

To,

The Advisor (F & EA)
TRAI, New Delhi

Sub. : Comments on TRAI consultation paper on “USSD Based Mobile Banking Services for Financial Inclusion”.

The TRAI issued consultation paper on 20.09.2013 on the aforesaid subject and asked the various stakeholders to comment on the issues mentioned in the consultation paper. The following comments are made for consideration & submission to TRAI:

Q1: Do you agree that USSD is one of the most appropriate modes for mobile banking for financial inclusion? If not, which mode do you think is more appropriate? Please support your viewpoint with reason.

Comments: Yes, USSD is one of the most appropriate modes for mobile banking for financial inclusion. IVR will be second best option after USSD as it is also interactive in nature in customer native language.

Q2: Do you agree that Mobile Banking (Quality of service) regulations,2012 should be amended for mandating every TSP, acting as bearer, to facilitate not only the banks but also the agents of banks acting as the aggregation platform providers to use SMS,USSD and IVR to provide banking services to its customers? Please support your viewpoint with reasons.

Comments: Amendment is required in Mobile Banking (Quality of service) regulation, 2012. For meeting the QOS of mobile banking, the TSP needs to have service level agreements with aggregator. However various bank's aggregators are presently using other bulk SMS vendors for sending banking transactional SMS, thus maintaining QOS is difficult task. The banks/aggregators of banks are changing Bulk SMS vendors very frequently due to market dynamics/pricing without intimation to TSPs, Thus maintaining QOS as per regulation becomes even more difficult.

TSP can have agreement with one or two aggregator like NCPI. Aggregator like NCPI should have SMS as well as IVR gateway functionality in addition to USDD gateway, So interface for TPS should be minimum for meeting the quality of service w.r.t Banking Transaction.

Q3: Do you agree that in case of USSD transactions for mobile banking, the TSP should collect charges from their subscribers as they do in the case of SMS based and application (app) based mobile banking? Please support your viewpoint with reasons.

Comments: For keeping the cost of mobile banking to subscriber less for meeting the target of financial inclusion to economic backward society, Bank should bear the full or part charges for successful transactions. In turn they can charge quarterly charges from no frill account holders and BCs. Aggregation platform providers (Like M/s NPCI) will charge some reasonable amount from respective banks(B2B model) for per successful transaction through its platform and Aggregation platform providers will pay some reasonable share to aggregator platform provider (if it exists in the ecosystems) and pay per successful transaction to TSP. This is very much required for keeping the cost to user low.

It may be noted that not all USSD transaction may result in successful banking transactions, thus charging customers for all USSD transactions will be against the customer interest. The Charging should be done only for USSD transactions that result in successful banking transaction.

If required a mixed model of charging can be adopted where a part of cost to TSP comes from Customer (only for successful transactions only) and another part comes from Banks via aggregator. This will keep the cost to customer low.

Q4: Do you agree that the records for USSD transactions must be generated by the TSPs to provide an audit trail for amounts deducted from prepaid subscribers and bills raised to postpaid subscribers? Please support your viewpoint with reasons.

Comments: : For keeping the cost of mobile banking to subscriber less for meeting the target of financial inclusion to economic backward society, the USSD cost should be less. It is also essential as all USSD transaction may not result in successful banking transactions. The successful banking transaction based on confirmation from aggregator can be charged to subscriber with MT SMS. These SMS records can be kept by TSP for providing audit trail. Also TSPs need not be required to upgrade their infrastructure for storing USDD transactions.

Q5: Would it be appropriate to fix a ceiling of Rs.1.50 per USSD session for mobile banking? Please support your viewpoint with reasons.

Comments: The QOS in case of banking transactions are very stringent and TSPs need to invest resources for meeting the QOS norms. Thus the concept of charging 1.50 per USSD transaction is not viable for TSPs. Also Charging for unsuccessful USSD session will defeat the purpose of keeping cost low for financial inclusion. However the charging can be done based on successful banking transaction based on MT SMS and charge of Rs 1.50 is OK provided some part of cost like Rs 1 per successful banking transactions should also come from bank side as B2B model.

Q6: In case your response to Q5 is in the negative, please suggest an alternative methodology to fix a ceiling tariff for USSD session for mobile banking. You may also support your viewpoint with a fully developed model with associated assumptions, if any.

Comments: Bank should bear the charges for successful transactions and quarterly charge some reasonable amount from all account holders and BCs. Aggregation platform providers will charge some reasonable amount from respective banks for per successful transaction through its platform and Aggregation platform providers will pay some reasonable share to aggregator platform provider (if it exists in the ecosystems) and pay Re.1 per successful transaction to TSP.

If required a mixed model of charging can be adopted where a part of cost to TSP comes from Customer (only for successful transactions only) and another part comes from Banks via aggregator. This will keep the cost to customer low.

Q7: Is there any other relevant issue which should be considered in the present consultation on the use of USSD as bearer for mobile banking services?

1. There should be a mechanism for TSP to differentiate between which Mobile Banking transaction is for no frill account, BCs and normal Mobile Banking Transactions. Also the Common aggregator like NCPI should be encouraged to have SMS/IVR gateway in addition to USSD gateway so that TSP need to interface with only one aggregator.
2. It would not be correct that TSP directly coordinates with all banks for connectivity issues.
3. Charges to be shared among TSP and USSD centralized gateway provider.
4. It could be core activity for bank but only VAS service for TSP for their customers, hence a proper revenue share model is required to be adopted.

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