

GOVERNMENT OF INDIA
MINISTRY OF ELECTRONICS AND INFORMATION TECHNOLOGY
LOK SABHA
UNSTARRED QUESTION NO.2325
TO BE ANSWERED ON 26.12.2018

FRAUD IN DIGITAL TRANSACTIONS

2325 ADHIR RANJAN CHOWDHURY:

Will the Minister of Electronics and Information Technology be pleased to state:

- (a) the details of cases of fraud along with amount of money lost as a result of fraud cases in digital transactions;
- (b) whether the Government has put in place a system to monitor risks in digital transactions, if so, the details thereof and if not, the reasons therefor; and
- (c) whether the Government has proposed a mechanism for customers to file complaints in cases of fraud and guidelines for customers to claim compensation, if so, the details thereof, if not, the reasons therefor?

ANSWER

MINISTER OF STATE FOR ELECTRONICS AND INFORMATION TECHNOLOGY
(SHRI S. S. AHLUWALIA)

(a): This ministry does not have specific information about the above mentioned question. However, as per the details shared by Reserve Bank of India (RBI), data on 'ATM/Debit Card', 'Credit Card' and 'Internet Banking' frauds reported by scheduled commercial banks and select financial institutions during the last three years and the current year (till September 30, 2018), is given in Annexure.

(b): Government has taken a number of steps to monitor and mitigate risks of the cyber security of digital payment systems. Some of the steps taken by Government have been mentioned below.

1. RBI has also set up a Cyber Crisis Management Group to address any major incidents reported including suggesting ways to respond. Based on market intelligence and incidents reported by the banks, advisories are issued to the banks for sensitizing them about various threats and ensure prompt preventive/corrective action. RBI also conducts cyber security preparedness testing among banks on the basis of hypothetical scenarios with the help of CERT-In.
2. RBI carries out IT Examination of banks separately from the regular financial examination of the banks since 2015 to assess their cyber resilience. The examination, inter-alia, evaluates the processes implemented by banks for security checks like VA/PT etc. and their follow up action. This report has a special focus on cyber security. The reports have been issued to the banks for remedial action.
3. An inter-disciplinary Standing Committee on Cyber Security as indicated in the Statement on Developmental and Regulatory Policies issued along with the Sixth Bi-monthly Monetary Policy Statement, 2016-17 announced on February 8, 2017 has been constituted. The Committee, inter alia, reviews the threats inherent in the existing/emerging technology and suggests appropriate policy interventions to strengthen cyber security and resilience.
4. RBI has set up an IT Subsidiary, which would focus, among other things, on cyber security within RBI as well as in regulated entities.
5. Further measures initiated by RBI to control and prevent frauds are given below:
 - **Launch of Central Fraud Registry (CFR) in January 2016:**
CFR, a web based searchable database of frauds reported by the banks, containing data for the last 13 years has been made operational with effect from January 20, 2016. The Registry is shared with the reporting

entities and intended to serve as a tool for timely identification, control and mitigation of fraud risk. The CFR helps in carrying out due diligence during credit sanction process. Apart from CFR, RBI has issued several Caution Advices detailing names of fraudsters and their modus operandi, for instance, by misuse of SWIFT messaging system, ATM malware attack etc. in order to raise awareness among banks and NBFCs about perpetrators and the method they employ to commit frauds.

6. Government has launched the Cyber Swachhta Kendra (Botnet Cleaning and Malware Analysis Centre). The centre is providing detection of malicious programs and free tools to remove the same.

(c): To provide a mechanism for customers to file complaints in cases of fraud and guidelines for customers to claim compensation, Reserve Bank of India (RBI) has released Banking Ombudsman Scheme and Guidelines on Limited liability of customers in Unauthorized Electronic Banking Transactions.

1. The Banking Ombudsman Scheme, released by RBI is available at the below given RBI website link:

https://rbidocs.rbi.org.in/rdocs/Content/PDFs/BOS2006_2302017.pdf

The affected customers could approach the Banking Ombudsman and the complaints would be dealt with as per the provisions of the Banking Ombudsman Scheme 2006. The scheme covers complaints related to digital payments including ATM/Debit Cards. With effect from July 01, 2017, scheme was revised to include complaints related to Mobile and Electronic banking.

2. A circular on Customer Protection – Limiting Liability of Customers in Unauthorized Electronic Banking Transactions was issued on July 06, 2017 for determining the customer liability.

The highlights of the circular are:

- (i) Where customer's own involvement is established, customer will be liable.
- (ii) Customer will not be liable:
 - Where fraud/negligence is on the part of the bank;
 - Third party breach where the customer notifies the bank within three working days of receiving communication from the bank regarding unauthorized transaction.
- (iii) Where customer's own involvement is not clearly established, customer liability will be limited to a maximum of Rs. 5000/- if he reports within 4 to 7 working days.
- (iv) If customer reports beyond 7 working days, customer liability will be determined based on bank's Board approved policy (copy of circular enclosed).

Annexure

ATM/Debit Cards, Credit Cards and Internet Banking Frauds reported by Schedule Commercial Banks and Select FIs during the last 3 years and the current year (Amount involved Rs 1 lakh and above)												
Area of Operation	2015-16			2016-17			2017-18			2018-19 (Upto 30 Sept 2018)		
	No.of Frauds	Amount Involved (Rs in crore)	Extent of Loss to the Bank (Rs. in crore)	No.of Frauds	Amount Involved (Rs in crore)	Extent of Loss to the Bank (Rs. in crore)	No.of Frauds	Amount Involved (Rs in crore)	Extent of Loss to the Bank (Rs. in crore)	No.of Frauds	Amount Involved (Rs in crore)	Extent of Loss to the Bank (Rs. in crore)
ATM/Debit Cards	563	16.57	13.01	724	24.47	20.26	911	65.26	51.9	507	10.42	7.06
Credit Cards	616	22.33	13.13	609	16.08	6.97	1102	37.12	23.11	357	25.61	20.72

Internet Banking	12	1.3	0.77	39	1.74	0.54	46	7.17	4.94	57	4.31	3.42
Grand Total	1191	40.2	26.9	1372	42.29	27.78	2059	109.56	79.95	921	40.34	31.2

It may please be noted that as per rectification/updation made subsequent to first reporting by banks, the data may change.
