

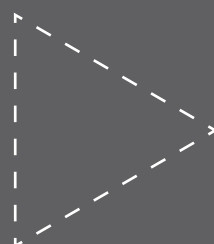
4th ANNUAL REPORT

2016 - 2017



DIGITAL PAYMENTS

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 **INDIA**





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EXECUTIVE SUMMARY



One of the boldest reforms in the year 2016/17 was demonetisation and promotion of less cash which pushed digital payments to the forefront of payments system. Digital Transactions are fast becoming the first preference for consumers. The Honourable Finance Minister mentioned in course of meeting Payments Council of India's (PCI) representatives, "In the next five years Digital will become the new normal".

Even before demonetisation was formally announced, Internet and Mobile Association of India (IAMAI) and PCI, taking the mantle of less cash India, were actively participating in the deliberations of the Ratan Watal Committee set up by the Ministry of Finance under the Chairmanship of Shri Ratan Watal, former Finance Secretary and Principal Adviser at NITI Aayog. The Committee has made some path breaking recommendations and the Honourable Finance Minister in his Union Budget speech has committed to implement the recommendations of the Committee. Some of the key recommendations made by the Watal Committee are:

- Make regulation of payments independent from the function of central banking
- Allow non-bank PSPs to directly access payment systems
- Require shareholding and governance of important retail payment organisations to be improved
- Specify a differentiated approach to MDR with a higher minimum share of acquirer fee for POS based transactions
- Enable payments to be inter-operable between bank and non-banks as well as within non-banks.
- Regulator should enable formal framework for a regulatory sandbox
- Promote digital payments and receipts within Government

Supporting the government to ease the pressure of demonetisation and to accelerate the adoption of digital payments, PCI with the support of NASSCOM and Telecom Operators launched a Toll-free helpline. The helpline empowered consumers and merchants with the information and knowledge required to undertake digital transactions Post demonetization, there were task forces formed to drive adoption of digital payments and make policy changes. PCI was a part of the multiple meetings arranged by the task forces in the Departments of Financial Services, Economic Affairs and Investment and Public Asset Management, to discuss and implement measures to create awareness among general public about adoption of digital payments in India.



Selected members of PCI led by Chairman Naveen Surya and including Vijay Shekhar Sharma, Shashi Arora, Sunil Kulkarni, Govind Rajan, Suresh Sethi met Shri Arun Jaitley, Minister of Finance, Government of India with suggestions on measures that can be adopted by digital payment companies to support Government of India in its demonetisation objective. The theme of the discussion was 'Demonetisation to Digitisation'.

Besides the Government, the most important stakeholder for PCI continues to be the Reserve bank of India. PCI was engaged with it on two key issues: a) Draft Master Directions for issuance and operation of Prepaid Payment Issuers, b) Rationalisation of MDR for debit card transactions. In addition, PCI has been engaged with the Telecom Regulatory Authority of India on the review of regulatory framework for the use of USSD for Mobile Financial Service and many more.

Even as we were slowly but surely evolving towards a less-cash society, we have now been dramatically propelled towards becoming a digital economy as well. This year has been an important milestone for digital payments and with the advent of GST, India would mark transition from a largely cash economy to a less cash and a more digital economy. PCI would continue to work with the regulator and the government to accelerate this transition and enable a conducive working environment for its members.

POLICY

A. Special Initiatives

1. Committee formed to review the Payments Framework in India

As a part of implementation of the mid-term recommendations in the Union Cabinet note released by Ministry of Finance to strengthen the digital payment ecosystem, a committee was formed to review digital payments framework in the country. The committee was chaired by Shri Ratan Watal, Principal Advisor, NITI Aayog and former finance secretary. Mandate of the committee was to identify and recommend appropriate the measures required to grow electronic payments in India. PCI chairman, Mr. Naveen Surya and IAMA President, Dr. Subho Ray were selected to be a member of this committee among other dignitaries. Some of the key recommendations of the committee were:

- i. Make regulation of payments independent from the function of central banking

The Committee recommended that the payments function should be independent of the central banking function of the RBI. This can be achieved by making the BPSS more independent by introducing members from outside RBI. The statutory status of the new Board, within the overall structure of RBI, called Payments Regulatory Board (PRB) should be enshrined in the Payments and Settlement Systems Act, 2007.

- ii. Update the current Payments and Settlement Systems Act, 2007

To include explicit mandate for principles enumerated below:

■ *Competition and innovation*

Every regulation made by the PRB must be preceded by a cost benefit analysis such that:

- Lesser the risk imposed by a class of Payment System Participants (PSPs), lesser should be the regulation on them, where the risks identified must be specific risks like settlement risk, operational risk, business risk;
- All PSPs facing similar risks must be treated similarly;
- Regulation of PSPs must be ownership neutral and cannot be based on bank versus non-bank classification.

■ *Consumer protection and graded penalties*

- Every PSP must have an internal dispute resolution mechanism to resolve consumer complaints
- A payment system must provide access to authorised PSPs in an objective, non-discriminatory and proportionate manner.



- A direct PSP must not discriminate between authorised indirect PSPs of the same category in providing access.
- Terms of accessing one payment system cannot restrict an authorised PSPs from accessing another payment system.
- Access to payment systems, including RTGS should be opened up to non-bank PSPs subject to proportionate restrictions

■ *Regulating systemic risk*

- The Central Government must issue rules on the criteria for designating a payment system as systemically important.

■ *Regulatory governance*

- Regulations must be made in a transparent manner stating the objectives of the regulation, how the regulation achieves its intended purpose, a study of its costs and benefits, competition impact assessment and public consultation.

■ *Data protection and security*

- The law shall provide for protection of personal payments data by the payments systems as well as the PSPs.

iii. Promote digital payments and receipts within Government

The committee recommended that the Government may:

- Adopt digital payments for all its payments needs. Requisite infrastructure and mechanisms should be created in terms of facility for online payments by customers and installation of POS or mobile based acceptance infrastructure.
- Withdraw convenience fee / service charge / surcharge presently being levied by some departments / agencies (utility service providers, petrol pumps, railways, airlines, contributions to Relief Funds etc.) on customers for making electronic payments(C2G payments).
- Bear cost of electronic transactions. The Committee recommends that when government acts as a merchant, it should bear the cost of electronic payments and not pass them on to consumers (eg. merchant fees on card payments or mobile payments like UPI).
- The Committee suggests that Government, being a very large merchant, should negotiate the electronic transaction charges with banks and card schemes, instead of imposing a regulation on the market. This should be done for all government payments together so that the benefit of scale can be achieved. States should also be included in this initiative.

iv. Promote eKYC and paperless authentication.

Some of the measures recommended by the committee were:

- Aadhaar eKYC and eSign should be a replacement for paper based, costly, and shared central KYC registries.
- A reporting entity under Central eKYC should be allowed to upload the Aadhaar number of the client onto the Central Registry, if it is available and the client permits usage of the same. Appropriate notification may be issued to allow use of Aadhaar based eKYC and eSign to override any existing Central eKYC processes involving physical forms, wet signature, physical photos, and any other processes. This should cover all Financial Service Providers (FSPs) .

v. Implement disincentives for usage of cash

- Permit merchants including government agencies to levy a cash handling charge for payments in cash above a certain threshold. The cash handling charges so collected should be exclusively used to fund new infrastructure for acceptance of digital payments (like POS devices).
- Gradually reduce threshold for quoting of PAN for cash transaction in banking from Rs 50,000 and for similarly former merchant/other transactions where the current threshold is Rs 200,000. Include quoting of Aadhaar as an alternate (over other KYC) for natural persons not having PAN or who are not required to obtain PAN as per provisions of section 139A of the Income Tax Act, 1961.

vi. Enable payments to be inter-operable between bank and non-banks as well as within non-banks.

- The Committee recommended that RBI should issue necessary regulations for retail payment organisations, which would require NPCI to implement full interoperability between bank and non-bank PSPs and also inter non-bank PSPs. One way this may be implemented is by mapping of digital wallet accounts to mobile phone numbers and Aadhaar (similar to the manner in which the bank accounts are mapped). This should enable almost all of adult population to transact money digitally on their phones using their Aadhaar or phone number. This would enable open loop non-bank wallets

vii. Create a formal mechanism to allow innovations and new business models

- The Committee recommended that the regulator should enable a formal framework for a regulatory sandbox. A regulatory sandbox can be used to carve out a safe and conducive space to experiment with FinTech solutions, and where the consequences of failure can be contained.

viii. Allow non-bank PSPs to directly access payment systems

- The Committee recommended that RBI should issue regulations imposing legal obligation on all authorised payment systems to provide open access to all PSPs subject to objective and non-discriminatory restrictions. Similarly, legal obligations must be imposed on all direct PSPs not to unfairly discriminate between authorised indirect PSPs in providing access

ix. Require shareholding and governance of important retail payment organisations to be improved

- The Committee recommends that RBI should issue regulations which require important retail payment organisations to have a time bound plan to move towards diffused shareholding where no individual shareholder along with persons acting in concert can hold more than 5% of the equity share capital. Further, the shareholding should be broad-based to include all classes of PSPs. Moreover, their board should have majority 'public interest directors' - independent directors, representing the interests of consumers in payments markets and who do not have any

association, directly or indirectly, which in the opinion of the regulator, is in conflict with their role. For example, NPCI is an important payments organisation running some of the key payment systems in the country. It could potentially be classified as a SIFI by GOI. RBI should require NPCI to develop short term plan to move towards diffused shareholding structure and have majority public interest directors

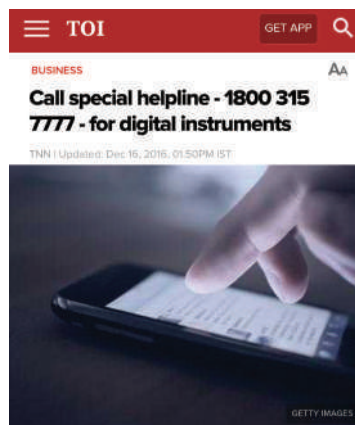
x. Support POS, Card based and Other Digital Transactions

- RBI should unbundle the MDR charges by making it obligatory for the card schemes to publicly disclose the charges for acquirer banks and issuer banks including network fees. This should be done for all digital transaction and not just card based ones. In addition, RBI should specify a differentiated approach to MDR with a higher minimum share of acquirer fee for POS based transactions. This may be done only for a specified time and reviewed annually. In addition, it may evaluate an option whereby, (i) issuers should have a role in expanding the acceptance infrastructure without having to get in the business of managing it and (ii) the acquirers should have the incentive to grow the business beyond the top cities and (iii) the merchants should have the incentive to install and operate the terminals.

2. Launch of Toll free number to promote the use of digital payments

For furthering the digitisation objectives of Government of India and to educate the Indian public about the modalities for accessing and using digital modes for payments post demonetisation, PCI launched a Toll-free helpline no 1800 315 7777 in Hindi and English. The helpline provided information to consumers and merchants on the various digital payments options and took their requests for adoption of specific digital payment options which were served by the multiple members of PCI.

In phase 2 of the project, Government of India short code - 14444 was synced with the existing PCI toll-free infrastructure. The phase 2 of the helpline involved a human call centre which was implemented in collaboration with NASSCOM, 6 Business Process Management (BPM) firms, Netcore and Deloitte. It was launched in 6 languages - Hindi, English, Kannada, Telegu, Malayalam and Tamil.



It focused on adoption, information and complaints with respect to the integrated digital payment methods. The number 14444 clocked around a peak of approx. 2 Lakh calls in a day. To handle queries beyond the pre-recorded information, the calls were re-directed to the call centres set up across the country by BPM firms in different regional languages.

3. Positive Measures post demonetisation

To ease the pressure of demonetisation and to accelerate the adoption of digital payments, PCI made representations to and scheduled meetings with Ministry of Finance and Reserve Bank of India. Some of the positive outcomes were:

i. Enhancement in issuance limits for Pre-Paid Payment Instruments (PPIs) in India

The monthly limit of semi-closed PPI that can be issued under Para 7.2 (i) of the Master Circular on issuance and operations of PPIs in India i.e. PPIs within minimum details was now enhanced from Rs. 10,000/- to Rs. 20,000/-

ii. Special measures for merchants

As a special dispensation for small merchants, PPIs could be issued to merchants immediately on giving a self-declaration in respect of their merchant status and after verifying their bank account details. Funds transfer of money collected by merchant in such PPIs to the merchant's own linked bank account upto an amount of Rs. 50,000/- per month, without any limit per transaction was allowed.

iii. Rationalisation of Merchant Discount Rate (MDR) for transactions upto Rs. 2000/-

In order to facilitate wider acceptance of card payments, the following MDR changes for debit card transactions (including for payments made to Government), were introduced:

- For transactions upto Rs.1000/-, MDR was capped at 0.25% of the transaction value.
- For transactions above Rs.1000/- and upto Rs.2000/-, MDR was capped at 0.5% of the transaction value.

iv. Rationalisation of customer charges for Immediate Payment Service (IMPS), Unified Payment Interface (UPI) & Unstructured Supplementary Service Data (USSD)

All participating banks and Prepaid Payment Instrument (PPI) issuers waived charges to customers for transactions upto Rs.1000 settled on the Immediate Payment Service (IMPS), USSD-based *99# and Unified Payment Interface (UPI) systems.

v. Import duty and Excise relaxation on Point of Sale (PoS) Machines

- Basic Custom Duty (BCD), CVD (by way of excise duty exemption) and consequently SAD was exempted on miniaturised POS card reader for mPOS (other than Mobile phone or Tablet Computer). Further BCD, CVD (by way of excise duty exemption) and consequently SAD are also being exempted on parts and components for manufacture of miniaturised POS card reader for mPOS [other than Mobile phone or Tablet Computer], subject to actual user condition
- The government has vide notification No. 35/2016-Central Excise, dated 28.11.16 exempted excise duty on Point of Sale (PoS) devices and also goods required for their manufacture.

vi. Awards for paying digitally

In a move to promote digital payments, the government of India initiated the #LuckyGrahakYojna, under which digital payments through RuRay cards, UPI, AEPS and USSD between Rs 50 and Rs 3,000 were eligible for awards. Under the Lucky Grahak Yojna, 15,000 winners were eligible daily for a prize worth Rs 1,000 each for the 100 days starting December 25. A weekly award for around 7,000 consumers eligible for a maximum prize of Rs 1 lakh was also announced. Under the Digi-Dhan Vyaapari Yojna, every week, more than 7,000 merchants were eligible for Rs 50,000 prize.

vii. Incentives to encourage digital payments:

One month after government announced demonetisation of high-value currency notes, below measures were announced to encourage digital payments:

- *0.75 % discount on fuel*

The Government Petroleum PSUs shall give incentive by offering a discount at the rate of 0.75 per cent of the sale price to consumers on purchase of petrol or diesel if payment is made through digital means.

- *POS machines in villages*

To expand digital payment infrastructure in rural areas, the Government through NABARD will extend financial support to eligible banks for deployment of 2 POS devices each in 1 lakh villages with population of less than Rs. 10,000.

- *Rupay Kisan Cards for farmers*

The Government through NABARD will also support Rural Regional Banks and Cooperative Banks to issue "Rupay Kisan Cards" to 4.32 crore Kisan Credit Card holders to enable them to make digital transactions at POS machines/Micro ATMs/ATMs.

- *Buy railway tickets online*

Railway through its sub urban railway network shall provide incentive by way of discount upto 0.5 per cent to customers for monthly or seasonal tickets from January 1, 2017, if payment is made through digital means. Nearly 80 lakh passengers use seasonal or monthly ticket on suburban railways, largely in cash, spending worth nearly Rs 2,000 crore per year.

- *Free accidental insurance*

All railway passengers buying online ticket shall be given free accidental insurance cover of upto Rs 10 lakh. Nearly 14 lakh railway passengers are buying tickets everyday out of which 58% tickets are bought online through digital means.

- *Incentives for railway passengers*

For paid services e.g. catering, accommodation, retiring rooms etc. being offered by railways through its affiliated entities/corporations to the passengers, it will provide a discount of 5 per cent for payment of these services through digital means. All the passengers travelling on railways availing these services may avail the benefit.

- *Discount on policies sold online*

Public sector insurance companies will provide incentive, by way of discount or credit, upto 10 per cent of the premium in general insurance policies and 8 per cent in new life policies of Life Insurance Corporation sold through the customer portals, in case payment is made through digital means.

- *No transaction fee on digital payments for Government Departments and PSUs*

Government departments and PSUs will ensure that transactions fee/MDR charges associated with payment through digital means shall not be passed on to the consumers and all such expenses shall be borne by them. State Governments are being advised that the State Governments and its organisations should also consider to absorb the transaction fee/MDR charges related to digital payment to them and consumer should not be asked to bear it.

- *Benefits for merchants, traders*

Public sector banks are advised that merchant should not be required to pay more than Rs 100 per month as monthly rental for PoS terminals/Micro ATMs/mobile POS from the merchants to bring small merchant on board the digital payment eco system. Nearly 6.5 lakh machines by Public Sector Banks have been issued to merchants who will be benefitted by the lower rentals and promote digital transactions.

- *No cess on cashless payment less than Rs. 2000*

No service tax will be charged on digital transaction charges/MDR for transactions upto Rs.2000.

- *10% discount on card payments*

For the payment of toll at Toll Plazas on National Highways using RFID card and Fast Tags, a discount of 10 per cent will be available to users in the year 2016-17.

4. Identification of Red Flag Indicators for Prepaid Payment Issuers

As a part of the Anti- money laundering (AML) and Counter financing of terrorism (CFT) compliance, it is the responsibility of the regulated entities to monitor and identify transactions, evaluate them in real time, and flag the ones that are suspicious. A Suspicious transaction report (STR) needs to be filed with Financial Intelligence (FIU) Unit. PCI was invited by FIU to represent the Prepaid Payment Issuers (PPIs) in the meeting arranged by them to identify, discuss and consolidate standardized Red flag indicators for generating alerts by PPIs. A common list of Red flag indicators identified and adopted by PCI members in consultation with FIU are as below:

- On Account Creation
- On Loading of Money into the instrument
- On Money Transfer
- On Withdrawal of Money
- In cases of alleged financial fraud

5. Insurance of eWallets

Ministry of Electronics and Information Technology (MeitY) had invited PCI to discuss on the concept of insurance of eWallets to enhance the customer confidence for protection against frauds to push its growth post demonetisation. There were multiple rounds of discussions between the eWallet companies and leading insurers on:

- Need of coverage of risk through Insurance Product for Prepaid Payment Instruments and eWallet users, depending upon rise in the grievances and complaints of frauds/threats.
- Overall Business model including suitable pricing approach of wallet users (per transaction or duration or depending upon covers of each slab)
- Availability of Technology systems and reports in place to validate the evaluate the claim from genuineness and accuracy of the claims
- Claim process, Process and documentation requirements of the claim and 'exclusions for Claims'

PCI explained MeitY that the rate of frauds is miniscule in case of PPIS and eWallets and the issuing companies are already following a number of measures to mitigate the risk of frauds in a transaction.

6. Toll Fee collection through Point of Sale and Prepaid Payment Issuers

In order to address the difficulties that might arise upon resumption of toll fee collection post demonetisation on account of non-availability of currency notes of smaller denominations, a meeting was called by National Highways Authority of India (NHAI) to discuss measures such as toll collection through Point of Sale and Prepaid Payment Issuers. Some of the discussion points at the meeting were:

- NHAI is running a pilot project on the Delhi-Mumbai Corridor for acceptance of tolls through digital medium
- PPIs and Banks can tie up with 360+ toll operators on the Delhi- Mumbai corridor individually to accept tolls
- NHAI will share a Standard Operating Procedure (SOP) for the same

B. Feedbacks and Representations

During the Financial Year 2016-17, PCI made the following submissions to the respective authorities:

1. Feedback on Draft Master Directions for Issuance and Operations of Prepaid Payment Issuers to Reserve Bank of India

Reserve Bank of India (RBI) had released a draft of ' Master Directions on Issuance and Operation of Prepaid Payment Instruments in India' for feedback. PCI arranged for a workshop with Department of Payment and Settlement System team at RBI for its members to discuss in detail the concerns and give feedback on the master directions. Post the workshop, PCI submitted a consolidate industry feedback. Some of the key points in the feedback were on:

- Cross Border Transactions
- Authorisation Process for non-bank entities

- Issuance, loading, and reloading of PPIs
- Types of Prepaid Payment Instruments
- Security, Fraud prevention and Risk Management Framework

2. Feedback on Draft guidelines on security of Prepaid Payment Issuers to MeitY

With the growing use of digital payments in the country, the rules defining their security by Ministry of electronics and information Technology was a timely initiative. PCI welcomed the 'Draft Information Technology (Security of Prepaid Payment Instruments) Rules 2017' released by MeitY in this direction and shared feedback and specific comments on the draft rules.

PCI in its suggested MeitY to adopt a holistic approach for the protection of the entire payment ecosystem and frame general principles to ensure adequate integrity, security and confidentiality of electronic payment. The adoption and execution of the principles and conversion into specific rules for individual industry should be left to the concerned regulators like RBI, TRAI and others. PCI also suggested that the compliance with respect to security of electronic payments should be proposed for all instruments in proportion to the risk assumed by them in the value chain.

3. Feedback on Consultation Paper of Telecom Regulatory Authority of India (TRAI) on the review of regulatory framework for the use of USSD for Mobile Financial Service

'Creation of a unified USSD platform which can support transactions across all payment mechanisms along with rationalization of USSD pricing structure' was one of the recommendations made by PCI in the Feedback sought by Ministry of Finance (MOF) for promoting the use of electronic transactions. On this subject, TRAI has released a consultation paper on 'review of regulatory framework for the use of USSD for Mobile Financial Services' for stakeholder's comments. PCI's feedback on inclusion of PPIs on the USSD platform and rationalisation of pricing structure were taken into consideration by TRAI and a notification was issued to that effect.

4. Submission on regulatory reporting framework for Payments Banks to Reserve Bank of India

Members wanted to seek clarity on the kind of reports that are expected from Payments Bank to be submitted to RBI once they go live. As per interaction with Reserve Bank of India, they requested PCI to coordinate and propose the type, frequency and form factor of reports feasible to be shared by the payments banks. PCI along with its members identified and shared with RBI the regulatory reporting framework for payments banks.

5. Feedback on Consultation paper on Card Acceptance Infrastructure to Reserve Bank of India

RBI had released a Concept paper on Card Acceptance Infrastructure for seeking public comments. The paper dealt with two objectives enhancing growth in card acceptance infrastructure and rationalization of Merchant Discount Rate (MDR) for debit card transactions – and offered multi-pronged strategies to make this possible. Strategies were followed by questions posed to stakeholders and invited them to suggest possible ways of implementing the strategy. The key feedback shared by PCI on the paper was to have a balanced economic distribution of MDR between the players in the payment ecosystem.

6. Feedback on paper on Rationalization of MDR for Debit card transactions to Reserve Bank of India

RBI invited comments on the draft circular on Rationalization of Merchant Discount Rate for Debit Cards. The members of PCI in their feedback shared their concerns with regards to regulation of MDR which puts long term viability of the entire industry at stake. Some of the recommendations shared in the feedback were:

- The merchant sectors which need to be promoted should be included in the 'Special Merchant Category' with a differential MDR.
- Differential increased MDR regime or at least not less than a common MDR for government transactions.
- Parity to be brought about in the interchange levied for the both the online and offline channels.
- The scheme fee charged by card networks should be ad valorem and not a fixed fee and a minimum revenue between the interchange and the MDR should be secured for the acquirers/ aggregators/ BIN sponsors, for them to initially sustain and then grow the industry.

7. Feedback sought on the Operationalization of Central KYC Registry to Reserve Bank of India

RBI requested PCI to share an update on the current status of preparedness, challenges and operational difficulties faced by PPIs in being a part of the Central KYC registry systems. PCI shared a comprehensive update on preparedness and concerns on behalf of the members.

8. Representation to Department of Financial Services on 'Banks blocking loading of non – bank wallets

PCI made a representation to Ms. Anjuly Duggal, Secretary, Department of Financial Services, Ministry of Finance on issue of some leading banks restricting/blocking flow of money from their banks to all or selective wallets. On receiving a query from MOF, specific details of banks blocking the loading and respective wallets facing the issue were shared with them.

KEY INTERACTIONS

1. Meeting with Shri Arun Jaitely, Minister of Finance, Government of India



PCI along with some of its executive council members met Shri Arun Jaitely with suggestions on measures that can be adopted by digital payment companies to support Government of India in its demonetisation objective. The suggestions made were focused on:

- Accelerating on-boarding of Small Vendors/Merchants
- Accelerating digitized circulation of new currency notes
- Acceptance of Specified Bank Notes (SBNs- Denomination of Rs.500 & Rs 1000) by PPIs for bank deposits
- Third Party Deposits through PPIs
- Awareness Campaigns

2. Multiple meetings with Shri. Neeraj Gupta, Chairman, National Task Force & Secretary, Department of Investment and Public Asset Management (DIPAM), Ministry of Finance

PCI shared its feedback on the Short term & Mid-term recommendations to promote digital payments mentioned in the Union Cabinet Note for facilitating electronic transactions. PCI was a part of multiple meetings with Shri. Neeraj Gupta to discuss the implementation of the short-term measures. In pursuance of short term measures to promote credit/digital transactions in government payments and collection, the finance ministry issued a circular that it will bear the transaction cost for all payments made to it through debit or credit cards and net banking.



3. Multiple Meetings with Dr. Saurabh Garg, Joint Secretary, Department of Economic Affairs (DEA), Ministry of Finance



PCI has multiple interactions with Dr. Garg in the year 2016-17. Some of the key interactions were:

- To share feedback on Union Cabinet note for facilitating electronic transactions
- To share feedback on Medium Term Measures to grow digital transactions listed in the Union Cabinet note
- To update on the feedback shared with RBI on the draft master directions for the issuance and operations of Prepaid Payment Issuers.



4. Multiple meetings with Shri Pradeep Sinha, Cabinet Secretary and Major Bank CMDs, Shri Piyush Goyal, Union Minister of State for Power, Coal, New & Renewable Energy and Chief Secretaries of all States of India

Post demonetisation, there were task forces formed to drive adoption of digital payments and make any policy level changes required for the same. PCI was a part of the multiple meetings arranged by the task forces to discuss and implement measures to create awareness among general public about and accelerate adoption of digital payments in India. The theme of all the discussions was "Demonetisation to Digitisation". Some of the measures suggested by PCI were:

- To temporarily increase the loading limits of wallets with minimum KYC from current Rs. 10,000 to Rs. 50,000
- To ease the onboarding requirement for merchants for accepting digital payments
- To initiate a digital payments awareness campaign for the masses



5. Meeting with Shri Arun Khachi, Joint Secretary, Department of Financial Services, Ministry of Finance

PCI members and secretariat met Shri Arun Khachi, Joint Secretary, Department of Financial Services at Ministry of Finance to brief him on the ways non-banking entities can help government post demonetisation in easing the cash crunch and promoting the use of digital payments. PCI suggested the ways to create awareness and promote the use of digital payments in the country among the consumers and merchants.



6. Meeting with Shri. Deepak Kumar, Chief General Manager, Foreign Exchange Department, Reserve Bank of India

It was brought to our notice by members that foreign department of RBI has initiated a consultation process and review of the existing Online Payment Gateway Service Providers (OPGSP) guidelines. In this regard, PCI had a meeting with the Shri Deepak Kumar, CGM, Foreign Exchange Department of Reserve Bank of India to discuss the draft OPGSP guidelines and the concerns over it.



7. Meeting with Shri Arvind Gupta, National Head- IT department, Bhartiya Janata Party

As a part of the meeting arranged with various government officials to lend support to the government post demonetisation, a meeting was arranged with Shri Arvind Gupta with some senior members of PCI. The action points discussed at the meeting were:

- Creating a single Helpline number for merchants and consumers
- Common Branding/Logo/Icon for digital payments and its acceptance
- Mass Education and Enablement Programme
- Sharing detailed note on PPI Interoperability

8. Meetings with Shri. Atulesh Jindal, Chairman, Central Board of Direct Taxes (CBDT)

PCI Chairman and IAMAI Secretariat met CBDT Chairman to discuss issues on:

- Mandatory Quoting of PAN for certain transactions through the Prepaid Channel
- No deduction of tax under chapter XVII of the Income Tax Act
- Revising the free meal allowable limit for prepaid meal cards



9. Meeting with Shri N S Vishwanathan, Deputy Governor, Reserve Bank of India

N S Viswanathan took over as the Deputy Governor at RBI in July 2016. PCI secretariat along with some executive council members met the deputy governor and welcomed him in his new role overlooking the Department of Banking Regulation. A brief overview of the governance and working of PCI were shared with him along with key concerns of payments banks licensees.



10. Multiple Meetings with Smt. Nanda Dave, Chief General Manager, Department of Payment & Settlement Systems, Reserve Bank of India

Last year, PCI interacted with Ms. Dave on multiple occasions listed below:

- PPI Issuers had agreed upon common measures to be followed industry wide to alleviate the risk of fraud. A consolidated report of the adoption of these measures by PPI issuers was shared with Ms. Nanda Dave in the meeting with her.
- PCI Chairman along with some senior members and secretariat met her to share their concerns of the PPI industry over the draft master directions on issuance and operations of PPIs
- PCI secretariat met Ms. Dave on concerns of the industry over temporary suspension of new PPI licenses

11. Meeting with Smt. C S Kar, Manager, Department of Payment & Settlement Systems, Reserve Bank of India and her team

PCI along with its members was invited by Smt. C S Kar and her team at RBI for a meeting to share and discuss inputs on changes required in the PPI guidelines while undertaking a comprehensive review of the guidelines and framework for PPI issuance in the country. PCI provided specific input on changes required in the (i) Master Circular – Policy Guidelines on Issuance and Operation of Prepaid Payment Instruments in India (“Master Circular”), dated July 1, 2016 and (ii) Domestic Money Transfer Guidelines dated October 5, 2011 (“DMT Guidelines”); issued by RBI and as amended from time to time. The broad themes of feedback were:

- Interoperability
- Loading limits
- Cash out
- Money transfer
- KYC
- Escrow
- Incentivising consumers
- New use cases
- Open access
- Clarification and approval

CONFERENCES & ROUNDTABLES

A. Digital Money 2016

The ninth edition of PCI's annual conference 'Digital Money' was scheduled in October 2016 and aimed at decoding the technologies that are transforming the payments & fintech space and exploring the rewards of payments and financial services convergence. The conference has been the largest annual gathering of fintech and digital payment players, enablers and supportive financial institutions.



The conference began with an Inaugural session where Mr. Naveen Surya, Chairman, PCI and Managing Director, Itz Cash Card shared his views on financial convergence. This was followed by a special address by Shri G. Padmanabhan, Non-Executive Chairman, Bank of India and an address by the Guest of Honour - Smt. Nanda Dave, Chief General Manager, Department of Payments & Settlement Systems, Reserve Bank of India for the conference. The Inaugural session concluded with Mr. Vishwas Patel, Vice-Chairman, PCI & Founder, Avenues India; delivering a special address.

The conference touched upon discussions on:

- Financial Inclusion is important, Channels are not: Convergence is the key
- Redefining Acceptance of Electronic Transactions
- What does Indian Bill Payments Market Look Like
- Faster and Secured Payment Platforms and Solutions: Need, Opportunities and Incumbents
- Blockchain: Moving towards Digital Currency
- Open Bank APIs- The future of Collaboration in Digital Payments



There were Keynote Addresses' by Murali Nair, Senior Vice President-Market Development, MasterCard and Shanti Ekambaram, President - Consumer Banking, Kotak Mahindra Bank. Some of the speakers who spoke at the conference were - H Srikrishnan, Chief Executive Officer - Payments Bank, Reliance Industries Limited, Priyam Alok, Chief of Business Banking, Au Small Finance Bank, Rakesh Singh, Chief Executive Officer, Aditya Birla Finance, Dhiraj Relli, Managing Director & CEO, HDFC securities, Anshul Kheterpal, Chief Financial Officer, FreeCharge, Pratap TP, Co-founder & Director, Qwiksilver, V George Antony, Managing Director, UAE Exchange – India, Rajesh Prasad, Head- RuPay Acceptance, National Payments Corporation of India, Sunita Handa, General Manager-Digital and eCommerce, State Bank of India, Dhruv Dhawan, Head-BFSI, Google India, Sandeep Ghule, Co-founder & CMO, Transerv, Deepak Sharma, Chief Digital Officer, Kotak Mahindra Bank, Adhil Shetty, Founder & CEO, Bankbazaar and many more.



The conference ended with a valedictory address on IRCTC's journey from past to present and how it has grown so successfully over a period of time by Dr. A.K. Manocha, Chairman & Managing Director at IRCTC. MasterCard, Sodexo, UAE exchange, Atom Technologies, Mswipe, and Money on Mobile supported the Digital Money Conference.

The conference was attended by more than 400 representatives from the sectors from the payments and settlement ecosystem.

B. CATMi Annual Conference 2016

PCI supported Confederation of ATM industry (CATMi) in hosting their Annual Conference on Modernizing ATMs: The Way Forward in April, 2016 in Mumbai. This was an ATM specific event with representatives from ATM Manufacturing & Outsourcing Companies, White Label ATM Operators, payment Services Companies, Cash Replenishment & Cash in Transit Agencies, ATM Security Services & Solutions Companies & Banks.



C. US - India Business Council's (USIBC) Symposium

PCI supported USIBC in organizing their symposium on Accelerating Digital Payments and Deepening Financial Inclusion. The conference brought together global experts, business leaders and the government of India to discuss issues related to Digital Payments, Cybersecurity and Financial Inclusion and to identify potential solutions and innovative approaches to the challenges facing the expansion of digital payments and financial inclusion in India.



D. Roundtable with Dr. Saurabh Garg

PCI arranged for a Roundtable interaction with Dr. Saurabh Garg to update him on the status of implementation of the short-term measures and suggest alternative ways of implementation of the same. PCI also shared feedback on the terms of reference of the committee formed to review the mid-term suggestions of the union cabinet note.

E. Roundtable with Shri Ratan Watal and few Industry Leaders in association with Indira Gandhi Institute of Development Research (IGDR)

The mandate of the Ratan Watal Committee was to formulate and monitor the medium-term measures for strengthening the ecosystem and to recommend appropriate methods for encouraging digital payments and submit its recommendations in three months. PCI along with IGDR arranged closed door roundtable discussion with Shri Ratan Watal and a few industry leaders to discuss on 'Jumpstarting Digital Payments'

MEDIA OUTREACH

A. Print and Social Media Campaign to spread awareness on Digital Payments

In its endeavour to lend support to the demonetisation of the specified bank notes by the government, PCI undertook a print and social media campaign in Hindi, English and Tamil highlighting the vast reach of non-bank PCI members. The campaign promoted digital instruments as an option to do daily transactions across multiple touch points in tier 2, tier 3 cities and rural areas. An awareness campaign promoted digital payments toll free helpline and about various options for merchants and consumers to adopt digital payments.

B. Media Interactions

- i. PCI had arranged for a media Interaction to put forth the industry view on 'RBI circular on rationalization of MDR for Debit Card Transactions'. The Media Interaction was presided by Mr. Srinivasu, Co-founder & Director, Billdesk and Mr. Deepak Bhutra, CEO, India Transact.



Proposed debit card rate not lucrative, says PCI

ABOUT LEIS
Harshit, N Harsh

The rate structure proposed by Reserve Bank of India (RBI) on using debit cards for electronic payments is not remunerative. Further reduction in merchant discount rate (MDR) will discourage future investments and adversely affect growth of digital payments industry, according to Payments Council of India (PCI). MDR is the rate charged to a merchant for using digital transaction services.

RBI has proposed that small merchants may not pay more than 0.4 per cent of the transaction value for physical PoS (point of sale) and 0.3 per cent towards digital PoS.

All other categories of merchants (apart from government) may not pay more than 0.9% and 0.8% per cent of transaction value for physical and digital PoS, respectively. Currently, MDR charges on debit card transactions stand at below 0.25 per cent for transactions less than ₹2,000 and under one per cent for those above ₹2,000.

PCI said the proceeds from MDR were tilted towards card-issuing banks and did not leave any margins for acquirers and payment processors. The group hopes RBI will ensure equitable distribution of proceeds from MDR among all players in the ecosystem, PCI added.

The acquirers have been investing in giving small merchants access to digital payments. These non-banking payment entities take the responsibility of not only providing the infrastructure but also managing merchant's evaluation, servicing, risk management, and education, and MDR is the only source of revenue for these payment companies.

Further reduction in merchant discount rate (MDR) for debit card will affect growth of digital payments, says PCI. MDR is charged to a merchant over digital transaction.

- ii. PCI chairman and IAMAI president interacted with multiple media houses on supporting the demonetisation move by the government and suggesting measures on easing the effects and promoting the use of digital transactions

ET tech From the newsroom of the Economic Times

Technology News / Latest Technology News / Internet

IAMAI & PCI welcome the demonetisation of higher value currency notes

According to PCI, this move will lead to huge reduction in Cash on Delivery transactions and will definitely provide boost to Internet commerce and payments

₹2,000 से ज्यादा रकम पर कार्ड स्वाइप चार्ज 1%

ED, PCI

इस फैसले से सरकार के रेवेन्यू में कमी आने की संभावना

मोदी के खिलाफ महागठबंधन से बचेगा विपक्ष?


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- UAE Exchange
- VISA
- Vodafone mPesa
- Weizmann Impex
- Western Union
- Worldline
- Zaggie Prepaid
- Zeta
- Z rupee

About Us

About PCI

The Payments Council of India was formed under the Aegis of IAMAI in the year 2013 catering to the needs of the digital payment industry. The Council was formed inter-alia for the purposes of representing the various regulated payments and settlement industry players, to address and help resolve various industry level issues and barriers which require discussion and action. The council works with all its members to promote payments industry growth and to support our national goal of 'Cash to Less Cash Society' and 'Growth of Financial Inclusion' which is also the Vision Shared by the RBI and Government of India. PCI works closely with the regulators i.e. Reserve Bank of India (RBI), Finance Ministry and any similar government departments, bodies or Institution to make 'India a less cash society'

About IAMAI

The Internet and Mobile Association of India [IAMAI] is a young and vibrant association with ambitions of representing the entire gamut of digital businesses in India. It was established in 2004 by the leading online publishers, but in the last 12 years has come to effectively address the challenges facing the digital and online industry including mobile content and services, online publishing, mobile advertising, online advertising, e-commerce and mobile & digital payments among others.

Thirteen years after its establishment, the association is still the only professional industry body representing the online and mobile VAS industry in India. The association is registered under the Societies Act and is a recognized charity in Maharashtra. With a membership of over 250 Indian and MNC companies, and with offices in Delhi, Mumbai and Bengaluru, the association is well placed to work towards charting a growth path for the digital industry in India.

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Printed and published by Dr.Subho Ray on behalf of Internet and Mobile Association of India