



ITB/LCO/CBO		Internal
Policy	Customer Protection – Limiting Liability of Customers in Unauthorised Electronic Banking Transactions	

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Purpose	Customer Protection – Limiting Liability of Customers in
Summary	Customer Protection – Limiting Liability of Customers in Unauthorised Electronic Banking Transactions
Target Readers:	
🕒 for action:	- For action: ITB, CMOS, CBO, SSC MO - <u>For information:</u> Permanent Control; LCO and COO.
🕒 information:	
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Update History

Version No.	Date of Update (DD-MM-YYYY)	Updated by (First name LAST NAME)	Contact Email	Reason of Update

ITB/LCO/CBO	 CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK India	Internal
Policy	Customer Protection – Limiting Liability of Customers in Unauthorised Electronic Banking Transactions	

Validation

Department	Validated by - Position - First name LAST NAME	Signatures	Validation date (DD-MM-YYYY)
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	Chief Operating Officer Loic BORREY		
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ITB/LCO/CBO	 CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK India	Internal
Policy	Customer Protection – Limiting Liability of Customers in Unauthorised Electronic Banking Transactions	

A. Introduction

To protect the interests of our customers in case of unauthorized transactions on their accounts, we have formulated this policy for determining the liability of customers in such circumstances.

This is in line with the recent RBI circular on “Customer Protection – Limiting Liability of Customers in Unauthorised Electronic Banking Transactions “issued on July 06, 2017 which directs banks to implement a policy that ensures customers are well protected and compensated in case of unauthorized electronic banking transactions.

The revised guidelines broadly cover the following areas:

- Strengthening of systems and procedures
- Reporting of unauthorised transactions by customers to banks
- Zero liability of a customer
- Limited liability of a customer
- Reversal Timeline for Zero Liability/Limited Liability of customer
- Burden of Proof
- Reporting and Monitoring Requirements


B. Transactions in Scope:

This policy only covers transactions that have been signed via our electronic banking channels, i.e Optim.net or any other electronic banking platform as notified from time to time.

C. Strengthening of systems and procedures

To ensure the customer’s online transactions are safe, we have in place- –

1. Appropriate systems and procedures to ensure safety and security of electronic banking transactions carried out by customers and fraud prevention mechanisms:
 - a. Client authentication and signature verified in separate CAeSecure system
 - b. Two factor authentication for authentication and signature
 - c. End-to-end encryption to ensure data integrity
2. Mechanism to assess the risks (for example, gaps in the Bank’s existing systems) resulting from unauthorised transactions and measure the liabilities arising out of such events
 - a. Regular monthly automated vulnerability scans and complete penetration test are conducted by security experts auditors under direct monitoring of Head Office teams. Reports are reviewed internally and actions plans carried out and followed up to enhance security, based on the report findings

ITB/LCO/CBO	 CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK India	Internal
Policy	Customer Protection – Limiting Liability of Customers in Unauthorised Electronic Banking Transactions	


- b. Routine regional audits carried out on Optim.net
3. Appropriate measures to mitigate the risks and protect ourselves against the liabilities arising therefrom and
 - a. Regular monthly automated vulnerability scans and complete penetration test are conducted by security experts auditors under direct monitoring of Head Office teams. Reports are reviewed internally and actions plans carried out and followed up to enhance security, based on the report findings
 - b. Routine regional audits carried out on Optim.net
 - c. Optim Terms and Conditions signed by clients covering banks liability in case of unauthorized txn
4. A system of continually and repeatedly advising customers on how to protect themselves from electronic banking and payments related fraud via:
 - a. 'Security Tips' in OPTIM Welcome page
 - b. 'Security Statement' document is available online in OPTIM which client can refer to in case of need.

D. Reporting of unauthorised transactions by customers to banks –

1. Customers can get registered for transaction alerts to their email or mobile numbers
 - a. CACIB now provides SMS and email alerts for all payments initiated via electronic banking channels. Alerts can also be sent for addition of a new beneficiary (optional).
 - b. All customers will be required to register for SMS/email alerts via a communication
 - c. While registration of mobile numbers for alerts is mandatory, for corporate customers, it may not be feasible for clients to provide a mobile number for the high volume of payment alerts. Hence an option will be given to the client to subscribe to email alerts instead of SMS alerts.
2. CACIB provides its customers with 24x7 access through multiple channels (e.g. directly on Optim home page, e-mail, reporting to home branch, etc.) for reporting unauthorized transactions
 - a. Clients can report unauthorized transaction on either Optim home page , or to a specific email inbox created for such purpose (report-unauth-IN@ca-cib.com). Clients can also reply to SMS/email alerts as per the instructions in the message.

E. Liability of a customer:

1. **Zero Liability of a Customer:** A customer's entitlement to zero liability shall arise where the unauthorised transaction occurs in the following events:
 - a. Contributory fraud/ negligence/ deficiency on the part of the bank (irrespective of whether or not the transaction is reported by the customer).

ITB/LCO/CBO	 CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK India	Internal
Policy	Customer Protection – Limiting Liability of Customers in Unauthorised Electronic Banking Transactions	

- b. Third party breach where the deficiency lies neither with the bank nor with the customer but lies elsewhere in the system, and the customer notifies the bank within three working days of receiving the communication from the bank regarding the unauthorised transaction.


2. Limited Liability of a Customer: A customer shall be liable for the loss occurring due to unauthorised transactions in the following cases:

- a. In cases where the loss is due to negligence by a customer, such as where he has shared the payment credentials, the customer will bear the entire loss until he reports the unauthorised transaction to the bank. Any loss occurring after the reporting of the unauthorised transaction shall be borne by the bank.
- b. In cases where the responsibility for the unauthorised electronic banking transaction lies neither with the bank nor with the customer, but lies elsewhere in the system and when there is a delay (of four to seven working days after receiving the communication from the bank) on the part of the customer in notifying the bank of such a transaction, the per transaction liability of the customer shall be limited to the transaction value or the amount mentioned in the below tables, whichever is lower.

Maximum Liability of a Customer in case liability is neither with bank nor the customer but lies elsewhere in the system and customer has already notified the bank within 4-7 days	Within 3 working days (Rs.)	Within 4 to 7 working days (Rs.)
• BSBD Accounts	Zero Liability	5,000
• All other SB accounts • Current/ Cash Credit/ Overdraft Accounts of MSMEs • Current Accounts/ Cash Credit/ Overdraft Accounts of Individuals with annual average balance (during 365 days preceding the incidence of fraud)/ limit up to Rs.25 lakh		10,000
• All other Current/ Cash Credit/ Overdraft Accounts		25,000

Further, if the delay in reporting is beyond **seven working days**, the customer liability shall be determined as per the bank's Board approved policy*.

Summary of Customer's Liability

ITB/LCO/CBO	 CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK India	Internal
Policy	Customer Protection – Limiting Liability of Customers in Unauthorised Electronic Banking Transactions	

Time taken to report the fraudulent transaction from the date of receiving the communication	Customer's liability (₹)
Within 3 working days	Zero liability
Within 4 to 7 working days	The transaction value or the amount mentioned in Table 1, whichever is lower
Beyond 7 working days	As per bank's Board approved policy *

**Beyond 7 days cases: From a Fraud Risk perspective, it is recommended that, internal team will investigate/opine on the case and advise on facts. Business will evaluate circumstances leading to delayed reporting, customer profile, relationship tenure, etc. to recommend the liability as exception.*

Additionally, bank may consider cases for zero liability, where the deficiency lies neither with the Bank nor with the customer but lies elsewhere in the system, and the customer notifies the Bank beyond three working days of receiving the communication from the bank regarding the unauthorised transaction.


For dispute cases where customer has authorized the transaction with a two factor authentication (using digipass), it will be treated as customer negligent due to compromise of device and password/OTP and therefore the liability will be with the customer irrespective of the period in which the same is notified to the bank.

F. Reversal Timelines for Zero Liability /Limited Liability of Customer:

1. On being notified by the customer , the bank will credit (shadow reversal)the amount involved in the unauthorized electronic transaction to the customer's account within 10 working days from the date of such notification by the customer.
2. The credit will be value dated as of the date of unauthorised transaction.

Bank will also ensure the following –

1. The complaint is resolved and liability of the customer, if any, established 90 days from the date of receipt of the complaint, and the customer is compensated as per the provisions of this policy.
2. Where it is unable to resolve the complaint or determine the customer liability, if any, within 90 days, the compensation as prescribed in paragraphs above is paid to the customer

ITB/LCO/CBO	 CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK India	Internal
Policy	Customer Protection – Limiting Liability of Customers in Unauthorised Electronic Banking Transactions	

3. In case of savings account, the customer does not suffer loss of interest

G. Burden of proof:

The burden of proving customer liability in case of unauthorised electronic banking transactions shall lie on the Bank.

H. Reporting and monitoring requirements:

The Bank will report all customer liability cases covered under this policy to the bank’s Standing Committee on Customer Service and further report to Senior Management (if required). The report will include volume/number of cases and the aggregate value involved.

Important points to Note:

- Exceptions - Customer are expected to write to report-unauth-IN@ca-cib.com for reporting unauthorised transactions and CACIB will provide an auto response confirming the receipt of the message. The registered complaint number will be sent on the next working day. However any such delay in processing the alerts and sending the complaint number will not affect customer protection assigned under this circular.