

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1261

ANSWERED ON:18.07.2014

CREDIT DEBIT ATM CARD FRAUDS

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Will the Minister of FINANCE be pleased to state:

- (a) whether the fraud cases of credit / debit / ATM cards have increased manifold in the country during each of the last three years and the current year;
- (b) if so, the details thereof and the reasons therefor along with the bank employees found involved in such cases, bank-wise and the action taken against them;
- (c) whether the Reserve Bank of India (RBI) has directed all banks to follow the guidelines and add security features to the said cards and if so, the details thereof;
- (d) whether the cases of non-compliance of such directions by banks have come to the notice of the Government/RBI since issuance of the said directions; and
- (e) if so, the details thereof, bank-wise and the action taken by the Government against such banks?

Answer

THE MINISTER OF FINANCE (SHRI ARUN JAITLEY)

(a) & (b): Reserve Bank of India (RBI) has provided the following information about fraud cases reported by banks on account of ATM debit cards/credit cards related frauds for last three financial years:

(Rs in crore)

Sr. No.	Financial Year	Total no cases	Amount involved	In crore
	(April - March)	reported		
1.	2011-12	71	4.39	
2.	2012-13	115	5.19	
3.	2013-14	227	4.16	

On the analysis of the data submitted by the banks for the last three years, it is observed that though the number of cases has increased but there is no corresponding increase in amount. The bank wise details of frauds along with details of employees involved are given in Annexure. Staff side action in line with the disciplinary framework of the bank is taken in all these cases.

(c): (i) RBI acts as per the Master Circular RBI.DBS.CFMC.BC.No.1/23.04.001/2014 -15 dated July 01, 2014 on "Frauds – Classification and reporting" containing all the details/ aspects relating to frauds. On receipt of fraud reports from banks, various aspects related to the frauds are examined and concerned banks are advised to report the case to CBI/ Police/ SFIO, examine staff accountability, complete proceedings against the erring staff expeditiously, take steps to recover the amount involved in the fraud, claim insurance wherever applicable and streamline the system as also procedures so that frauds do not recur.

(ii) RBI has issued two circulars viz; (i) 'Security arrangements for ATMs of bank' dated February 22, 2006 and (ii) 'Skimming of ATM/Credit Cards' dated June 26,2006 advising banks to take various preventive measures to combat frauds relating to skimming or duplicating of credit cards. The preventive measures include educating customers through cautionary messages posted in the web-site of card issuing banks, informing customers not to reveal PIN in response to requests received through e-mails, to periodically verify the transaction history, immediate reporting to the bank, if any unauthorized transaction is observed, and inform the bank if the card is lost or stolen.

(iii) A working Group on "Information Security, Electronic Banking, Technology, Risk Management and Tracking of Cyber Frauds" set up by RBI in April, 2010 suggested that chip based cards may be used as an alternative to magnetic strip cards based as a measure to counter the risks of skimming of ATM Cards. Accordingly, suitable guidelines were issued by RBI vide circular dated April 19, 2011 advising the banks to ensure implementation of basic organizational framework and put in place policies and procedures which do not require extensive budgetary support, infrastructural or technology changes, by 31, October, 2011. The guidelines are fundamentally

expected to enhance safety, security, efficiency in banking processes leading to benefits for banks and their customers. The implementation progress is required to be reviewed and report submitted to the Board on quarterly basis.

(iv) RBI vide its Master Circular on 'Credit Card Operations of Banks' dated 1.7.2011, advised banks to set up internal control systems to combat frauds and to take pro-active fraud control and enforcement measures. They were also advised to ensure that credit card operations were run on sound, prudent and profitable lines as also fulfill 'Know Your Customer' requirement, assess credit risk of customers, specify terms and conditions in clear and simple language, ensure prompt dispatch of bills, maintain customer confidentiality etc.

(v) RBI vide its circular dated 22.9.2011 on "Security Issues and Risk Mitigation Measures related to Card Present (CP) transactions" advised banks to move to secure Card Not Present (CNP) transactions, making it mandatory for banks to put in place additional authentication/validation for all on-line/IVR/MOTO/recurring transactions etc. based on information available on the credit/debit/prepaid cards.

(vi) RBI had also issued a caution circular DBS CO IS Audit BC No. 3/31.02.03/2005-06 dated February 16, 2006 to all commercial banks on phishing attacks (i.e. creating fake website of banks and collecting customer details such as user ID, password etc. and thereby fraudulently withdrawing money from the customer's account using fake credit card). The circular contained details of the modus operandi on such attacks and minimum set of preventive/detective measures to tackle phishing attacks.

(d)&(e): RBI has not come across any instance of non-compliance of directions regarding credit cards by banks.