estimated that fraud trades might have lost about a US$2 billion (Reserve Bank of India, 2019). The main process involved issuance of the unauthorised Letters of

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Understanding (LoUs) by the Brady House office of the Punjab National Bank in the city of Mumbai. The LoUs that were used as guaranties of banks were issued without traditional security or paperwork and allowed the companies owned by Modi to get foreign loans in other Indian banks.

The most telling weakness was that the SWIFT messaging platform of PNB could not be in real-time synchronisation with its Core Banking System (CBS). Deputy Manager Gokulnath Shetty and other employees who issued LoUs through SWIFT did not record it in the CBS; via this they created a separate channel of banking that was impossible to detect. This loophole allowed the fraudulent act to continue almost seven years, between the year 2011 and its identification in January 2018. The scam existed in the form of the circular transactions people were financially secured by the following LoU as some other one matured creating the Ponzi-like scheme that had to continuously grow to sustain the business (Financial Stability Report, 2018).

The disgrace revealed major weaknesses in the banking regulation of India. By 2018, the Reserve Bank of India had not obliged real-time access to the integration of SWIFT and CBS, although the occurrence of similar frauds was an international precedent. This was the absence of a control that allowed the diversion of transactions that were outside the normal trail of audit. The Reserve Bank PNB also inspections did not reveal anything wrong although repeated on-site inspections were conducted which raises the question of the efficiency of bank supervision in India (Report on Trend and Progress of Banking in India, 2018).

The auditors were also negligent making the fraud to last long. The auditor of PNB at the time and part of the fraudulent tenure, Deloitte Haskins & Sells, failed to detect LoU transactions that were not recorded yet, but had material effects on the bank position financially. It was found that fundamental audit functions like reconciliation of SWIFT messages with CBS positions; confirming high value trades were not being performed to any significant standard or were not being performed at all. Such revelations revealed flaws in the system in Indian auditing standards and practices (Comptroller and Auditor General of India, 2019; Institute of Chartered Accountants of India, 2019).

There has been a wide response of laws. The Fugitive Economic Offenders Act (FEOA) of 2018, which specifically targets the evading financiers, allows the subject of the property of

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individuals who escape legal proceedings. According to this law, an Indian government gained control of approximately US$800 million worth of worldwide property, jewellery, and bank accounts of Nirav Modi, whose residence property in New York and London and other companies in Mumbai were also caught up in this (Enforcement Directorate, 2021).

Nevertheless, the extradition practice is complicated. In 2023, UK courts voiced doubts about the state of prisons in India as a possible hitch to the extradition of Modi, thereby delaying the process of extradition. The case demonstrates that cross-border criminal litigation is a challenge, especially in view of the consideration of human rights (Ministry of External Affairs, 2023). As of the writing (2024), Modi is still under detention in the UK pending the extradition request to be offered.

Domestically, quite a number of prosecutions have been seen. More than twenty PNB staffers are accused in a case of criminal conspiracy, cheating, and corruption in accordance with the Prevention of Corruption Act (Central Bureau of Investigation, 2020). The trial under the special fast-track measures is a representation of how India is committed to prosecuting bankers and corporate men due to financial crimes. However, the lengthy, drawn-out process that this court case has taken - the case is expected to take until at least 2025 - is indicative of how hard it is to prosecute a complex financial crime in India in the current judicial system (Special CBI Court, Mumbai, 2023).

Post-Satyam Reforms.

The Satyam scandal turns out to be the turning point of becoming of the corporate governance system in India. This scenario forced a considerable rebalancing of the regulation, particularly the issue of the enactment of the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations (SEBI/LAD-NRO/GN/2015-16/013) in 2015. The amended regulations require listed companies to have effective vigil systems in place and implementation of a complete protection against reprisals against whistle blowers. In particular, the circular entails the publication of the policies on whistleblowing annually, direct, non-hindering access of whistle blowers to the audit committee in reporting any accounts anomalies.

At the same time, the Companies Act 2013 enhanced considerably the mandate of the Serious Fraud Investigation Office (SFIO). Section 211 changed the SFIO, being a purely investigative

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agency, into a multi-disciplin-ary, and a protectionary instrument. The Act also allows arresting suspects without any warrant by the SFIO officers in some cases and makes its reports admissible without corroboration in future trials. These measures will address the shortcomings which arose at the time of Satyam investigation, when inter-agency coordination was hampered.

After Nirav Modi the Alterations

The year 2018 brought shocking events, which necessitated the immediate changes in the banking industry. To this effect, the Reserve Bank of India released Circular RBI/2018-19/186 whereby, all the SWIFT messaging systems were to be synchronized fully with the Core Banking Solutions (CBS) by 30 April 2019. Banks had to institute in real time monitoring of transactions and instigate reconciliation measures which would correlate SWIFT data with CBS records. On the same breath, the Master Direction-Risk Management and Inter-bank Dealings (RBI, 2019) further laid down the prudential norms related to Letters of Undertaking (LoUs) by making it mandatory to credit rate the borrowers and to increase the level of disclosure.

Around the same time, new solutions to stymie capital flight were offered by Fugitive Economic Offenders Act (FEOA) 2018. Section 12 follows a standard of presumption of guilt by enabling the courts to presume that the assets of suspects are illegally acquired until it is demonstrated that the same is not true. Section 4 confers further powers on the courts to seize all domestic assets as well as benami holdings even without any conviction. Such steps will directly solve the problem that affected the Nirav Modi case as well, where the suspect evades jurisdiction and transfers money to another country.

Comparative Analysis

Common Vulnerabilities

The Satyam and the Nirav Modi-PNB fraud allow one to reveal the heart-rending similarities in their unveiling of the vulnerabilities of the system of managing finances in India. In both cases, the weaknesses of the systems allowed the perpetrators to go unnoticed over a long time. Both of them involve major audit firms (Price Waterhouse now known as PwC in the case of Satyam and Deloitte in the PNB issue) that did not apparently employ basic verification procedures. Such incidences come to highlight the enduring issues of auditor independence and professional scepticism in India auditing industry (Banerjee, 2020).

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The second related weakness was technology weaknesses in the modern monitoring systems. Satyam resorted to manual accounting in order to hide the billions of fictitious transactions, and the fraud at the PNB took advantage of the lack of connection between the SWIFT platform and the Core Banking System (Sharma, 2018; RBI, 2019). Both cases depict the misuse of the existing obsolete and disintegrated digital infrastructure to circumvent checks. Institutional complacency on technological risks proved when delayed implementation of comprehensive enterprise resource planning (ERP) systems took place in Satyam and real time monitoring of transactions were lacking in PNB (Narayanaswamy, 2014; Financial Stability Report, 2018).
Events triggered by these scandals elicited legal and regulatory reactions that were very different. As in most cases involving the special fast-track courts in India, the Satyam prosecution progressed at pace, and Ramalinga Raju was in 2015 sentenced to seven years in prison, a relatively quick result, having achieved conviction in only six years since exposure of the fraud was reported, and again, because the prosecution was one jurisdiction, domestic operations (CBI v. When our system cannot even see what it should not see and hear what it is not supposed to hear, then we need to know the secrets to it all (Ramalinga Raju, 2015). The PNB Nirav-Modi case as opposed to this has been played in the long-drawn cross-border court battles. In 2024, extradition of Modi to UK courts is holding on with the issue of prison conditions and human right aspects being a bone of contention that showcases the difficulty of enforcing financial crimes on multi-jurisdiction lines (Government of India v. As Nirav Modi, 2023 points out. The differing trends in prosecution demonstrate ways in which globalization is making criminal justice so problematic even though there is an improvement on the local capabilities and management of justice as seen through the enactment of the FEO Act in India. The paths of recovery are also not the same. The relatively smaller size of Satyam operations allowed assets to be partially restored in sales and settlements including that of Upaid Systems, worth 70 million (Srinivasan, 2013). In correlation, the PNB-Modi-Nirav case was characterized by jurisdictions and complex asset-hiding mechanisms, which makes the case only partially retrieved even with the provisions of the FEO Act (Enforcement Directorate, 2021). This gap highlights the challenges that are present in the task of following and reclaiming assets in the environment of globalization of modern finances.

In combination, both cases indicate great progress in treating domestic corporate fraud in India and point out a major gap in dealings with cross-border financial crimes. The transition of Satyam into PNB indicates the rise of the advanced form of the accounting fraud into a banking and international finance malpractice, which requires the relevant correspondents in terms of

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investigative capabilities and international coordination channels. Altogether, the scandals indicate both the strengths and the limitations of the changing corporate-governance and financial-regulatory systems in India.

Persistent Systemic Issues in India's Corporate Fraud Framework

The constitutional, regulatory and the judicial institutional framework put in place to fight corporate fraud in India is always found wanting despite the comprehensive reforms initiated after the scandal. A good example is the whistleblower protection regime, whereby despite provisions in the Companies Act, 2013, which mandates listed corporations to exercise counter checks through rigorous vigil mechanism, the failure of the Act to guarantee anonymity and least to say, monetary compensation renders the potential whistle blower demotivated. This issue is illustrated in the case of PNB fraud; internal alarms that were sounding indicating suspicious transactions have been dismissed on grounds that the employees were afraid of retribution. The wider deterrence of the Whistleblower Protection Act, 2014 that remains unaddressed also leaves the whistleblowers working in the public sector at high risk. Thoughtfully crafted programs like the U.S. Dodd-Frank Act, which in combination with financial incentive grants confidentiality, increase protection and motivate reporting, but the current Indian system preserves the culture of silence in cases of corporate misconduct.

Court delays are another, major challenge. According to annual report of 2024 of the National Crime Records Bureau, it takes an average of 5.5 years to complete trials of economic offenses in India. Justice is even slower since subordinate courts have been facing about 3.9 crore pending cases. Delays are exacerbated by complexities inherent to statutes such as the Prevention of Money Laundering Act which requires that charges of predicate offence be tried separately to money laundering trials. In addition, the already poor judicial capacity is further shortened by the fact that only 21 of judges per million people are involved, as compared to the recommended standard of 50 per million. The cross-border ones make the situation even worse; the extradition attempts with Nirav Modi, conducted in 2018 in the United Kingdom, have not yet ceased to be tangled in the issues of the prison conditions.

The Indian regulatory machine is as well described based on reactive posture. The systematic risk assessment of integrating mandatory SWIFT- CBS integration in the banks was not done but only done after the PNB fraud was revealed. Auditor accountability is also not satisfactory. Compared to the Penalty imposed on Price Waterhouse and Deloitte in the Satyam and PNB

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cases respectively, fines were not very high. The 2019 RBI Malegam Committee review revealed that bank audits still focus on high level system checks and not on minute inspection of actual transactions which allowed fraudulent practices to go on without detection.

The mechanisms to recover the assets are grossly inefficient despite some legislation in the form of Fugitive Economic Offenders Act, 2018. In Nirav Modi case, the government agencies have only recovered approximately 2000 crore of the 13500-crore scam. According to the Enforcement Directorate, 1.55 lakh crore of attained assets are in the process of restitution but not a single penny has been returned 21 years after enactment, and this becomes the best example of the gap between these two.

Another method of preventing and detecting frauds is hampered by technological gaps in the financial institutions and judicial systems. Legacy systems have less integration and are still relied upon by many banks even though they are very outdated, and courts also face a problem with slow and time-consuming paper systems even though the eCourts Mission is in place. 37 percent of pending cases also suggests that the system lacks capacity to deal with complicated financial litigation given that they are less than a year old.

The structural reform is required to address such endemic weaknesses. Among the remedies, it is suggested to introduce a strong whistleblower protection system, establish economic-offences courts and introduce the use of AI-based audit software tools that have inbuilt capabilities to detect anomalies in real-time. Without these structural changes, there is a low chance the corporate fraud system in India will actually prevent, detect, or charge advanced cases of financial crimes.

Policy Recommendations for Strengthening India's Corporate Fraud Framework (600 words)

The current discussion formulates a reasonable set of policy measures that can reinforce the current framework of corporate fraud in India. The aforementioned three pillars of prevention, detection, prosecution pay off and serve the common purpose of explaining how technological innovation, institutional harmonisation and modernisation of courts can in unison eradicate the structural shortcomings that make corporate fraud in India perpetuate.

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Prevention

In a preventative perspective, the application of the AI-based auditing is another strategically crucial measure against corporate malpractices. The Securities and Exchange Board of India (SEBI) should make it a requirement to have transactions monitored by AI led transaction-monitoring platforms at all listed companies and financial institutions. These sites would use machine-learning programs to identify abnormalities in real time, including abnormalities in payment, all the way up to the fake invoices as seen in the Satyam episode. ICAI ought to come up with standardised protocols of AI audit and certification provisions to audit firms. The reliance that is presently being based on the manual sampling approaches, which allowed the Satyam as well as the Punjab National Bank fiascos go on undetected during a number of years, would be replaced. SEBI might encourage the compliance by offering fewer necessaries to the firms, which make use of certified AI audits, and increasing the sanctions imposed on auditors in case they fail to leverage such technologies.

Detection

It should have a centralised corporate fraud database to be operated at the detection phase under the watch of the Serious Fraud Investigation Office (SFIO). The database would absorb data in bank documents, regulatory filings and whistle blowing. Any entity with high growth rate, a high turnover of auditors, or a complicated organisational structure, all staple ingredients of most fraud networks, would be identified by predictive analytics. It would only grant access to financial regulators and law enforcers as well as authorised audit firms, with hefty protection of data-privacy in place. The existence of such a system could have revealed the ring of transactions associated with the case of Nirav Modi through cross-checking of banking data of various financial institutions. Such a practice would entail a change in the Companies Act to ensure that all the alleged or suspicious occasions of fraud be reported to the SFIO database, regardless of materiality levels.

Prosecution

Preventive and investigative actions largely depend on good prosecutorial systems. In turn, Special Courts on money laundering pattern- Special Courts for Money Laundering Act- should be established, aiming at trying the economical-criminal defendants. Armed with judges who have been specially trained in corporate legislation and forensic accounting, such courts would be in a position to whittle down the prevailing average trial period of economic-offense

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cases (5.5 years) to 18-24 months using electronic file systems, adjournment limits, and pretrial conferences meant to identify battle-ground issues. Concurrent trials of crimes including offences under Companies Act, the Prevention of Money Laundering Act and the Indian Penal Code would eliminate current course of lengthy trials. In addition, the multifield technical requirements that typify corporate fraud prosecution would be met by sufficient numbers of forensic accountants and digital-evidence experts.

Recovery

There is the threat that asset recovery initiatives could be delayed, not to mention hampered, by international multiplicity. The Ministry of Finance will be well advised to execute asset-sharing accord immediately with top destinations such as Mauritius, Switzerland, UAE and Singapore. Such treaties ought to contain automatic freezing provisions, the liberalisation of rules of evidence in confiscation, and well-defined rules in the allocation of assets. The current recovery level of 15 % of cross-border frauds is a demonstration of how important such instruments are. The agreements must also form common investigation teams, mutual legal assistance, to overcome the evidential hurdle towards extradition. At a local level, the Enforcement Directorate is compelled to provide a transparent dashboard of attached assets and recovery process, which amounts to increased public accountability.

Implementation Roadmap

The interventions suggested should be staged in a period of three to five years. Among the first steps there are pilot AI auditing in systemically important banks, creation of two special courts of economic-offense in Mumbai and Delhi, gradual extension of the current infrastructure by SFIO into a national fraud database. Bilateral treaty negotiations with priority jurisdictions should be started at once. The roll out will have to be accomplished in a concerted effort of the Ministry of Corporate Affairs, the Reserve Bank of India, SEBI and the judiciary, possibly through a Financial Fraud Prevention Coordination Committee. The continuous assessment that should include determination of the timelines of detection, conviction results and outcome of asset recovery will be essential in ensuring that the changes increase the confidence of investors in the Indian financial system and ward off the commission of corporate fraud.

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Conclusion

The corporate scandals of Satyam and PNB-Nirav Modi provide a succinct commentary into the corporate governance framework of the country, where the two scandals were associated with both the development of financial malpractices as well as the limitation of overly responsive regulation. These events help to shed light on long-term structural shortcomings in the risk of auditing processes, surveillance of financial institutions along with the protection of blow-whistlers regardless of the legislative changes. Comparative analysis also unveils a transformation of fraud modus operandi, occurring between a traditional, revenue-books-based modus and a newer, more complex financing-products-based modus with transnational scope. even though legislation like the Companies Act 2013 and the Fugitive Economic Offenders Act are important progresses, insufficiencies of implementation are encountered most explicitly in the area of cross-border enforcement and confiscation of assets.

The urgent imperative is therefore to move away to ex-post damage control to prospective preventive techniques. The paradigm shift does not only require some structural fine-tuning, but it also requires a focus on the behavioural aspect and technological aspect. Artificial-intelligence-assisted auditing, centralised fraud monitoring, dedicated courts, and increased international cooperation are the measures that are under consideration at the moment, yet, in combination, they create the full picture of the framework of reducing the current regulatory gaps. However, their effectiveness will be based on the ability to address structural challenges like complicated judicial processes, the lack of accountability of the auditors and the inability to align the actions of various regulatory bodies.

Professional competence is also the requirement of the long-life resilience. The Indian law curricula should incorporate the forensic accounting courses and the financial investigation courses into the LLB curriculum thus preparing the lawyers to deal with the complex financial crimes. In complement, the auditor and banking-sector certification regimes must place the first emphasis on identifying fraud and responsible management. With the Indian economy set on becoming an economic powerhouse in the world, a thorough reinforcement of their corporate-governance structure will be a necessary requirement that will be required to maintain the integrity of the market and the confidence of investors. The experience gathered out of the Satyam fiasco and the PNB frauds ought to provide the incentive to develop a financial framework capable of pre-empting a crisis instead of responding to it.

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