

TRAI/Aircel/Corr/2013/175

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Sub: Response to “Consultation Paper on USSD-based Mobile Banking Services for financial Inclusion”

Dear Sir,

This is with reference to “Consultation Paper on USSD-based Mobile Banking Services for financial Inclusion” dated 20th September, 2013.

In this regard, we hereby enclosed our response to the above mentioned Consultation paper. The response has also been sent through e-mail at manishsinha@traigov.in;

We hope that our inputs would merit Authority’s consideration.

Yours Sincerely
For Aircel Group



Ramesh K
Sr. General Manager –Corporate Regulatory Affairs

Encl: as stated above (Total 7 pages)

Aircel Limited :

Aircel Response to TRAI Consultation paper on USSD

The Aircel response to TRAI's consultation paper on the use of USSD as a channel for Financial Inclusion mobile banking is set out below. Ahead of answering the specific questions raised in the paper, Aircel would like to draw out macro level concerns over the overall approach of the consultation paper and its narrow focus is trying to address only one facet of the mobile banking model that drives Financial Inclusion.

Macro Concerns

The core objective of enabling mobile banking services is to promote financial inclusion to the large unbanked population in the country. The thrust of the regular TRAI meetings was initially to open up a standard channel across all TSPs for banks to operate banking services to their customer base. This has developed into directing TSPs into connecting with an 3rd party i.e. NPCI managed USSD gateway and accepting every obligation & responsibility for tracking and billing customer usage, maintaining a service with quality of highest standard, whilst having no guaranteed volume commitments from the banking community. This regulator-driven approach has effectively alienated TSPs on co-sharing the Financial Inclusion agenda and working with the banking industry to construct an innovative framework and practical paradigm that is likely to have greatest impact in driving Financial Inclusion across India.

What has been largely ignored in the agenda so far are the other ingredients required to promote greater no frills account adoption, such as enabling a **greater branch reach** to rural locations, **simplified KYC** and a range of simple products that rural customers want.

Without addressing these areas with equal vigour, the proposed activity is likely to result in no more than a fancier offer to existing bank customers, and no increase in take-up of no frills accounts, may again leading into no Financial Inclusion advancement.

We would like to draw your attention to following additional concerns with the approach taken so far:

1. The commercial structure of any relationship to provide viable USSD service offering to the customers should be an independent decision between the Banks and the Telecom Service Providers. TSPs should not be obligated to provide a USSD banking service to its customers as

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this would set an additional burden that was never stipulated in the Telecom license conditions coupled by no volume commitments from banking industry.

2. We believe that the **TSPs should have the right to choose their payment gateway provider** and should not be mandated to use a single aggregator i.e. NPCI that will result in a monopolistic supply situation. RBI has granted payment processing license to many entities other than NPCI who may wish to avail access to telecommunication services. Hence it should be left to the TSPs to choose their payment gateway provider or providers.
3. We believe that **TRAI should consider placing on hold all the Quality of Service (QoS) norms** mandated for mobile banking services over USSD and other bearers as this service is still in an early stage of development leave aside roll-out or its geographical spread and there is insufficient experience or demand to dimension bandwidth and storage requirements. Once the service has been rolled-out for some time and customer uptake grows, that is the time to set minimum standards for all aspects of the service delivery. It is pertinent to highlight that in case of voice services, they were rolled-out, witnessed growing consumer demand and it was after 7-8 years in 2002 that QoS benchmarks were introduced. Similar phased approach of evolution, roll-out, geographical spread & thereafter QoS has been followed in Data as well.

In answer to the specific questions raised in the consultation paper under response, Aircel has aimed to give reasons herein after, as to why the suggested approach might be flawed as well as suggest concrete alternative solutions that we believe offer a simpler, lower-cost way to solve the problem set. We do hope that these would merit Authority's consideration.

1. Is USSD the most appropriate mode for mobile banking? If not which other mode is more appropriate?

Research indicates that **globally only 20% of the Mobile banking deployments** are on USSD based bearer service (*Source: GSMA*). We would like to point out the following weakness with the USSD bearer being used as channel in delivering mobile banking services:

- a. **USSD is not a mainstream commercial service**; it is essentially a signaling channel of telecom networks. So far, USSD access for financial services has been in pilot implementations only. USSD is primarily been deployed in a limited way in telecom

networks for VAS products which do not require stringent & rigorous attributes of a financial transaction such as (i) audit trail of transaction, (ii) storage of transaction data, (iii) interface with multiple 3rd party applications, and (iv) stringent quality of service (QoS) parameters. To make USSD as a mainstream technology for Mobile Banking services requires significant investment in Billing Systems, Transaction Data Storage, Retrieval Systems and augmenting USSD bandwidth on the Radio Access Network and dedicated USSD platform. **This investment will dramatically affect the low cost nature of USSD services and therefore it's a major barrier to its adoption.**

b. **Linguistic Challenges with USSD interface:**

USSD menus are currently available only in English which lead to adoption barrier for financially excluded customers and defeating the purpose of financial inclusion.

- c. USSD based mobile banking can potentially create the mistaken perception of **TSPs owning the banking service.** All banking channels (Mobile Application, Internet, ATM, IVR, Bank Branch etc) used by existing banking customers have a distinct bank branding and visibility. With no bank brand visibility possible on a USSD interface; the consumer may perceive this as a service provided by their Telecom Operator - leading to unnecessary load on the TSP's customer service and brand reputation risks. More clarity is required from partner banks in relation to roles, responsibilities, liabilities etc before USSD as a bearer is enabled for Mobile Banking.

We believe that as a result of the above weaknesses, the viability of the suggested USSD channel is called into question. However, we also believe that if USSD was used as part of a **subscription based fee charging mechanism** for the customers using USSD service followed with an SMS as the final transaction confirmation, the need to invest and set up transaction tracking and storage, billing and settlement systems and audit trails is eliminated. QoS norms should not be applicable to the subscription based fee charging mechanism.

[eg. for a monthly fee of perhaps let's say hypothetically Rs 5, a customer would have access to unlimited USSD banking transactions in that month from their bank account – the fee can be either bank-borne or charged to customers either from a TSP VAS partner or by the bank as part of its account fees. This pricing is similar to the Bank charges of INR 5 per month for SMS notification services.]



This would be using the USSD channel in a similar way to how it is already used in activating VAS services, and maintains its advantage as a viable low cost deployment solution. It also therefore places the onus of customer transaction management and notification back to the banks whose banking systems are designed to cater for such financial transactions.

If a subscription model is not acceptable then it is Aircel's view that alternative secure bearers like Mobile Applications/ IVR / encrypted SMS channels must be preferred for adoption of mobile banking services in India. We also believe that a STK based solution would be more suitable than a USSD interface being more secured & the user interface on STK can be customized to the needs of the target consumer segment. However to deploy STK based solution there TSP needs to invest to build the SIM menu as well as replace the customer SIMs to enable the services.

2. Should Mobile banking QoS regulation be amended, mandating Telecom operator (TSP) to facilitate not only banks but also agents of banks acting as aggregation platform providers to use USSD/SMS & IVR to provide banking services?

We verily believe that TSPs under the current license conditions are mandated to provide Voice and Data services with respective QoS norms to their customers. If USSD as an additional bearer service needs to be mandatorily provisioned on a commercial basis for customers, then amendments to the license conditions as well as soft-touch regulatory approach are required.

Further, we believe that QoS regulations should not be amended to **mandate** TSPs to provide USSD services to Agents of the Banks. Provision of such services should be by commercial choice and not obligation.

We also believe that the current QoS norms cannot be applied to the USSD channel for the following reasons:

- i. The QoS for delivery of mobile banking services through USSD bearer will depend on various stakeholders such as TSP, Application Service Provider, Hosting Service Provider, Bank and the Merchant. Currently there is no benchmark on QoS to test end-to-end feasibility of the transaction response times mandated by TRAI.

- ii. TSPs will have to invest in building the infrastructure required to support the QoS guidelines mandated by TRAI with no visibility on business volumes to justify the investment.
- iii. Aircel request TRAI to keep the QoS guidelines in abeyance for at least 2 years so that TSPs can pilot various channel bearers in order to determine the parameters and benchmarks without upfront significant investment.
- iv. We would also request TRAI to consult with all relevant stakeholders to define realistic parameters and benchmarks separately for each stakeholder's controlled systems & architecture, that improve in a phased manner as adoption and popularity increases.

3. In case of USSD, should TSP collect charges from subscribers as being done in case of SMS based & App based mobile banking?

In other alternate channels of banking, Banks recover the charges for the banking convenience services directly from the consumer. For example: Banks charge INR 15/quarter for SMS notification services, ATM withdrawals above a certain limit every month are charged to the customer, cost of the IVR call is borne by the customer etc.

For USSD based mobile banking services we believe that the charging mechanism should be between the Banks and their customers as is prevalent in other banking channels.

However, Telecom Service Providers are glad to facilitate the charging the customer on behalf of banks but then it should be based on a subscription based fee model rather than a per transaction model due to the following reasons:

- a. In USSD based mobile banking services due to the complexity related to billing, storage, audit trail etc in we suggest that a subscription based fee model for customer pricing should be adopted.
- b. Subscription based fee model drastically reduces the complexity related to billing and monitoring leading to reduced investments. Subscription based fee model can ride on the existing VAS infrastructure of services where customer consent is taken before enabling the services.
- c. The subscription fee charged to the customer should mutually be decided between the Telecom Service Provider and the respective Bank so as to maintain transparency in customer pricing.

4. Should records for USSD transaction be generated by TSP to provide an audit trail for amounts deducted from prepaid customers and bills raised to postpaid customers?

As stated above, the current USSD platform infrastructure used by telecom operators does not have the capability of Transaction monitoring, Transaction data storage, Transaction auditing etc. To provide the above capability significant CAPEX investments in Billing Systems, Transaction Storage and Retrieval Systems and Bandwidth augmentation on Radio Access Network needs to be done.

We wish to clarify that USSD service for mobile banking is purely being used as an access service by the customer to access the transaction platform of the respective bank; **hence the onus of maintaining transaction audit trail and transaction reconciliation etc is with the banking systems and not with the telecom service provider.**

Due to the above mentioned limitations of the USSD platform we strongly recommend using a subscription fee based pricing mechanism for customer access. For the subscription fee based pricing mechanism a telecom service provider can maintain records for the amounts charged to the pre-paid / post-paid consumers and provide the appropriate evidence to the customer if required.

5. Is it appropriate to fix ceiling of Rs 1.50 per USSD session for mobile banking?

As stated above, due to the limitations of the USSD platform infrastructure, billing per session on the USSD interface is not feasible without significant investments on the network infrastructure. Hence we believe that the subscription based fee customer model is best suited to deliver USSD based mobile banking service.

We also believe that the Authority should not fix the ceiling of INR 1.50 per USSD session and allow the market forces to determine the appropriate price level for the following reasons:

- a. As stated above, the level of investment required to support a commercial USSD based mobile banking service will determine the ceiling price and this will be different for all TSPs as:
 - The cost structure for every TSP will be different in each circle of operations due to various parameters like License & Spectrum charges, Transmission Network costs, Core Network Costs and Radio Network Costs, Billing Systems, Storage and Retrieval



Systems, hence fixing a ceiling on pricing may make the service commercially unviable for the TSP.

- Due to lack of clarity on the CAPEX investment required to support the mandated QoS norms fixing a ceiling on the pricing may make the service commercially unviable.
- b. We believe that the Authority based on discussions with relevant stakeholders should fix a floor price of Rs.1.50 per USSD session as it is a plausible scenario that due to lack of competition in the 3rd party aggregation / Agents of Banks market a monopolistic entity may compel Telecom Service Providers to offer USSD services at a price well below commercially viable levels.

6. In case response to above ceiling is negative, please suggest an alternative methodology. May also support with a fully developed model with associated assumptions, if any?

As stated above, we believe that subscription based fee model for customer pricing avoids the complexity related to billing of USSD transactions.

We believe that a commercial model which is a mix of Minimum Volume Commitment and Subscription Fee Based Pricing would be an ideal methodology for delivery USSD based mobile banking services provided that the onus of maintaining transaction data, storage and reconciliation is with the Bank.

A minimum volume commitment component in the commercial model will allow TSPs to dimension their network assets and will provide greater clarity on the viability of the investment in the additional infrastructure required to support commercial USSD based mobile banking services.

7. Any other relevant issue to be considered in the present consultation on use of USSD as a bearer for mobile banking?

None in addition to what's been detailed at the start of this response.

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