

FORENSIC INVESTIGATION *SPECIALIST*

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Presented by
J.S.CHOPRA & ASSOCIATES
CHARTERED ACCOUNTANTS

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In this Newsletter we have briefly covered regulatory investigations in the IDFC FIRST Bank fraud in 2026.

Case Overview

Total Fraud Size: Estimated at ₹645 to ₹650 crore in diverted government funds.

Affected Entities: Eight Haryana government departments, Chandigarh Municipal Corporation, and Chandigarh Smart City Limited.

- In February 2026, IDFC FIRST Bank disclosed unauthorized / fraudulent transactions involving approximately **₹590 crore** in accounts belonging to Haryana government entities at its Chandigarh branch.
- The bank initially suspended **four employees** and reported the matter to law-enforcement authorities.
- Investigators alleged that bank employees colluded with government officials and outside parties. Some money was allegedly routed through shell companies and other beneficiary accounts.
- The investigation later expanded to **Chandigarh Smart City Limited (CSCL)** and other government-linked accounts, with a separate alleged loss of around **₹153 crore** reported in the CSCL case.
- In June 2026, KPMG's forensic review concluded that the incident involved collusion between certain bank employees/ex-employees, government-department employees and third parties, and characterized it as an **isolated branch incident**. The bank reported a net principal amount of about **₹645.59 crore** paid to affected government and other accounts, including applicable interest.
- The case is **still legally active**. Most recently, on **September 2, 2026**, the CBI filed another chargesheet against five Haryana IAS officers and 14 others in the broader **₹504-crore Haryana government funds case**, alleging conspiracy, cheating, forgery, bribery and criminal breach of trust.
- It is important to distinguish the **₹590 crore initially reported**, the **₹645.59 crore subsequently paid/settled based on claims**, and the **₹504 crore CBI case**, because they refer to different stages/scopes of the investigation rather than simply three different frauds.

- The Enforcement Directorate (ED) raided 14 locations across Chandigarh, Mohali, and Panchkula as part of an ongoing money laundering probe into a **₹645-crore embezzlement scandal linked to IDFC FIRST Bank's Sector 32 branch**

Alleged Modus Operandi

According to disclosures by **IDFC FIRST Bank, the Directorate of Enforcement (ED)**, and investigations by the **CBI**, the fraud operated through the following mechanisms.

- Opening unauthorized government accounts and offering illegal high interest rates (up to 14%).
- Issuing fake Fixed Deposit Receipts (FDRs) and fabricated statements.
- Diverting funds to shell companies and laundering via local real estate and jewellers.

Collusion: An Unauthorized Fraudulent Activity (UFA) orchestrated through a direct collusion between bank branch staff (including ex-employees like Ribhav Rishi and Abhay Kumar), customer/government department employees, and third-party intermediaries.

Diversion of Fixed Deposits & Government Funds: Public funds and fixed deposits belonging to departments of the Haryana Government, the Chandigarh Administration, and private schools were illicitly diverted.

Shell Entities & Layering: Siphoned money was routed and layered through shell companies and front entities—such as Swastik Desh Projects, Capco Fintech Services, Maa Vaibhav Laxmi Interiors, SRR Planning Gurus, and Vipam Consultancy.

Fraudulent Billing & Real Estate Layering: Funds were further laundered and absorbed via fictitious or inflated gold / jewellery billings (e.g., linked to entities like Sawan Jewellers and Chandigarh Mega Store) and real estate transactions involving absconding developers.

Key Investigations & Latest Raids

- **ED Crackdown:** Raided prominent jewellers and premises on September 29, 2026, probing hawala trails and cash-for-gold transactions.
- **Assets Attached:** The ED has attached, seized, or frozen movable and immovable assets worth ₹211 crore so far.
- **Mastermind Arrests:** Former branch manager Ribhav Rishi and relationship manager Abhay Kumar are identified as primary architects of the fraud and remain in custody.
- **CBI Chargesheets:** The CBI has named multiple Haryana-cadre IAS officers and arrested over 22 individuals, including state board officials and senior bureaucrats.
- **Financial Loss:** A net principal claim of ₹645.59 crore across 13 accounts (after a ₹94.32 crore credit adjustment) plus ₹30.60 crore in interest, recognized in bank books.
- **Enforcement Action:** A forensic report was submitted by KPMG on June 5, 2026. Multiple

central agencies (ED and CBI) have conducted raids, frozen over 90 bank accounts, seized assets, and arrested multiple accused (including 19 individuals linked to the branch/collusion network and former Haryana public servants)

Bank's Explanation

IDFC FIRST Bank maintains it is a victim of a deliberate financial conspiracy executed by rogue current and former employees in collusion with external parties.

The bank stated that its core banking system records remain accurate and that it has since implemented tighter technology-led preventive controls.

My Perspective

Based on the available information in public domain, the Banks and similar institutions should develop internal controls and systems to have these and similar transactions red flagged at the time of occurrence. In the current scenario, use of AI related techniques would greatly enhance the internal control procedures.

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