

Mobile Banking Transactions in India
Operative Guidelines for Banks
Issued by the Reserve Bank of India



Internet & Mobile Association of India

Discussion Paper



1. Internet and Mobile Association of India (IAMAI)

The Internet & Mobile Association of India (IAMAI) is a not-for-profit industry body registered under the Societies Act, 1896. Its mandate is to expand and enhance the online and mobile value added services sectors. It is dedicated to presenting a unified voice of the businesses it represents to the government, investors, consumers and other stakeholders. The association addresses the issues, concerns and challenges of the Internet and Mobile economy and takes a leading role in its development.

The association's activities include promoting the inherent strengths of the digital economy, evaluating and recommending standards and practices to the industry, conducting research, creating platforms for its members, communicating on behalf of the industry and creating a favorable business environment for the industry.

Founded in January 2004 by leading portals in India, IAMAI is the only specialized industry body in India representing the interests of online and mobile value added services industry.

2. IAMAI: Payments Committee

The national committee on Digital Payments at IAMAI focuses on regulation, industry norms and business facilitation for digital payments. Current members of IAMAI Digital Payments committee are:

- Vishwas Patel, CEO, Avenues (Chair)
- Aditya Menon, CTO, OboPay (Co-Chair)
- Navin Surya, Managing Director, ITZ Cash
- Sanjay Agarwal, IRCTC
- Ravi Shankar, Yes Bank
- Niranjana Goswami, Atom Technologies
- Bikramjit Sen, CEO, Tech Process

INTRODUCTION:-

The Reserve Bank of India, to enable, 'Safe, Secure, Sound and Efficient Payments and Settlement System' for the country, has been continuously working with Banks, Telco's and Payments System Players to bring technology advances and innovation to provide wide range of options for Payers and Payees to conveniently facilitate their transactions through Mobile. With a view to Oversight on Payments and Settlement Systems in India, the 'Department of Payments and Settlement' of Reserve Bank of India has published various guidelines, white papers and reports on Indian Payments System. The Department of Payments and Settlement of Reserve Bank of India has on September 19, 2008 issued Draft Operating Guidelines on Mobile Banking Transactions in India and has invited comments on the said guidelines by September 29th, 2008.

COMMENTS OF IAMI:-

The Payments Committee of IAMI would like the Reserve Bank Of India to take notice of the following comments/issues/suggestions with regards to the Draft Operating Guidelines on Mobile Banking Transactions:-

Issue 1) Today, all the new age Point of Sale terminals are connected to mobile phones. Reliance Mobile and other mobile service providers have attached their CDMA mobiles inside the POS terminals. The customer usually goes to a store, purchases products and pays through their debit cards (Real time debits to bank accounts) / credit cards which are processed using such POS terminals which are connected to CDMA/GSM mobiles. These mobile POS terminals are now also increasingly being used by merchants for collecting home delivery products and even for processing payments of tickets at Airports. The question is that since the transaction is carried through the mobile to the bank switch and debits the customers bank account in real time, is it classified as a mobile banking transaction? If yes, then all the mobile payment guidelines will apply and will severely disrupt the way the transactions are being processed as of today especially the Rs. 2,500 transactions limit on every transaction (max 2 transactions a day).

IAMI Comments:- The guidelines for mobile payments in India should be further divided into 'Customer present' and 'Customer Not present' transactions. The mobile payment guidelines should not be applicable in cases of "customer present" scenarios where the cards are swiped

(i.e. the payer and the payee are in front of each other) even if the transactions are processed through a mobile phone.

Issue 2) The RBI has defined the role of a bank as the sole custodian of payments processing, and has mandated them to take care of interoperability across telecom networks and systems. RBI has said that Banks have to implement application level encryption over network and transport level encryption.

IAMAI Comments:- The RBI has to appreciate and take into account the roles played by telecom operators and other Payment Service Providers as they are important players in the ecosystem.

Issue 3) Physical customer presence / documentation is mandatory to commence the mobile banking service.

IAMAI Comments:- Banks have already done a complete 'KYC' of their customers while opening their bank accounts, as has been mandated by RBI. Having them do a document based registration with physical presence at the bank branch will act as a significant barrier in new customers adopting the service, and could put brakes on a rapid scale-up so typical of the mobile transactions domain.

Issue 4) A per transaction limit of Rs. 2,500/- has been imposed on all Mobile Banking transactions and an overall cap of Rs. 5,000/- per customer per day has been imposed by the RBI.

IAMAI Comments:- The per-transaction (INR 2,500) and daily (INR 5,000) limits effectively narrow the scope of mobile payments to small-ticket purchases only. Services such as bill payments, airline ticketing and online shopping would not be possible. The RBI has said that the long term goal of mobile banking framework in India would be to enable funds transfer from account in one bank to any other account in the same or any other bank. Even Money transfer between different bank accounts will not take off because of this per transaction limit. Therefore IAMAI suggests that since RBI has said that services are restricted only to customers of banks and who are holders of banks debit cards / credit cards, then the limit (per transaction or per

day or overall) should be the same as what the customers enjoy today on their debit / credit cards.

Issue 5) RBI has mandated that only banks who have implemented the core banking solution (Only about 30+ Indian and foreign banks as of today) can offer mobile banking services and these services are restricted only to customers of banks, who are holders of banks debit cards / credit cards only.

IAMAI Comments:- The real power of the mobile medium is in enabling financial inclusion and helping banks service customers and locations that would otherwise be unviable. Financial inclusion should be the driving force for opting mobile technology as delivery mechanism of banking services to the next billion potential customers. By limiting the banks as well as the customers who can opt for such services, RBI has restricted Banks in offering Mobile banking services as only a value-add to an existing customer relationship and nothing more. Reserve Bank of India should appreciate the need for 'Financial Inclusion' to increase the reach of Banking and Financial services to common man as large population of the country still is unbanked, under-banked or underserved.