

Implementing RBI's Tokenisation Circular in Consumer Interest

Date and Time: December 17, 2021, Friday • 1500 to 1630 hrs (IST)

Background & Context

Digital transactions in India have risen manifold in the past few years. Estimates suggest that India's online retail market will reach US\$350bn by 2030 from US\$45-50bn at present, which may contribute nearly 40 percent of the US\$800bn consumer digital economy. However, the lack of timely and proper implementation of the Reserve Bank of India's (RBI) circular dated September 07, 2021, on 'Permitting Card-on-File Tokenisation (CoFT) Services' (tokenisation)ⁱ may derail such growth.

The RBI must be lauded for its visionary stance of mandating CoFT to promote safe and secure digital payments for consumers. However, it is to be noted that the circular does not fix a technical deadline for card issuers (banks) and card networks for operationalising CoFT. Instead, it sets a functional deadline of January 01, 2022, for merchants, Payment Aggregators (PAs) and Payment Gateways (PGs) to stop saving consumers' card details and purge those already saved with them.

In effect, it leaves merchants and their consumers at the mercy of banks and card networks to operationalise CoFT by the deadline. Else, merchants will not process consumers' card-based digital payments through pre-saved cards.

It has been argued that consumers may be forced to re-enter their complete card details for each card-based digital transaction they make. Alternatively, they would have to migrate to other payment modes, which is likely to cause significant inconvenience to consumers.ⁱⁱ Moreover, new-to-digital consumers, particularly number illiterate consumers, senior citizens and persons with disabilities, may face additional difficulties entering complete card details for each transaction, thereby becoming susceptible to intermediary and third-party fraud.

Such challenges may distrust consumers on the digital economy and nudge them to move back to the cash economy. Against this backdrop, the webinar seeks to deliberate upon the issues mentioned below.

Issues for Discussion

- Media reports suggest that some card networks have already rolled-out CoFT, in partnership with select merchants, much before the deadline.ⁱⁱⁱ Can it, therefore, be ascertained that all card-based digital payments ecosystem stakeholders would have implemented CoFT at scale by the deadline?
- The RBI, in a press release, has assured that CoFT will improve card data security and continue to offer consumers the same degree of convenience as now.^{iv} Will this hold even if relevant stakeholders are not ready with CoFT by the deadline? What could be the inadvertent adverse consequences for consumers and other stakeholders in such a scenario?
- How can the RBI ensure timely, complete and safe implementation of CoFT by the deadline? In case this is not possible, what can be done to mitigate potential adverse consequences of consumers and other stakeholders to avoid?

Agenda

Time (IST)	Description	Speakers
1500-1505 hrs	Opening Remarks	Pradeep S Mehta , Secretary General, CUTS
1505-1515 hrs	Keynote Speaker	Saurabh Garg , CEO, UIDAI
1515-1520 hrs	Presentation	Sidharth Narayan , Policy Analyst, CUTS
1520-1620 hrs	Panel Discussion, Moderated by Amol Kulkarni , Director Research, CUTS	<ul style="list-style-type: none"> • Vijay Chugh, Former Head, Department of Payment and Settlement Systems, RBI • Aruna Sharma, Former Secretary, Government of India & Member, RBI Digitisation Committee • Gowree Gokhale, Partner, Nishith Desai Associates • Asheeta Regidi, Associate Director, Policy, Cashfree Payments • Mandar Kagade, Founder & Principal, Black Dot Public Policy Advisors • Srikanth Lakshmanan, Founder, Cashless Consumer
1620-1625 hrs	Q&A Session	Moderated by Amol Kulkarni , Director (Research), CUTS
1625-1630 hrs	Closing Remarks	Vidushi Sinha , Research Associate, CUTS

Endnotes

- i Circular available at: <https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12159&Mode=0>; to be read with ‘Guidelines on Regulation of Payment Aggregators and Payment Gateways’, available at: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12050&Mode=0>
- ii Two tremendous transitions too soon for digital payments industry, available at: <https://economictimes.indiatimes.com/industry/banking/finance/banking/view-two-tremendous-transitions-too-soon-for-digital-payments-industry/articleshow/87887781.cms>; and Dear RBI, don’t penalise consumers and merchants for non-compliance by other stakeholders, available at: <https://economictimes.indiatimes.com/industry/banking/finance/banking/view-dear-rbi-dont-penalise-consumers-and-merchants-for-non-compliance-by-other-stakeholders/articleshow/87975474.cms>
- iii Paytm launches card tokenisation for online transactions, available at: <https://www.thehindubusinessline.com/money-and-banking/paytm-launches-card-tokenisation-for-online-transactions/article37764599.ece?homepage=true>; and Visa launches India’s first card-on-file tokenization service, available at: <https://www.livemint.com/companies/news/visa-launches-india-s-first-card-on-file-tokenization-service-11633516881425.html>
- iv Press Release available at: https://rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=52188