

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4815

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INTERNET BANKING FRAUDS

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Will the Minister of FINANCE be pleased to state:

- (a) whether the cases of frauds through Internet Banking are increasing day-by-day;
- (b) if so, the details thereof during the last three years;
- (c) the number of such cases that came to the notice of the Government during said period and as on date;
- (d) the modus operandi adopted for the purpose; and
- (e) the preventive measures taken by the Government in this regard?

Answer

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

(a), (b) & (c) : Reserve Bank of India (RBI) has informed that the fraud cases reported by all banks in the area of Internet Banking during the last three years and upto September 2009 are as under :

(Amount Rs in crores)

2006	2007	2008	2009 (upto Sep 30)
No. Amount	No. Amount	No. Amount	No. Amount
305 1.29	354 2.91	283 6.12	494 4.70

It may be seen from the table that during the year 2006 and 2007 the number of cases reported by banks as well as amount involved have been showing increasing trend. In the year 2008, though the number of reported fraud cases had reduced, there was increase in amount involved. Further, during January to September 2009 the banks have reported 494 cases and amount involved is Rs.4.70 crore.

(d) : Some of the Modus Operandi adopted for perpetration of internet banking frauds are as under.

i) A number of instances of "Lottery Fraud" were reported in the recent past in which members of public were intimidated through e-mail of their winning lotteries of huge amounts abroad. The members of the public were asked to deposit a certain amount in specific accounts as payment of clearance charges/Legal charges, etc. for facilitating transfer of lottery funds to them. In a few cases, even forged RBI letterheads were used to convince the members of public that the funds belonging to them have been received by RBI.

ii) The fraudsters sent e-mails to customers of bank asking for login IDs, Passwords and 16 digit card numbers. The e-mails were sent in such a manner that they appeared to have been sent by the bank. Some gullible customers parted with these vital information which was then used by the fraudsters to log into the customers' accounts and withdraw the funds. After transferring the fund electronically from the customers' account into their own account the fraudsters withdrew the money immediately and were subsequently not traceable.

(e) :RBI has initiated the following steps to deal with the problem of internet frauds from systemic angle :

(i) The sensitive nature of the issue and the vulnerability involved in it towards the reputational risk of banks was identified by RBI as early as in 2001 and detailed guidelines were issued to banks on June 14, 2001 on Internet Banking in India. The circular dealt with Technology and Security Standards, Legal Issues as well as Regulatory and Supervisory Issues in detail. All the banks offering Internet Banking Service were advised to make a review of their systems in the light of this circular.

(ii) A detailed modus operandi circular on Phishing attacks was issued by RBI on February 16, 2006. All the banks, which were having transactional websites, were advised to adopt the measures suggested in the circular so as to ensure prevention of Phishing attacks in Internet Banking.

(iii) A modus operandi circular on skimming of ATM/Debit/Credit Cards was issued by RBI on June 26, 2006. Apart from elaborating the methodology used by fraudsters in skimming of ATM/Debit/Credit Cards, the circular emphasized the need of customer education

and operational/Security measures to be adopted by the banks.

(iv) In order to alert the public from "Online Lottery Fraud" adopted by certain miscreants, RBI issued two Press Releases dated December 7, 2007 and July 30, 2009 respectively, detailing the modus operandi adopted by fraudsters and clarifying that remittance in any form towards participation in lottery schemes is prohibited under Foreign Exchange Management Act

(FEMA), 1999 and RBI does not maintain any such account of individuals/companies/trusts to hold funds for disbursal.

(v) Department of Payment and Settlement Systems (DPSS) of RBI has issued a circular to all banks on February 18, 2009 on security issues and risk mitigation measures in Credit/Debit Card transactions. The circular has made it mandatory for banks to put in place (a) a system of providing for additional authentication/validation based on information not visible on the cards for all on-line card not present transactions except IVR transactions, and (b) a system of online alert to the cardholder for all 'card not present' transactions of the value of Rs.5000/- and above.

(vi) RBI has come out with a Master Circular dated July 1, 2009 on Credit Card Operations of banks. The circular covers all the important aspects of credit card business such as issue of cards, interest rate and other charges, wrongful billing, use of DSAs/DMAAs and other agents, protection of customer rights, redressal of grievances and internal controls.