



# MOBILE PAYMENT FORUM OF INDIA (MPFI)

(A non-profit registered society)

Website: <http://www.mpf.org.in>

E-mail: [mpfi@idrbt.ac.in](mailto:mpfi@idrbt.ac.in)

## MINUTES OF THE 8<sup>TH</sup> GENERAL BODY MEETING

The 8<sup>th</sup> General Body Meeting of the MPFI hosted by SBI was held on March 12<sup>th</sup> 2011 at Hotel Leela Kempenski, Andheri(E), Mumbai from 9.30 a.m. to 4.30 p.m. which was attended by about 103 persons representing all segments (List of attendees in Appendix-A).

The opening address was given by Sri.C. Narsimhan, DMD of SBI who welcomed one and all. He congratulated MPFI for the efforts and progress made by it. He remarked as to how developing countries are showing the way to developed countries as far as mobile payments are concerned. He opined that cards may be replaced by mobile payments in future.

Prof. Ashok Jhunjhunwala, the Chairman of MPFI, welcomed all and briefed about how MPFI was formed about 4 years back with only few members. He expressed his keenness to make mobile payments happen as suggested by MPFI in its interworking guidelines. The basic objective is to carry mobile payments to the last village but not much is happening as there are certain bottlenecks in the way of carrying all such transactions from mobile to mobile.

Dr.R.B. Barman, Co-Chairman, MPFI took the discussion further and focussed on the drainage of cash from banks which can be reduced with mobile payments so that the cash remains in the banks and used constructively for other growth purposes.

The Chairman then initiated an open discussion about the issues listed in the agenda and deliberations took place with action points as follows :

1. Status of person to person mobile payment-issue of MMID- Ms. Rani Santhanam, Coordinator of the Technical Committee explained about MMID and spoke about the few transactions that took place in February 2011. The volume of money involved was higher but the transactions made were few in number. Then the issue of porting of application on handsets was taken up. The difficulty to port the software on all mobiles was expressed. But some felt that it was rather an issue of customer awareness. Interbank Mobile Payment Service (IMPS) transactions can be done not only through Mobile Phones using Mobile Money Identifier (MMID) number but can also be done by customers in similar way through ATM, internet or IVRS. There is massive potential in this segment which needs to be tapped. Java enabled mobiles was another concern as the existence of pirated ones was a hindrance. The looks and feels of the handset not being the same, it is necessary to educate the customer on its uses. Non standard mobiles are flooding the market, which may not support the requirements of mobile payments.. The target is to reach to all but presently only high end users or tech savvy users only are using mobile payments, this demands more customer awareness and required initial handholding. Mr Vikas from Syscom opined that we should communicate to the handset manufacturers and solve the problem. Mr Srinivas from comviva spoke on data points. There was an opinion that MPFI should build in a certification process wherein every handset manufacturer has to certify which handset models can support mobile payments. The MPFI forum is to take initiative to standardize the necessary formats that go out of the message system. With the help of TRAI and some others, the handset providers and technology providers can accordingly be informed.

Opening of USSD, SMS,GPRS : The chairman suggested that most mobile operators can open up GPRS and USSD for mobile payments with minimum charges instead of transaction based charges. It was resolved to constitute a Committee to look into this matter.



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SMS delivery times : The mobile payment SMSs must not be treated as other bulk messages. It was resolved that a committee to be constituted to come up with suggestions for a registration body.

Regulations regarding SMS limits : It is reported that there is a regulation that not more than 100 SMSs can be send per day by a customer. It was resolved to take up this matter as merchant transactions for example, may often exceed the limit.

Mobile top up charges by banks: There is a certain fee that the service provider is paying to the bank reducing the cost to end users. One of the members suggested that Switching Agency like NPCI should be requested to have an arrangement with the telco providers for all the banks wherein they will route all transactions. From the customer point of view, it was felt that the SMS charges could be debited from the account instead of the talk-time. The Chairman said that the telcos and the banks must co-operate with each other in order to come out with a solution for this issue. He put forth his willingness to chair a small committee comprising of 2 telcos and 2 banks so as to work out a solution.

Mobile Operator - mobile payment services –linking to banks and merchant payments: Cost of transaction to be reduced to make it profitable to all users. The delivery to be made efficient. It is a technological limitation but not a business one. A suggestion was made that along with MMID, a ten digit number also is to be added in case of merchant transaction. It was resolved that a committee to be constituted to look into the ease of interoperability to implement a single short code.

Voice based authentication and banking: It is seen that voice authentication is used by some service providers as it is preferred by certain customers. It is a great technology and can be better used if tested to be robust. It was resolved to set up a committee comprising of Shri.Kartikeyan, Dr.Barman, Shri.Hota, Dr. Gaurav Raina and few others to look into the matter. During the meeting, Sri.Sirish from Voxta, Sri.Umesh from Uniphore, Sri.Anthony from Kotak and Sri.Narendra Singh from Adarsh Bank have expressed their willingness to join this committee.

One-time Password: No serious issues expressed.

Awareness and customer education: It was mentioned that EKO technologies has done some comics development for customer education. The Chairman remarked that MPFI efforts were needed in this direction to spread awareness among the customers about mobile payments. For example, MPFI booklets could be made and circulated for this purpose. The Chairman also requested that a committee comprising of Shri.Hota, Shri.V.N.Sastry, Shri Nitin(Microsave), Shri Abhinav Sinha(Eko), and Shri Dinesh(Sub-K) to be formed to deal with the related issues. Dr. V.N.Sastry was asked to take the initiative as Shri.Hota was not present. The Chairman also assured of some nominal budget from MPFI to meet the needs.

Harmonization with UID: Some problems regarding this were discussed. It was expressed that Mobile number, linked with UID is becoming a burden on the banks in terms of charges. The Chairman emphasized that UID is a very important component for KYC (Know your customer) norms. But it is not obligatory for all transactions. For example pin, voice print and others can be used as alternative modes for other transactions.

Merchant Payments: It was mentioned that initiative has already been taken jointly by the switching agency NPCI and the Technical Committee of MPFI wherein, the UID and mobile number can be used to initiate the transaction.

## 2. Amendments to Interoperability Standards for mobile payments and Security issues on Mobile payments:

Ms.Rani Santhanam from ICICI said that presently there are 13 banks live with NPCI doing switching and CCIL doing settlement with regard to mobile payments. By the middle of the year, 25 banks should be providing a platform for mobile transactions. Till date, in the month roughly above 2000 transactions have taken place wherein Rs.7,30,000 was transacted. Continuous work for betterment in this direction is being



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done. It was expressed that NPCI would be doing the integration in the next 2-3 months to add more banks for mobile payments.

Dr. Gaurav Raina Spoke about Challenges to be faced in order to continue with mobile payments. There is an approach change in the 2<sup>nd</sup> version of Interoperability Standards (v1a) in terms of Introduction of an MMID, a central switch and a centralized settlement agency. Motivation of MMID is 3-fold to support - multiple accounts, safety net and routing of transactions. Procedural guidelines for IMPS were issued through NPCI that says to do it in 2 phases - 7digit MMID and 3 digit MMID. Views were put forth by some members on this issue. If there is a central repository linked with bank account and mobile number, then 7-digit in the MMID may not be required. But there are concerns from banks and telcos which are not in favour of a central repository. Development of a huge infrastructure is needed and concern was expressed about the possibility of its feasibility of periodically updating when the mobile number subscribers scale up. Data privacy also is a concern here. It was resolved that this issue would be taken up by the next Executive Committee and discussion on 3-digit MMID would be taken up in future.

Objective and scope of the paper on security for mobile payments issues: Dr. Gaurav Raina expressed that the Technical Sub-committee has brought out the discussion paper on Security of Mobile Payments. It has undergone several revisions based upon the comments received from the MPFI members and after further modifications it would evolve as a Standard. He told that to undertake the key security concerns for mobile payments to identify its threats and vulnerability, recommendations were made to remove the identified threats. The approach taken is to identify the breach points at the device level, application level and channel level and each of these breach points from the perspective of technology, Interoperability Standards and guidelines set up by RBI were considered. All banking transactions may be permitted only by validation through a 2- factor authentication. One of them being MPIN the encryption of which is desirable. Wireless interface-IVRS and its positive features discussed. It looks at different literacy levels, secure voice biometrics, easy to use, low cost of transaction. Concerns regarding tapping and deciphering of data were expressed. The chairman appreciated the commendable work done by the Technical sub-committee on Security for Mobile Payments and said that steps must be taken to resolve these issues.

### 3. Panel Discussion on Financial inclusion using mobile-

The Chairman started the discussion by saying that larger segment of people need banking services, may be small ticket transactions but are not able to do so. RBI has enabled business correspondence model, yet people are not benefited to the desired expectations. Sri.Venkatechalam (SBI), Sri. Arnab Biswas (Tata Teleservices), Sri. Amit Mehta (Basix) and Sri. Abhinav Sinha (EKO) expressed their views as Co-panelists. The highlights of the discussion were : Create a reachable base for the user, Create a feeling of ease and affordability, Slowly introduce cost, scalability, convenience & security, Technology which is easily accessible to the user, Extend banking facilities through mobile, GPRS and Internet not that prevalent-so not reachable to far-off places. Any financial transaction done, should be interoperable between the bank branch, BC point or any other BC point. In some cases, simple transaction done through customer service points increased the authenticity of BC as a channel for banking services. There must be business viability throughout the ecosystem. Banks are charging the customer. So revenue is to be shared by all. It is important to sell the services to the user because only if he/she buys it, he will use it, and he will buy, only if he needs it. The way to sell is to explain the benefits and propose to him about value added services. It was proposed by one of the members that the business model be changed as small-time BC operating in different parts of the country, just provide the technological solution and do not get involved in the village activities. There was a suggestion that using the wireless distribution arm, the transaction cost can be further minimized. Concern was expressed over the issue that while the telcos have made selling of SIM cards viable the banks have not yet made it. Issues regarding how to promote inclusive growth through financial inclusion were discussed.



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4. Panel Discussion on prepaid cards: Mr. Anand Srivastav (Beam technologies) began the discussion. While he appreciated the RBI guidelines, he was of the opinion that it is not a level playing field. Mobile banking guidelines if compared with prepaid instrument guidelines, there is a huge disparity. The consumer companies must be invited proactively into the forum. The consumer companies and the banks must work in unison as they are good in their respective fields in order to benefit the customer. The co-panelists Sri.Sunil Kulkarni (Oxygen), Sri.Sachin Khandelwal (ICICI Bank), Sri.Kartikayan (SBI) and the Chairman expressed their views. Highlights of the panel discussion: Transaction possible through prepaid cards by connectivity with the switching agency NPCI. Prepaid card should be made possible from the regulatory perspective. Its usage and popularity would enable decrease in cash transactions. Cards are likely to virtually converge with mobile. Create an ecosystem everywhere, wherein mobile wallets can be used effectively. Approach to be client-oriented to include salary pre-paid, gift cards etc. Banks and non bank entities are getting together and RBI also has made changes in its guidelines on pre-paid cards so as to delve into the issue for the end- beneficiary. The Chairman commented that the mobile is a very important tool for pre-paid cards. The Business Committee was entrusted with the task of looking into this opportunity and bring out the steps to be taken up in future.

5. Discussion on frauds and risks on mobile: KPMG has agreed to jointly work with MPFI and come out with a co-branded paper on this issue. Mr. Karthik from KPMG explained elaborately as to how to go about it and identify the frauds and risks concerning mobile transactions. Mobile having the farthest reach, is an important tool for mobile banking. Highlights of the presentation: Banks and telcos have to come together to identify the risks. The risk control mitigation techniques will be specifically pointed out. Scenario analysis of the identified risks. Data analytical techniques that can be adopted to identify suspicious transactions which can be further investigated. Lot can be learnt from credit card transaction analysis and other applications which are available frequently. So mainly it is the velocity, the type of transaction, the profile of the user that can be fed into the system and monitor the transaction online as soon as it happens so as to identify. The Chairman asked a few banks, a couple of telcos and some prepaid card holders to interact together to have a better understanding of the issue so as to minimize risks and frauds. It was suggested that KPMG may send a detailed paper on this along with best practices before the end of April.

6. MPFI Developments, activities and awards committee : Dr.V.N.Sastry, Executive Secretary presented the developments of MPFI including the Audited Financial Report of 2009-2010. He informed that IMPS was inaugurated by the Deputy Governor, RBI on Nov.22, 2010 organized by NPCI. MPFI registration for 12A exemption of income tax was rejected earlier and he proposed to re-apply after suggested amendments are made in the Society by laws. The auditor proposes to make an appeal to the IT department for consideration, it can now be demonstrated as to how this society is beneficial to the common man by making use of the mobile payment application on their mobiles. The proposal of MPFI to register for service tax was approved. Awards committee has been constituted by MPFI. It is to formulate the nature and type of award, criteria, amount to be given etc. The present website (<http://www.mpf.org.in>) and the newly registered website (<http://www.mpfi.org.in>) of MPFI both to continue. There is International Convergence of Mobile Payments. MPFI proposes to conduct international conferences and workshops on mobile payments. MPFI proposes to publish brochures, best practices, standards and annual reports. Proposes to conduct awareness programmes on Mobile payments, particularly the security issues. It was resolved to approve the above proposals and the four suggested amendments in the Society by laws as detailed below :

1. Section 13.2 (b) : “The accounts of the Society should be audited by a Chartered Accountant every year and the Income Tax returns should be filed.” – to be added.



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2. Section 6.4 (iv): “The objects and the provisions of the Society are to be strictly carried out as given herein, but if at any time the trustees unanimously decide to amend, enlarge and/ or alter or add to the objects and provisions of the trust deed, they shall be competent to do so, however that the objects of the trust shall always and shall forever remain public charitable in nature.” – to be added.
3. Section 8.4: The investments of MPFI are to be made under the provisions of Section 11(5) of the Income Tax Act. – to be added.
4. Section 7: “Outside India” - to be deleted.

7. Election of Office bearers and Committees : Mr.Sachin Khandelwal, Joint Secretary briefed about the guidelines of the election process and nomination forms. The elections for the Executive Committee, Technology Committee, Business Committee, Regulatory Committee and Events and Communication Committee were held. Voting to elect took place by raising hands by members, wherever contestants outnumbered the positions or to resolve the tie. The results based on the election were announced and displayed before conclusion. The approved Elected list of Members in different committees is given in Appendix-B.

8. The various special purpose committees formed based on the deliberations of the meeting have been approved which is given in Appendix-C. The committees should initiate action and report the progress made to the Chairman and the Executive Secretary by the end of April 2011.

The Chairman thanked SBI for the wonderful hosting of the event. He also thanked members of KPMG for volunteering their services for a better understanding of mobile risks and frauds. He thanked all the outgoing EC Members including Dr.R.B.Barman, Co-Chairman (RBI) and members of various committees for their involvement and constant support. He opined that the General Body can meet twice a year but the Executive Committee meetings should be held more often.

Dr.Ashok Jhunjhunwala  
Chairman, MPFI

Dr.V.N.Sastry  
Executive Secretary, MPFI

## Enclosures :

Appendix - A : List of attendees.

Appendix - B: List of MPFI Elected Members for various Committees.

Appendix – C: List of Special Purpose Committees formed based on deliberations.