

More banks falling prey to e-frauds

They Must Update Security Features, Recognize Digital Signature, Say Experts

Vinay Madhav | TNN

Bangalore: Was your bank net account hacked and have you lost money? If yes, then your bank may have to compensate you.

A Mumbai consumer court's directive holding the bank responsible if the account holder's money is lost if it is fraudulently transferred using Net-banking facilities, has sent banks into a tizzy.

The court was hearing a case filed by Nikhil Futan, who had lost Rs 4.6 lakh, after his account was hacked and money transferred to an account in Lucknow and another in Vijayawada. Two persons were arrested in this connection.

When the bank refused to compensate the entire amount, Futan approached the consumer court, which did not buy the bank's argument that money was transferred after a request from Futan, and held that the bank had not taken precautions as per RBI Net banking guidelines.

The ruling is bad news for banks which are promoting Netbanking facilities in a big way in India. In future, banks may have to compensate such victims of hacking. RBI guidelines do not accept the 'user name and password' security system and insists on 'digital signature' in its place.

"The trouble is that most of the banks are still building their security infrastructure and Indian banks are highly vulnerable to such frauds. Though not cent per cent secure, bigger banks are on the safer side. But smaller banks are highly vulnerable," warns Satheesh G Nair, director of Stickman Consulting Pvt Ltd., an Australian-based cyber investigation company.

SafeNet India (India & SAARC) director Rana Gupta says the technology adopted by Indian banks is old. "The user name and password combination is obsolete in most of the countries. Technology has moved forward with the 'hardware-based certificate' system, which ensures greater security for mail accounts," he adds.

Admitting the problem, Nair says banks justify their moves by showing cost of account handling for rural people. "Most of these accounts work on zero balance and the cost of running them is high. At the same time, it is also true that none of the banks are following RBI guidelines or IT Act while building security for net banking."

HOW TO PROTECT CUSTOMER DATA

As per Sec 85 of IT Act, the credentials and identity of the customers should not be revealed. In India, most of the banking services are handed over to agencies. Though the banks don't share data, over a period of time, these agencies collect a data bank of customers, including their credentials. "This shows that there is leakage of data from the banks," Nair points out.

"Firstly, there is no cyber law in India, there is only an Act. Secondly, though RBI guidelines stipulate that only a signature is valid, even a digital signature, this is grossly ignored by all the banks," Nair says.

The banks are also trying to improve the security system by introducing 'two factor authentication' for net banking

customers. "Check the web and you will find a way to hack two factor authentication also. Even if you make it ten factor, hackers have their own way. Unless the banks start thinking other ways, Indian banking will continue to be vulnerable," Nair says.

OUR SYSTEM IS GOOD

India is the only country where central bank regulations are followed in spirit and act. One thing I can say is that personal data of customers are safe and the security system is good. "After the Mumbai consumer court ruling, private banks have beefed up the security system and the RBI has directed for two-factor authentication. Whenever a customer wants to transact through net banking, it asks for personal data. Even if the account is hacked, transaction cannot be completed without personal data of the customer. Sometimes, customers share personal data over phishing mails. There are third- and fourthlevel security features."

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