

LOW-COST CHANNEL

RBI norms on mobile banking by June 15

Shobha Kannan

Kolkata, April 29

It could soon become easier and safer to use your mobile phone for carrying out entire banking transactions, with the Reserve Bank of India looking at issuing regulatory guidelines for mobile payment systems. The draft guidelines would be placed on the RBI Web site by June 15, according to the RBI annual Credit Policy statement.

The guidelines would mainly focus on safety and interoperability issues in using mobile phones for conducting normal banking services, said senior bank officials.

The central bank said that it is in discussion with banks, service providers and industry bodies for the purpose of framing the guidelines. "The focus of the

guideline would be on devising an inter-operable system. It is important that banks and various service providers talk to each other so that transactions flow seamlessly between different payment solutions," said Mr Nitin Chittal, Assistant Vice-President, Alternate Banking Channels, Axis Bank. Inter-operability would require a standardised messaging format between the various service providers and banks, Mr Chittal said.

Senior bank officials said that the guidelines would seek to ensure software-related safety and proper risk management in order to encourage more customers to use the mobile platform.

Focussing on the need to use mobile phones for conducting various transactions, the RBI said,

"The mobile channel facilitates small value payments to merchants, utility service providers and the like and money transfers at a low cost."

There were about 231 million mobile phone connections in the country as on December 2007. The rapid expansion of this mode of communication has thrown up a new payment delivery channel for banks. Many countries have adopted this mode of delivery to expand the reach of the banking facility to cover remote parts, the RBI said.

Several banks have tied up with mobile phone operators and service providers to carry out transactions on mobile phones. While some banks allow simple account-related queries on mobile phones, some have gone a step further and stored

the debit and credit cards on mobile phone to enable various transactions.

PILOT PROJECTS

ICICI Bank has tied up with Airtel and mChek to load a virtual credit card on a mobile phone to carry on complete banking transactions as well as for making payments. "We conducted a pilot in Delhi and received close to a thousand responses. Mobile phones can be safer as compared to physical cards as they are pin protected, thereby minimising the risk of misuse," said Mr Sachin Khandelwal, General Manager, Head-Cards Product Group, ICICI Bank.

Axis Bank is also conducting a similar pilot project with Atom Technologies to store a debit card on the mobile phone.