

FINANCIAL FRAUD RISK INDICATOR: ECONOMY

NEWS: Landmark Step in Cyber Fraud Prevention: RBI Advises Banks to Integrate DoT's Financial Fraud Risk Indicator (FRI)

WHAT'S IN THE NEWS?

The Financial Fraud Risk Indicator (FRI), launched by DoT in May 2025, classifies mobile numbers based on fraud risk to help banks and NBFCs take real-time preventive actions. Integrated with RBI advisories, it enhances cyber fraud detection through telecom-finance collaboration, supporting Digital India's secure financial ecosystem.

What is the Financial Fraud Risk Indicator (FRI)?

- The **Financial Fraud Risk Indicator (FRI)** is a **risk-based mobile number classification system** aimed at preventing **cyber-enabled financial frauds**.
- **Launched in May 2025** by the **Digital Intelligence Unit (DIU)** under the **Department of Telecommunications (DoT)**.
- It is a result of inter-agency collaboration between DoT, RBI, banks, NBFCs, and UPI service providers.
- The system flags mobile numbers **based on their involvement in reported or suspected financial frauds**.

Core Functionality of FRI

- **Risk Classification:** Mobile numbers are categorized into three levels:
 - **Medium Risk**
 - **High Risk**
 - **Very High Risk**
- These risk labels allow financial institutions to respond with appropriate preventive actions.

Sources of FRI Data

FRI leverages a **wide array of data sources** for risk determination:

- **National Cybercrime Reporting Portal (NCRP):** Public complaints and crime reports.
- **DoT's Chakshu Platform:** A telecom-specific tool that flags suspicious numbers.
- **Reports from Banks and NBFCs:** Internal alerts based on fraud patterns and transaction anomalies.
- **Indian Cyber Crime Coordination Centre (I4C):** A key nodal platform for cybercrime tracking.
- **Mobile Number Revocation List (MNRL):**

- Contains numbers that are **disconnected due to misuse**, cybercrime involvement, or **failure in re-verification**.
- Acts as a reference point for banks and telecom providers.

How FRI Works in Practice

- **Automated Integration:** Banks integrate the FRI via APIs with the DoT's **Digital Intelligence Platform (DIP)**.
- **Real-Time Alerts:** Financial institutions receive **real-time alerts** on suspicious mobile numbers during customer onboarding or while processing transactions.
- **Actionable Outcomes:**
 - Block or restrict suspicious transactions.
 - Flag suspicious customer profiles.
 - Issue warnings or initiate enhanced verification protocols.

Impact of FRI on Cyber Fraud Prevention

1. Proactive Risk Mitigation

- Banks and financial entities can take **preemptive action** before fraud occurs, rather than reacting post-incident.
- Prioritization of enforcement helps allocate resources efficiently.

2. Cross-Sector Integration

- The initiative represents an important **integration of telecom intelligence into banking operations**, enabling a **multi-stakeholder response** to cybercrime.
- Encourages **continuous and automated feedback loops** to improve detection models.

3. Builds Public Trust in Digital Transactions

- As UPI and digital payments expand across India, the FRI system **reinforces user confidence** by ensuring that mobile-linked fraud risks are actively monitored and managed.
- Promotes **safe and secure financial inclusion**.

Strategic Significance of the FRI

1. Real-Time Cyber Threat Detection

- Helps in **identifying fraud-prone mobile numbers immediately**, even before onboarding or payment authorizations.
- Especially critical for preventing scams in **real-time digital payment systems** like UPI.

2. Standardization Across the Financial Sector

- As adoption expands, FRI is likely to become a **sector-wide standard** for fraud prevention and customer verification.

3. Supports the Digital India Mission

- Promotes a **technology-driven, secure, and resilient financial ecosystem**, aligned with India's **Digital India vision**.
- Demonstrates the use of **data intelligence and inter-departmental collaboration** to strengthen national cybersecurity.

Source: <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2141616>