



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

RBI/2026-27/172

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June 24, 2026

Reserve Bank of India (Urban Co-operative Banks - Responsible Business Conduct) Third Amendment Directions, 2026

Instructions on 'Limiting Liability of Customers in Unauthorised Electronic Banking Transactions' for Urban Co-operative Banks (hereinafter referred to collectively as "UCBs" and individually as a "UCB") have been consolidated in the [Reserve Bank of India \(Urban Co-operative Banks – Responsible Business Conduct\) Directions, 2025](#).

On a review, it has been decided to issue revised instructions on the subject.

2. In exercise of the powers conferred by Sections 35A and 56 of the Banking Regulation Act, 1949, the Reserve Bank, being satisfied that it is necessary and expedient in public interest so to do, hereby issues the Amendment Directions hereinafter specified.

3. Short Title and Commencement

(1) These Directions shall be called the Reserve Bank of India (Urban Co-operative Banks - Responsible Business Conduct) Third Amendment Directions, 2026.

(2) These Directions shall apply in cases of electronic banking transactions undertaken by customers of an UCB on or after **January 1, 2027**.

4. These Amendment Directions shall modify the [Reserve Bank of India \(Urban Co-operative Banks – Responsible Business Conduct\) Directions, 2025](#) as under:

(1) In paragraph 4, the following definitions shall be inserted after sub-paragraph 4(5), namely:

“4(5.1A) Card Not Present transaction shall have the same meaning as given in the [Reserve Bank of India \(Authentication Mechanisms for Digital Payment Transactions\) Directions, 2025](#).

4(5.1B) Card Present transaction shall have the same meaning as given in the [Reserve Bank of India \(Authentication Mechanisms for Digital Payment Transactions\) Directions, 2025](#).”

(2) In paragraph 4, the following definition shall be inserted after sub-paragraph 4(9C), namely:

“4(9D) Electronic banking transaction (EBT) shall have the same meaning as ‘electronic funds transfer’ given in Section 2(c) of the Payment and Settlement Systems Act, 2007 and inter alia include both Card Not Present and Card Present transactions.”.

- (3) In paragraph 4, the following definition shall be inserted after sub-paragraph 4(14), namely:

“4(14A) Fraudulent electronic banking transaction (Fraudulent EBT) means an EBT executed by a third-party using the credentials obtained from the customer through fraudulent means or executed by the customer by granting approval under coercion or duress from the third-party, and / or an unauthorised EBT as defined at paragraph 4(25B) below.”.

- (4) In paragraph 4, the following definition shall be inserted after sub-paragraph 4(19A), namely:

“4(19B) Negligence by a customer inter alia includes the following actions by the customer:

- (i) failing to exercise reasonable care in usage of credentials such as PIN, password, OTP or other details (e.g., providing credentials for carrying out transactions to another person, whether intentionally or otherwise, writing down and storing the PIN with a debit / credit card, etc.); or*
- (ii) not notifying the UCB promptly after finding out about a fraudulent EBT or loss of a debit / credit card; or*
- (iii) not paying attention to specific, directed and clear warnings from the UCB that a prospective transaction is likely a scam; or*
- (iv) downloading malicious apps; or*
- (v) failing to update her / his registered mobile number / email address with the UCB in case of change.*

4(19C) Negligence by a UCB inter alia includes the following actions by the UCB:

- (i) not putting in place the mandated systems and procedures to ensure safety and security of EBTs; or*
- (ii) not sending mandatory alerts for EBTs; or*
- (iii) not providing the 24x7 channels for reporting of fraudulent EBTs or loss of debit / credit card; or*

- (iv) *not acting diligently upon a customer notification regarding unauthorised EBT(s) or loss of debit / credit card; or*
- (v) *system malfunctions / security breaches / internal frauds leading to unauthorised EBTs.”.*

(5) In paragraph 4, the following definition shall be inserted after sub-paragraph 4(24), namely:

“4(24A) Shadow reversal means the temporary / provisional credit, of the amount involved in fraudulent EBT(s), provided by a UCB to a customer on receipt of notification from the customer, before the completion of internal investigation or settlement of insurance claim, if any, or any other settlement to be made with other parties. While the customer shall not be allowed to use such amount, he / she will not bear any additional burden of interest / charges.”.

(6) In paragraph 4, the following definition shall be inserted after sub-paragraph 4(25), namely:

“4(25.1A) Third-party breach refers to a situation where the deficiency lies neither with the UCB nor with the customer but lies elsewhere in the system and includes deficiency on the part of an intermediary such as a Third-Party Application Provider (TPAP), Payment Aggregator (PA), Payment Gateway (PG), Telecom Service Provider (TSP), etc.”.

(7) In paragraph 4, the following definition shall be inserted after sub-paragraph 4(25A), namely:

“4(25B) Unauthorised electronic banking transaction (Unauthorised EBT) means an EBT which is not authorised by a customer and inter alia includes an EBT occurring on account of negligence by a UCB and / or a third-party breach.”.

(8) In Chapter IV on ‘Customer Guidance and Protection’, the section **C. Limiting Liability of Customers in Unauthorised Electronic Banking Transactions** and paragraphs 53 to 65 thereunder shall be deleted and substituted with the following section and paragraphs, namely:

“CA. Customer Protection in Fraudulent Electronic Banking Transactions

CA.1 Policy

65.1A. A UCB, keeping in view the instructions contained in these Directions,

shall formulate a policy to cover aspects of customer protection in EBTs, such as:

- (1) channels for alerting customers about occurrence of EBTs and reporting of fraudulent EBTs;*
- (2) define the rights and obligations of customers in case of EBTs, including fraudulent EBTs, after taking into account the risks to customers arising out of customer negligence / UCB negligence / banking system frauds / third-party breaches in specified scenarios;*
- (3) timeline for resolution of complaints and disclosure to customer; and*
- (4) mechanism for creating customer awareness on their rights and obligations in EBTs along with the risks involved.*

The policy must be transparent, non-discriminatory and shall be displayed on the UCB's website along with the details of grievance handling / escalation procedure.

65.1B. *A UCB shall design its systems and procedures to make customers feel safe about carrying out EBTs. To achieve this, the UCB shall put in place:*

- (1) appropriate systems and procedures to ensure safety and security of EBTs carried out by customers, including those mandated under the [Reserve Bank of India \(Authentication Mechanisms for Digital Payment Transactions\) Directions, 2025](#) and other relevant instructions issued by the Reserve Bank on related matters, as amended from time to time;*
- (2) robust and dynamic fraud detection and prevention mechanism;*
- (3) mechanism to assess the risks (for example, gaps in the UCB's existing systems) arising from fraudulent EBTs and measure the liabilities arising out of such events;*
- (4) appropriate measures to mitigate the risks and protect themselves against the liabilities arising therefrom; and*
- (5) a system of continually and repeatedly making the customers aware about evolving electronic banking and payments related frauds and the ways to protect themselves from such frauds.*

CA.2 Alerts for EBTs

65.1C. A UCB shall ask its customer, availing the facility of EBTs (other than ATM cash withdrawals), to mandatorily provide her / his mobile number and wherever available, email address. The UCB shall verify the mobile number and email address provided by the customer at the time of onboarding and subsequently at pre-defined intervals prescribed in its policy.

65.1D. A UCB shall mandatorily send instant SMS alerts to its customers for all EBTs of value more than ₹500. For EBTs of value up to ₹500, a UCB may decide to send instant SMS as per its internal policy but without any charge to the customer.

65.1E. A UCB shall send email alerts for all EBTs, wherever email address is provided by the customer.

65.1F. SMS and email alerts as above shall be in addition to any other form of alerts, e.g., in-app / push notifications, instant messaging, etc., which the UCB may send as per its internal policy. Further, such transaction alerts shall contain relevant details pertaining to the EBT such as account / card number, amount, date, time, transaction channel, beneficiary / point of transaction, etc.

CA.3 Reporting of fraudulent EBTs by customers to UCBs

65.1G. A UCB shall, from time to time, advise its customers to report any fraudulent EBT to the UCB and also lodge a complaint through [National Cyber Crime Reporting Portal](#) or National Cyber Crime Helpline (1930) at the earliest. The UCB shall also inform its customers that the longer the time taken to notify the UCB, the higher will be the risk of loss to customer and also to the UCB. To facilitate the same, the UCB shall:

- (1) provide customers with 24x7 access through channels such as phone banking, SMS, instant messaging, dedicated email address, IVR, a dedicated toll-free helpline, reporting to home branch, etc., for reporting fraudulent EBTs that have taken place and / or loss or theft of debit / credit card, etc.;
- (2) provide a number in the transaction alert SMS itself, to which the customer can immediately send an SMS to notify her / his objection, if any; and
- (3) provide a direct link on the home page of its website and mobile application,

if available, for reporting fraudulent EBTs.

65.1H. *The UCB's communication systems, deployed for sending alerts and receiving the responses thereto, shall record the date and time of delivery of the message and receipt of customer's response, if any.*

65.1I. *A UCB shall ensure that its system registers the reporting of any fraudulent EBT as a complaint and sends an immediate acknowledgement to the customer, along with the complaint number and the date and time of receipt of the complaint, through any means such as message to the registered mobile number, email to the registered email address, in-app notification (if the complaint is registered through app), etc.*

65.1J. *On receipt of a complaint regarding any fraudulent EBT from a customer, a UCB shall take immediate steps to prevent further unauthorised EBTs in the customer's account(s) under advice to him / her. Further, the UCB shall also advise the customer to lodge a complaint on [National Cyber Crime Reporting Portal](#) or National Cyber Crime Helpline (1930) at the earliest.*

CA.4 Processing of complaints and establishing liability in fraudulent EBTs

65.1K. *The burden of proving customer liability in complaints involving fraudulent EBTs shall lie on the UCB. Accordingly, it shall examine and classify each complaint under the relevant categories of EBTs as defined in these Directions.*

65.1L. *A customer shall be entitled to zero liability and reversal of the transaction in cases where the fraudulent EBT occurs due to negligence / deficiency on the part of the UCB, irrespective of whether the transaction is reported by the customer or not.*

65.1M. *A customer shall be entitled to zero liability and reversal of the transaction in cases of third-party breach where the customer reports the unauthorised fraudulent EBT to the UCB within five calendar days from the date of its occurrence. In cases of third-party breach reported to the UCB after five calendar days, the customer's liability shall be determined as per the UCB's policy.*

65.1N. *In cases where the fraudulent EBT occurs due to negligence by the customer, he / she shall be liable for the loss incurred by him / her, to the extent of loss not eligible for compensation as per the mechanism detailed at paragraph 65.1T below, until he / she reports the fraudulent EBT to the UCB.*

65.1O. *Loss arising from any unauthorised transaction occurring after the reporting of the fraudulent EBT by a customer to a UCB shall be borne by the UCB.*

65.1P. *A UCB may also, at its discretion, decide to waive off any customer liability in case of fraudulent EBTs.*

65.1Q. *A UCB shall ensure that a complaint arising out of fraudulent EBT(s) is examined, liability therein is established and response, as applicable, is issued to the customer within such time as may be specified in the UCB's policy. However, this timeline shall not exceed 45 calendar days from the date of receipt of the complaint by the UCB in case of a complaint arising out of domestic fraudulent EBT(s) and 60 calendar days from the date of receipt of the complaint by the UCB in case of a complaint arising out of cross-border fraudulent EBT(s). In cases where the customer is entitled to zero liability as provided at paragraphs 65.1L and 65.1M above, the response shall also include details of reversal of the transaction(s) concerned. In cases falling under paragraph 65.1N above, the response, in eligible cases, shall include details regarding the compensation mechanism prescribed at paragraph 65.1T below.*

65.1R. *In cases where the UCB is required to reverse a fraudulent EBT, it shall ensure that the reversal is value dated to its original date of occurrence and the customer does not suffer loss of interest or bear any additional burden of interest / charges, as applicable. Further, in case of a complaint arising out of fraudulent EBT(s) in a credit card, a UCB shall provide shadow reversal equivalent to the amount involved in the fraudulent EBT(s) within five calendar days from the date of receipt of notification from the customer.*

65.1S. *In case of rejected complaints, i.e., in cases where customer liability is established, a UCB shall disclose the reason for such rejection and with the supporting details, if any, to the customer.*

CA.5 Compensation for small value fraudulent EBTs

65.1T. (1) A bona fide victim, being an individual person, including a sole proprietor, and having lodged a complaint involving gross loss of an amount up to ₹50,000 on account of fraudulent EBT(s) covered under paragraph 65.1N above, shall be compensated 85 per cent of the net loss amount (calculated after reducing recoveries made, whether before or after paying the compensation, from the gross loss amount), or ₹25,000, whichever is less, once during her / his lifetime, subject to the following:

- (a) loss is established to be bona fide, as per the internal processes covered in the UCB's policy, and
- (b) the victim has reported the fraudulent EBT(s) on the [National Cyber Crime Reporting Portal](#) or National Cyber Crime Helpline (1930) and to the UCB within five calendar days from its occurrence.

Explanation: In case of joint account(s), only one of the account holders may submit a claim for compensation. The customer availing compensation as a joint account holder shall not be eligible for claiming compensation in her / his capacity as a single account holder in future and vice versa.

(2) (a) For a complaint related to fraudulent EBT(s) involving a loss amount of less than ₹29,412, where a compensation of 85 per cent is paid, 65 per cent shall be borne by the Reserve Bank, 10 per cent by the customer's bank and the remaining 10 per cent by the beneficiary bank in case of a complaint arising out of domestic fraudulent EBT(s), whereas in case of a complaint arising out of cross-border fraudulent EBT(s), 65 per cent shall be borne by the Reserve Bank and the remaining 20 per cent by the customer's bank.

(b) For a complaint related to fraudulent EBT(s) involving a loss amount of ₹29,412 or more but up to ₹50,000, where a compensation of ₹25,000 is paid, the Reserve Bank, the customer's bank and the beneficiary bank shall contribute ₹19,118, ₹2,941 and ₹2,941 respectively towards the compensation in case of a complaint arising out of domestic fraudulent EBT(s), whereas in case of a complaint arising out of cross-border fraudulent EBT(s), the Reserve Bank and the customer's bank shall contribute ₹19,118 and ₹5,882 respectively towards the compensation.

Explanation: Beneficiary bank refers to the bank holding the account where the fraudulently debited amount is first credited. In cases where there is more than one beneficiary bank, the applicable compensation to be borne by each bank shall be in the proportion of the amount credited to their respective account(s).

(3) In case any recovery is made in relation with a complaint involving fraudulent EBT(s) after the compensation is paid, the customer's bank shall recalculate the compensation payable on the net loss amount and accordingly make additional payment from the recovered amount after factoring in the excess amount of compensation, if any, paid before the recovery.

Illustration 1: Amount reported lost under the complaint arising out of domestic fraudulent EBT(s) – ₹40,000

Recovery made & credited to customer before compensating – ₹15,000

Net loss faced by the customer - ₹25,000

Compensation to be paid to the customer (85% of net loss) – ₹21,250

Contribution of Reserve Bank - ₹16,250

Contribution of customer's bank and beneficiary bank - ₹2,500 each

Illustration 2: Amount reported lost under the complaint arising out of domestic fraudulent EBT(s) – ₹40,000

Compensation paid to the customer – ₹25,000

Contribution of Reserve Bank - ₹19,118

Contribution of customer's bank and beneficiary bank - ₹2,941 each

Recovery made - ₹40,000

Apportionment of recovery shall be as under:

To customer – ₹15,000

To Reserve Bank - ₹19,118

To customer's bank and beneficiary bank – ₹2,941 each

Illustration 3: Amount reported lost under the complaint arising out of domestic fraudulent EBT(s) – ₹40,000

Compensation paid to the customer – ₹25,000

Contribution of Reserve Bank - ₹19,118

Contribution of customer's bank and beneficiary bank - ₹2,941 each

Recovery made after compensation is paid - ₹15,000

Net loss - ₹25,000

Compensation payable – ₹21,250

Additional amount payable - ₹15,000 + ₹21,250 - ₹25,000 = ₹ 11,250

Apportionment of recovery shall be as under:

To customer – ₹ 11,250

To Reserve Bank - ₹19,118 – 16,250 = ₹2,868

To customer's bank and beneficiary bank – ₹2941 - ₹2,500 = ₹441 each

*(4) Based on its examination carried out in accordance with paragraph 65.1Q, where the customer's bank is satisfied that the complaint is bona fide, it shall provide the customer an application form as per the format provided at **Annex II(1)** to claim compensation for the loss suffered by her / him.*

(5) The customer's bank shall, within five calendar days of receipt of the application from a customer, compensate the customer as given above.

*(6) The customer's bank shall seek reimbursement of the amount receivable from the Reserve Bank and the beneficiary bank(s) on a quarterly basis by submitting an application to the Reserve Bank as per the format provided at **Annex II(2)**. The application for reimbursement, duly signed by a Senior Executive identified by the Top Management of the UCB, shall be submitted through email to dea.fund@rbi.org.in within 30 calendar days from the end of the respective quarter. The Reserve Bank shall settle the claims from banks on a net basis i.e., the reimbursable amount to a bank shall be determined by deducting the amount owed by the bank (as beneficiary bank) to other banks from the amount claimed by it for reimbursement.*

(7) The claims made by a UCB to the Reserve Bank shall be subjected to internal audit / inspection, as per the UCB's internal guidelines.

65.1U. *The compensation shall be payable for losses incurred on fraudulent electronic banking transactions occurring up to one year from the effective date of these directions. A UCB shall retain the records, related to the compensation paid and amount claimed by it for reimbursement under the mechanism for audit, supervision and review purposes, for two years from the date of closure of the compensation mechanism.*

CA.6 Monitoring mechanism

65.1V. *A UCB shall put in place a suitable mechanism and structure for periodic reporting of complaints involving fraudulent EBTs to the Board or one of its Committees identified for the purpose. The reporting shall, inter alia, include volume / number of cases and the aggregate value involved and distribution across various categories of cases, viz., card present transactions, card not present transactions, internet banking, mobile banking, ATM transactions, etc. The Board or its Committee shall periodically review the fraudulent EBTs reported by customers, the action taken thereon, functioning of the grievance redressal and compensation mechanism, etc., and take appropriate measures to improve the systems and procedures.”*

- (9) In Chapter IV on ‘Customer Guidance and Protection’, paragraph 40 shall be substituted by the following, namely:

“A UCB shall not levy any charges on its customers for SMS sent in compliance to extant regulations or those sent for promotional / marketing / customer awareness purposes. In case of SMS sent for other purposes, the UCB may levy or waive charges as per its internal policy.”

- (10) In Annexures, the following Annexures shall be inserted after Annex II, namely:

“Annex II(1) - Application Form for Compensation for Small Value Fraudulent Electronic Banking Transactions

The Branch Manager,

Date: _____

_____ Bank

_____ Branch

Madam/ Dear Sir,

Application for Compensation for Small Value Fraudulent Electronic Banking Transactions

Please refer to my complaint lodged with National Cyber Crime Reporting Portal (<https://cybercrime.gov.in/Default.aspx>) / National Cyber Crime Helpline (1930)

with reference / complaint no. _____ (copy enclosed) regarding the fraudulent electronic banking transaction(s) in my bank account / credit card no. _____.

2. I understand that compensation for small value fraudulent electronic banking transactions is available to an individual only once and declare that I have not previously availed such a compensation from any bank.

3. As per the advice dated _____ received from the bank, an amount of ₹ _____ (Rupees _____ only) may please be credited to my aforesaid bank account / credit card.

4. I understand that in case of my claim being established as 'false' or 'repeated claims' in future, I will be liable to refund the compensation received.

5. I authorise the bank to debit the additional amount received by me over and above the amount lost in the fraudulent electronic banking transaction(s) if any subsequent recovery is credited to my account.

Signature of the applicant:

Name of applicant: _____

Unique Customer Identification Code: _____

Address: _____

Contact No.: _____

Email Address: _____

FOR OFFICE USE

(may be modified by the UCB as per its own requirement)

Annex II(2) - Compensation for Small Value Fraudulent Electronic Banking Transactions – Claim Form for Banks

Name of the Bank:

DEA Fund Code:

Claim for the Quarter Ended: Mar' 27/ Jun' 27/ Sep' 27/ Dec' 27 (Put ✓)

Bank's Current Account No. Maintained with RBI / Sponsor Bank:

IFSC:

I. Details of compensation paid by the bank to customers during the quarter:

Category of cases (A)	No. of customer s compensa ted (B)	Total amount involved in the complai nts (in ₹) (C)	Amount of compensa tion paid (in ₹) (D)	Amount receivable from RBI (in ₹) (E = 76.48% of (D))	Amount receivable from beneficiary banks (in ₹) (F = 11.76% of (D))	Details of amount receivable from beneficiary banks at (F) – Bank-wise		
Domestic Fraudulen t EBTs						Nam e of Bank	DEA Fund Code¹	Amount Receiva ble (in ₹)
Cross- Border Fraudulen t EBTs						Not Applicable		
Total						(G) Total amount receivable by the bank ((E)+(F)) (in ₹) =		

II. Details of recovery received by the bank during the quarter after compensation was paid to the customer:

Category of cases	No. of cases where recovery was received by the bank	Total amount recovered (in ₹)	Net recovered amount available with the bank after paying the customer (in ₹)	Recovered amount refundabl e to RBI (in ₹)	Recovered amount refundable to beneficiary banks (in ₹)	Details of amount refundable to beneficiary banks at (M) – Bank-wise
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¹ Please refer to [The Depositor Education and Awareness Fund Scheme, 2014](#) for DEA Fund Code.

(H)	(I)	(J)	(K)	(L = 76.48% of (K))	(M = 11.76% of (K))			
Domestic Fraudulent EBTs						Name of Bank	DEA Fund Code	Amount Refund able (in ₹)
Cross- Border Fraudulent EBTs						Not Applicable		
Total						(N) Total amount to be refunded by the bank ((L)+(M)) (in ₹) = _____		

The claim for reimbursement for the quarter ended _____, 2027 is
₹ _____ (Rupees _____
only) ((G) – (N)).

- i. I certify that the above details have been subjected to internal audit / inspection as per the bank's internal guidelines and are verified and found to be correct.
- ii. I confirm that no duplication of claims has been made in the submission.

(Signature) (To be signed and stamped by the Identified Executive)

(Name & Designation)

Date:

Seal:

”

(Veena Srivastava)

Chief General Manager