

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2265
ANSWERED ON:12.08.2011
FRAUDULENT USE OF CREDIT AND DEBIT CARD
Meghe Shri Datta Raghobaji

Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India has taken any steps to check the fraudulent use of bank credit cards and debit cards ;
- (b) if so, the details thereof; and
- (c) the steps taken/being taken by the Government on fraudulent online transactions?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a): Yes Sir

(b): RBI has reported that detailed guidelines have been issued in the form of Master Circular on Credit Card Operations. Further RBI has also issued detailed guidelines on the issue of Debit Cards in its Master Circular on para Banking Activities.

Master Circular of RBI have stipulated several measures for Fraud Control in respect of Credit Card Operations of banks/NBFCs. Further, Master Circular on Parabanking Activities prescribes several measures covering security and other issues, regarding issue of Debit Cards

(c) :Department of Payment & Settlement Systems(DPSS), RBI has issued following guidelines / instructions to the banks / system participants to check the fraudulent use of Credit Cards and Debit Cards for card not present transactions:

(i) Requirement of additional factor of authentication for online transactions except Interactive Voice Response (IVR) transactions was mandated, vide, Circular RBI/DPSS No. 1501/02.14.003/2008-2009 dated February 18, 2009.

(ii) Requirement of additional factor of authentication extended to IVR transaction with effect from February 01, 2011, vide, Circular DPSS.CO No. 1503/02.14.003/ 2010-2011 dated December 31, 2010.

(iii) Requirement of online alerts to the customers for all types of card transaction at all channels irrespective of the amount was made applicable by June 30, 2011, vide, Circular DPSS.CO.PD.2224/02.14.003/2010-2011 dated March 29, 2011.

(iv) Effective from January 01, 2011, PIN validation has been made mandatory after every successive transaction at ATMs vide, Circular DPSS.CO.No. 882/02.23.02/2009-10 dated october 18, 2010.

(v) Banks have been advised to put in place additional factor of authentication for all residual card not present transactions (moto/ standing instructions /airline booking through global distribution system) with effect from May 01, 2012, vide, Circular DPSS.PD.CO.No. 223/ 02.14.003/2011-2012 dated August 4, 2011.

Further, RBI constituted a Working Group in March 2011 for looking into all related issues for implementing the security of card present transactions at ATMs & point of sale terminals in india. The working group has submitted its recommendations to RBI. The report of the group was placed on RBI Website for public comments.

Instructions of RBI further provide that Banks/NBFCs should set up internal control systems to combat frauds and actively participate in Fraud Prevention Committee/Task Forces which formulate Laws to prevent frauds and take proactive fraud control and enforcement measures.

With a view to reducing the instances misuse of loss/ stolen cards, RBI has recommended to Banks/NBFCs that they may consider using (i) cards with photographs of the card holder (ii) cards with PIN (iii) signature laminated cards or any other adverse method that may evolve from time to time. Banks have also been advised to block a lost card immediately on being informed by the customer and formalities, if any, including lodging of FIR can follow within a reasonable period. Banks have also been advised by RBI to consider introducing, at the option of the customers an insurance cover to take care of the liabilities arising out of lost card. In other words only those card holders who are ready to bear the cost of the premium should be provided an appropriate insurance cover in respect of lost cards.

RBI's guidelines for issue of Smart Cards/Debit Cards by banks provide issue of a written set of contractual terms and conditions governing the issue and use of such a card, these terms shall maintain a fair balance between the interests of the parties concerned.