



**COAI's response to the TRAI consultation Paper on Issues arising out of Provisioning and Delivery of Basic Financial Services using Mobile Phones in the context of Pricing of Services by Mobile Service Providers**

**Ques. 1:** The customer would approach a Business Correspondent or its agent for opening of a non-frills account. Would there be any provisioning requirements at the service provider's end in any of the methods/options listed under para 2.9?

- a) Yes, we believe that in some of the methods/options highlighted in the consultation paper there may be provisioning requirements at the Service Providers end. For all bearers, it is important to ensure higher degree of efficiency & system robustness in delivery of messages pertaining to financial transactions as compared to the current norms of mobile services. This will require changes in current network and IT infrastructure and can only be detailed when standards are laid down by TRAI / RBI.
- b) The provisioning requirements for each of the methods/options are as given below:

S.No	Method	Provisioning Requirements
1)	IVR (Interactive Voice Response)	Creation of extra menu of service option
2)	SMS	If these services have to be prioritized then, operators have to put in place appropriate infrastructure including encryption & decryption mechanism as per standards laid down for security.
3)	Operator WAP sites	Operators may be required to enable the service of the subscriber eg. GPRS, as well as ensure no delivery failure & proper security as per the standards defined by TRAI/RBI.
4)	USSD (Unstructured Supplementary Service Data)	Secured channel to be built & deployed by service providers as per the standards laid down by TRAI/RBI.
5)	Mobile Application Client	<ul style="list-style-type: none"> <li>a) Client to be downloaded on the subscriber's phone eg. Java based clients.</li> <li>b) GPRS has to be provisioned, which should be able to encrypt /decrypt messages at handset level and in synchronization with the bank server.</li> <li>c) Further, operators will also have to provide already diminishing public IPs (IPV4), for subscribers to download the application from WAP &amp; use services.</li> </ul>



6)	SIM based Application (STK)	a) SIM may require to be programmed b) Further, for STK, it should be able to reflect the SMS/USSD service for financial transaction with pre- defined parameters.
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**Ques. 2:** Please correlate and comment on the recommended compensation for mobile service providers reproduced under para 2.3, with various options for carrying messages for financial services as described in para 2.9.

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**Ques.4:** Whether tariff for telecom services for providing basic financial services using mobile phone should be under forbearance or should be brought under regulation? If they should be regulated, whether a ceiling should be prescribed TRAI? Please explain your answer/suggestions.

- a) At the outset, it is submitted that the financial services through mobile phone are at a very nascent stage, thus we recommend that the ecosystem should aim towards deploying test/pilots on ground with various pricing models, gauge customer's acceptance and more importantly demonstrate efficiency in the processing and delivery of the services.
- b) Therefore, it would be too premature to put a ceiling/floor or to decide on any charges until the entire ecosystem, infrastructure requirement and the business model clarity is obtained.
- c) The role of the mobile service providers is to provide connectivity for communication' whether the systems support a higher level of security for prioritized communication would be a matter that the financial institution/banks and the mobile operator would work out bi-laterally among themselves.
- d) Thus, the charges for all the stakeholders such as REMIT, Account Mapper, INFAST, and BC involved in basic financial transaction may not be mandated at this point of time. With regards the charges for MSP (Mobile Service Provider), it is submitted that with around 15 operators per circle, there is already a hyper competition in the market, thus there is no doubt that the customer will enjoy the fruits of competition.
- e) **In light of the above, it is recommended that the tariffs for providing basic financial services using mobile phone should be kept under forbearance and hence should be left to the market forces.**
- f) As the different methods/options for providing the basic financial services through mobile phones have different provisioning requirements and the cost involved for providing the same also varies significantly, the mobile service providers should be allowed to have mutual agreement with the various stakeholders (Banks, BC's, etc) as per the method /option opted by them for availing the financial services using mobile phones.



**Ques. 3:** There may be requirements of prioritization and encryption of the messages exchanged for financial transactions. In your opinion what effect would these have on the provisioning and pricing of services?

- a) As highlighted in the IMG report the role of the mobile service provider is to provide a communication link in discussions with the bank.
- b) The business relationship between banks and telecom service providers is driven by mutual negotiations, understanding of the commercial needs and the value derived by both.
- c) Mobile banking services being currently provided require the customer to use the operator's existing network to access a bank account.
- d) With regard to encryption and prioritization of the mobile banking services being provided to the subscriber the same will have an impact on the cost of service. Going forward prioritization may increase the cost of provisioning of services and may also entail setting up of additional infrastructure.
- e) The various cost elements involved in order to provide prioritized and secured mode for financial transactions are as given below:

S.No	Method	Cost elements
1)	IVR (Interactive Voice Response)	Hosting of the IVR Dial Plans
2)	SMS	Addition of extra application at the SMSC level with the prioritization facility
3)	Operator WAP sites	Opening the facility , extra utilization of the bandwidth
4)	USSD (Unstructured Supplementary Service Data)	a) Development of USSD menus. b) Configuration on the USSD gateways
5)	Mobile Application Client	Cost involved in building the application & putting it on portal and ensuring it synchronization with operator's network infrastructure etc.
6)	SIM based Application (STK)	a) Cost involved in changing the SIM, on a case to case basis. b) Cost required in programming of SIM

- d) Further, as highlighted in the consultation paper in addition to above mentioned cost some methods may require additional resources like IP addresses, short codes or toll free , customer support services , numbers thus increasing the cost of the services.
- e) The cost estimation for the various methods/options would have to be worked out based on the anticipated business volume, type of application and customer adoption.

**Ques.5:** Any other comments relating to provisioning and pricing of mobile services for financial transactions.



**a) More dialogues between Banks & Mobile Service Providers**

- i). It requires significant investments to build robust infrastructure with high availability and redundancy at the operator's end to ensure that mobile financial services are delivered across the rapidly growing mobile customer base especially to the unconnected masses. The Mobile service providers will play a large and active role to facilitate these services. The role played by service providers would be in terms of better QoS, delivery platform, encryption/ security for end to end transaction etc.
- ii). Therefore, it is imperative that all stakeholders should work together to formulate processes and guidelines that shall ensure better quality and quick/smooth deployment of secure services. We also suggest that the Regulator should encourage banks to have more dialogues with the MSPs.

b) Mobile operator needs to invest and manage the service and there shall be different investments which are required to be done. Therefore, it should be left to the operator & bank to decide the pricing of services.

**c) Sub-agents should be allowed to be associated to multiple Banks / BC's**

- i). It has been mentioned in the Consultation paper & recommendation of IMG that “while a BC can be a BC for more than one bank, at the customer interface, a retail outlet or a sub-agent of a BC shall represent & provide banking services of only one bank.” This shall only support bigger players who have wider reach of retail outlets, would create monopolistic regime and pose non level playing field for players with relatively less retail outlets. In rural areas it may not be possible to have separate sub-agents for separate banks, and this would derail the objective of financial inclusion especially in rural areas.
- ii). Moreover, retail outlets (sub-agents) with multiple options (BC's) would be convenient to customers who would definitely like to analyze relative offers of Banks/BC's at single premises. This shall build subscriber trust towards the mobile banking service, and will thereby help in achievement of the end objective of financial inclusion. .
- iii). **Therefore, sub-agents should be allowed to be associated to as many Banks / BC's as they want. This has been in place for telecom operations also like “Multi-brand retails outlets” and has efficiently helped expansion of competitive services to masses with minimum inconvenience.**

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