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# PROTECTION OF BANKERS.

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LLM, II

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## 1. Abstract

The arrival of computers has led to the creation of Information Systems which are being used as a business tool extensively. Computers and more specifically information systems are used in a large scale from almost every single enterprise. The application of the dynamic potential of information systems and technologies has brought various improvements in business activities. One of the most important sectors which takes advantage of the constant rise of informational systems are the banking institutions. The nature of the banking sector as in other industries related to financial institutions, includes the use of terms such as information and trust. As a fundamental part of the industry of services, banks need the most information they can acquire. In the financial level, the role of an information system is far more complex, due to its position in the chain value, where the need for advanced information systems, which will allow the function of a large volume of information in different stages of processing, is granted. Furthermore, for the banking institutions and their clients, it is indispensable to have security, accuracy and data availability, terms which contribute to the automation of Information Systems. The basic services include the recordings of client's audit books, whereas the most complicated include the possibility of an interactive voice recording through which clients can receive answers through the frequently asked questions application. However, the development of an information system requires substantial investments, the responsibility of not leaking information and different other security measures. Therefore, banks need information in every stage of their activities. The benefits of information are many. Today, the decision making systems are used also by banks for purposes of commercial use of new loans. Typically, banks tend to need information in several levels analyzed in the paper.

**Keywords:** banks, bank security, information systems

## 2. Introduction

The objective of this paper is to present the measures for the protection of banking and information systems. The development and evolution of computers has led to the creation of Information Systems which are being used from the personal level, to businesses, to organizations, to whole countries. In the business sector, information systems are used by almost every single enterprise as a business tool in a large scale. Computers and more specifically Information Systems are used in a large scale from almost every single enterprise. The application of the dynamic potential of information systems and technologies has brought various improvements in business activities in terms of production, financial management, accounting, organizing clients and suppliers etc. One of the most important business which takes advantage of the constant rise of technology in informational systems are the banking institutions. The nature of the banking sector and more general financial institutions, includes the use of terms such as information and trust. In this sector, a huge amount of information is processed all the time. Furthermore, for the banking institutions and their clients, it is indispensable to have security, accuracy and data availability, terms which contribute to the automation of information systems.<sup>1</sup>

The need and importance of the consumer protection is expanding at a rate of knots especially in the Indian banking sector. We have encountered many incidents in the banking sector where the consumers are misled due to the failure of bank's operational capacities leading to the financial insecurity amongst the innocent customers. The recent example is the Punjab and Maharashtra Co-operative bank issue, wherein, the Reserve Bank of India ("**RBI**") under Section 35(A) of Banking Regulation Act, 1949 imposed the regulatory restrictions and withdrawal restrictions upon the said bank due to its irregularities disclosed to the RBI, which in turn has affected the faultless customers<sup>2</sup>

The banking institutions have as their object investments, commercial and depository activities amongst which are the following: the attraction of financial assets from the public and the appropriate financial carriers with the form of depositions, granting loans, payments and transactions in a foreign currency, transaction activities such as the exchange of coins, and offers in a foreign currency. The information system of banking institutions has to assure the execution

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<sup>1</sup> file:///C:/Users/OM%20SAI/Downloads/1536784638284211%20(6).pdf

<sup>2</sup> <https://www.mondaq.com/india/dodd-frank-consumer-protection-act/865580/present-status-of-consumer-protection-in-indian-banking-sector>.

of these specific activities, but also has to fulfill some basic requirements. As an indispensable ingredient of the sector of services, banks need to store information in order to improve the level of their services and to acquire a competitive advantage in regard to their competitors. More specifically, new technologies such as cloud computing and other storing systems of data which are based on the internet, have allowed to the banking institutions to grant their clients state of the art services, preserving however the competition of the financial market which is required during the practice of their business activities. The basic services include the recordings of client's audit books, whereas the most complicated include the possibility of an Interactive Voice Recording through which clients can receive answers through the frequently asked questions application. However, the development of an Information System requires substantial investments, the responsibility of not leaking information and different other security measures. Therefore, banks need information in every stage of their activities. The benefits of information are many: Today, the decision-making systems, are used also from banks for purposes of analyzing the credit history and credibility of every applicant (individual or business) before granting them new loans.

### **3. Definition of Banking:**

Banking is defined as accepting – for the purpose of lending or investment – deposits of money from the public, repayable on demand or otherwise and withdrawable by cheque, draft or otherwise. A banking company is defined as a company registered with the authorities for carrying on the business of banking.

Industrial enterprises accepting deposits for financing their activities are expressly excluded from the definition of banking companies. A company carrying on the business of banking must contain a term like bank, banking, banker, etc., as part of its name.<sup>3</sup>

### ***4. Appraisal of protection in banking information systems***

*All the banks in western countries and more recently in Asian countries use Information Systems in order to exist and operate in the global markets. The tools of decision making, administration systems of accounts and systems which are based upon the internet are being widely used from banking institutions in order to operate regularly and attract new customers by being ahead of their competitors. However, the main problem of on-line applications which they provide is the*

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<sup>3</sup> <https://www.yourarticlelibrary.com/banking/law-and-practice-of-banking/99044>

level of security. Security constitutes an essential requirement for the ensuring of normal functionality of a banking institution. By nature, it does constitute a dynamic and not static parameter and subsequently will have to be constantly reexamined and reevaluated with the goal of improvement. With the term “security of banking information systems” we mean the ability of a banking institution to provide reliable and trustworthy information which can also be accessed by anyone interested anytime.<sup>4</sup>

In order to accomplish this goal, protection of integrity and confidentiality of data is required as well for the constant operation of an information system center.

Furthermore, the safety of banking information systems is divided in two major categories:

#### **4.1. Safety in everyday transactions**

The most common threat for on line users of banking applications is the theft of security codes (pin) and their electronic cards or the theft of usernames and private banking accounts passwords and subsequently the loss of money. The truth is that there is no perfect system. Every system has its weakness as it includes programming and decoding. However, recently many banks have taken precautionary measures so as to have secure online banking transactions through the use of computers and Information Systems. The new security systems include the Secure Sockets Layer (SSL) technology as well as systems of memory which use access codes. Furthermore, the providing of extra information as well as the providing of access codes in specific telephone numbers is planned. As regards internet banking, this makes available all the security issues for its application and for its transactions as for example authentication through a multichannel personal identification number (PIN), random generated positions from the system for every connection, daily maximum limits for everyday transactions. More specifically, safety in everyday base of banking transactions can be implemented initially through the natural security of banking Information Systems. If, however, the right measures will not be taken properly, there is the danger of malfunction or even destruction of hardware and subsequently loss of vital information.

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<sup>4</sup> file:///C:/Users/OM%20SAI/Downloads/1536784638284211%20(6).pdf

## **4.2. Interception**

*Interception constitutes a form of passive attack against the confidentiality of Information Systems from a person (hacker) or a program or a mother computer system. The accumulation of a large quantity of electronic information regarding individuals from banking institutions, public services and private enterprises in conjunction to the ability of computers to survey and total recording of information for individuals, creates in our modern time period, an increasing threat to private life. In addition, the protection of private life, of personal data and in particular of sensitive private data is considered very important and significant for every person (individual or organization). The term “personal data” includes every piece of information which describes a person like the name, the surname, the profession, the marital status.*

## **4.3 Techniques of dealing with Interceptions**

*The rapid development of technology in the field of computer systems and the transmission of information has demonstrated an important problem, the one of protection of the transmitted information and subsequently that of the privacy of users. The basic technique used in order to eradicate the problem of interception is that of cryptography. This method is very easy in its application, follows typical protocols and keys of cryptography and provides solid protection of data. For these reasons it is preferred. Its goal is to ensure the integrity, authentication and confidentiality of data during their transfer between the sender and the receiver via the internet. More specifically, the data which are going to be shared are transformed in such a form that it is difficult to be interpreted and read if a certain sequence is not known. This sequence is the key to solving encrypted data, in conjunction with the use of a suitable algorithm. In order for someone to be able to obtain access in specific data, he has to know the key. In our time, cryptography techniques offer data encryption in application levels during their transfer between two computer terminals which communicate through the Internet*

## **5. Recent Development in Banking Sector which has escalated the Consumer Protection.**

It can be said that Article 21 of the Indian Constitution is the main theme behind the evolution of consumer protection laws in our country. The Right to Privacy is the stepping stone of the consumer protection laws in our country because every customer has the right with respect to their personal choice. At the same time, the service providers have the inbound duty to protect the 'Right

to Privacy' of their valuable customers. Highlighting the same, the High Court of Kerala referring to the case of District Registrar and the Collector v. Canara Bank<sup>3</sup>, has held that, 'Demanding information about bank accounts without statutory backings violates Right to Privacy.'<sup>5</sup>

*The Kerala High Court upheld the same by stating that the demand of details pertaining to the bank account of a person shall amount to infringement of Right to Privacy. So, this has created a positive hope amongst the banking customers about banks which are now duly responsible in maintaining the privacy of its customers and uphold the validity of Right privacy enshrined in the Indian Constitution.*

## ***6. Role of Banks in Consumer Protection***

Banks not only need to make sufficient disclosures on all aspects of their functioning and operations but also have to play a proactive role in educating customers on the products offered, the operational techniques, risks involved, safeguards and redressal options available. Banks need to maintain transparency in pricing, service charges, fees, and penalties. Every bank has to ensure the following in order to build a secure environment for the customers:

- Limiting the liability of customers in unauthorised electronic banking transactions.
- Enforcing ethical behaviour by financial service providers under the regulatory purview of the RBI.
- Emphasis on "Consumer Education" - Advertisement campaign on fictitious offers/fund transfers, coordination with the cyber-crime department, etc.
- Spreading awareness about Banking Ombudsman in rural and semi-urban areas.
- Improving the internal grievances redress mechanism of banks for effectiveness and timely response.
- Sensitising frontline staff of banks on the importance of customer service.
- Bringing about continuous systemic improvement by root cause analysis of complaints.
- Review of the BO Scheme in the light of emerging changes in the environment.
- Conducting thematic surveys and studies on specific areas.
- Monitoring implementation of the Charter of Customer Rights.

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<sup>5</sup> <https://www.mondaq.com/india/dodd-frank-consumer-protection-act/865580/present-status-of-consumer-protection-in>

## Conclusion:

In conclusion, we examined in this paper the importance of the matter of protecting the sensitive personal data in the Banking Information Systems. This topic is especially vital to the majority of users throughout the world. As technology rapidly advances, new methods of attempting to retrieve personal sensitive data from cards and accounts are introduced. In the same way, new counter measures are also appearing. We can conclude by expressing the belief that there does not exist a totally protected Information System in the Banking sector or in any other sector. However, through the process of experimentation and improvement on the existing systems, we may come to the point where it will be extremely difficult for a potential hacker to acquire access to the personal accounts of different users. Further research is focusing on inserting personal biometric characteristics of an individual in order to have access to his personal data. In this way it will be very difficult for a potential hacker to invade the accounts of users because the biometric characteristics of every individual are unique.<sup>6</sup>

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