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# Indian central bank sets out m-banking guidelines

**The Reserve Bank of India (RBI) has placed strict restrictions on the range of mobile banking services that providers can offer customers in the country, in a move which raises uncertainty over the development of up-and-coming remittance programmes.**

Under the guidelines, only banks that are licensed and supervised in India and have a physical presence in the country can offer mobile services and only Rupee-based domestic payments are allowed.

Cross-border transfers are "strictly prohibited", which would appear to stymie the plans of firms like PayMate, Obopay and Western Union to offer global remittance services via mobile phones.

Last year Western Union teamed with Indian telco Bharti Airtel to develop a mobile international remittance system to enable people outside the country to send remittances to recipients in India.

A Western Union spokeswoman told Finextra the company has not ascertained how the guidelines will affect its plans. The company's pilot has not launched yet and it is still working with Bharti Airtel to find a partner bank.

As expected, the central bank has also ruled that mobile services can only be offered to bank account and credit and debit card holders. A limit of Rs2500 per transaction and Rs5000 per day has been set with banks allowed to put in place their own monthly restrictions.

The RBI has also insisted that mobile banking services are available to users of all phone networks, although it has provided a six month grace period for this.

The central bank says its long term goal is the creation of a framework to enable fund transfers to and from accounts at any bank in real time, irrespective of mobile network.

Pending the creation of a national infrastructure, banks are allowed to enter into bilateral or multilateral arrangement for inter-bank settlements, subject to RBI permission.

The RBI's guidelines require mobile transactions to be validated through two factor authentication with end-to-end encryption. Providers must also follow regular money laundering and know your customer (KYC) rules and adopt the message formats being developed by the Mobile Payments Forum of India (MPFI) to ensure interoperability.