

**21 February 2017**

**Dr Urjit Patel**  
**Governor,**  
**Reserve Bank of India**  
**Mumbai**

**Subject:** Requesting Issuance of Master Circular/Notification on Customer Protection - Limiting Liability of Customers in Unauthorised Electronic Banking Transactions

Dear Dr Patel,

Congratulations on your new role as Governor of the Reserve Bank of India.

Sir, we at Moneylife Foundation, look forward to your support in making banking safe for savers during your tenure. We also hope to engage with the RBI more frequently, to bring to your attention various issues faced by savers and depositors.

We are writing today with regard to the safety implications for Digital Transactions, which are being actively pushed by the government after demonetisation. We are encouraged by the fact that this issue has engaged and worried the Reserve Bank of India (RBI), even prior to demonetisation. The Deputy Governor, Mr SS Mundra, had alluded to the issue in his speeches on 23 May 2016 to bank compliance officers and again on 7 September 2016, while speaking on a seminar on Cyber Risk and Mitigation.

On 11 August 2016 ([https://www.rbi.org.in/scripts/bs\\_viewcontent.aspx?Id=3235](https://www.rbi.org.in/scripts/bs_viewcontent.aspx?Id=3235)) the RBI issued a draft circular on limiting customer liability and had sought feedback from public before 31 August 2016.

After the demonetisation decision of 8<sup>th</sup> November led to a huge surge in digital transactions, it has become imperative that draft notification of 11<sup>th</sup> August be made official by issuing a notification under Master Circular/Notification on "Customer Protection - Limiting Liability of Customers in Unauthorised Electronic Banking Transactions" at the earliest. We look forward to urgent action in this regard.

Sir, for your easy reference and to emphasise the gravity of the situation, we would like to highlight below what Mr Mundra had said at various times with regard to the need to protect consumers.

On 23 May 2016, Mr Mundra warned banks in his keynote address at the Conference of the Principal Code Compliance Officers organised by BCSBI in Mumbai. He said, "As the online transactions have increased,

so have the rise in complaints related to electronic banking transactions. Complaints related to unauthorised fund transfers, fraudulent withdrawals from ATMs using duplicate cards, phishing E-mails aimed at extracting personal information etc. have witnessed manifold increase in recent times. It is imperative to have a robust mechanism to prevent incidents of fraud in areas of mobile/net banking and electronic fund transfer so as to retain customers' confidence in these delivery channels. Raising customer awareness on safe usage of such channels should also be an important item on the agenda of the banks. Let me mention here that RBI is already examining whether to issue regulatory directions with regard to limiting the liability of customers on fraudulent transactions arising out of cards and electronic banking transactions." (Ref Link: [https://rbi.org.in/scripts/BS\\_SpeechesView.aspx?Id=1005](https://rbi.org.in/scripts/BS_SpeechesView.aspx?Id=1005) )

We believe this warning led to the issue of the 11 August 2016 draft notification.

Then again, on 7 September 2016, speaking at the 'International Seminar on Cyber Risk and Mitigation for banks' organised by CAFRAL in Mumbai, Mr Mundra stated, "In a digital world, is it not important to look at such leaks, cracks and vulnerabilities and take appropriate action? Phishing attacks on customers are increasing. Is it not the responsibility of banks to educate their customers and build some work around to prevent the fraudsters to escape so easily? Considering the inability of the customers to withstand organised electronic crimes, RBI has put in place a framework for limiting the liability of customers in unauthorised electronic banking transactions as a customer protection measure." (Ref Link: [https://rbi.org.in/scripts/BS\\_SpeechesView.aspx?Id=1022](https://rbi.org.in/scripts/BS_SpeechesView.aspx?Id=1022) )

Unfortunately, the draft notification has not been converted into an official one. Here are the highlights of the draft for your reference.

*1) Where customer's own involvement is established, customer will be liable.*

*2) 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 unauthorised transaction.*

*3) Where customer's own involvement is not clearly established, customer liability will be limited to a maximum of Rs5,000 if he reports within 4 to 7 working days.*

*4) If customer reports beyond 7 working days, customer liability will be determined based on bank's Board-approved policy.*

Post-demonetisation, there has been a phenomenal push towards digital mode of payment across the country. Aadhaar Enabled Payment Systems are gaining currency and the recent launch of 'BHIM' app for

facilitating payments is another welcome move.

We feel that with the increased use of digital payments post the demonetisation drive, it is necessary to have in place a mechanism or system to protect customers from unauthorised banking transactions. A Master circular/notification by the Reserve Bank on limiting liability in an unauthorised banking transaction will make a huge impact on protecting customers from frauds.

Dr Patel, we are confident you will have the notification issued at the earliest. We look forward to a line of acknowledgement of our letter from your office.

Yours truly,

Sucheta Dalal and Debashis Basu  
Founding Trustees  
Moneylife Foundation

**CC:**

1. Secretary,  
Dept. of Financial Services,  
Ministry of Finance,  
3rd floor, Jeevan Deep Building  
Sansad Marg  
New Delhi-110001

**Enclosed:**

1. Copy of the Draft Circular issued by RBI on 11 August 2016 on "Customer Protection – Limiting Liability of Customers in Unauthorised Electronic Banking Transactions" for public comments
2. Copy of the keynote address delivered by Mr SS Mundra, Deputy Governor, RBI, on 30 January 2017 at Mumbai
3. Copy of the keynote address delivered by Mr SS Mundra, Deputy Governor, RBI, on 23 May 2016 at Mumbai
4. Fact sheet about Moneylife Foundation