

# **Implementing RBI's Tokenisation Circular in Consumer Interest**

**17 December 2021 | 3 – 4.30 pm**

## **Opening Remarks by PSM:**

Hello everyone and welcome to this virtual discussion on implementing RBI's tokenisation circular in consumer interest.

During the last few years, and spurred by pandemic in particular, digital transactions in India have risen manifold, and this trend is likely to continue.

It has been reported that India's online retail market is expected to reach USD 350 billion by 2030 from USD 45-50 billion at present, and is likely to contribute nearly 40 percent to the USD 800 billion consumer digital economy.

Consumers, businesses, and start-ups in tier-II cities are expected to push this growth. Small towns in India are likely to write the next chapter of India's start-up story.

Such massive uptake in digital transactions, has prompted the Reserve Bank of India to make attempts to reduce information asymmetry and put in place robust security standards and mechanisms to reduce frauds.

Some of the measures in this regard include imposing conditions for processing of electronic mandates for recurring payments, and more recently, directing adoption of card-on-file tokenisation.

The RBI has mandated that with effect from January 1, 2022, no entity in the card payment chain, other than the token issuers, shall store the actual card data. Any such data stored previously shall be purged.

It is not clear if the RBI consulted with players in the ecosystem and consumers before mandating such stringent deadline.

As a result, merchants will not be able to process digital transactions in case tokenisation is not operationalised by entities in the payment value chain by end December 2021, unless end consumers enter complete card details every time they want to make a digital transaction, or migrate to other modes of payments.

My colleague Sidharth will shortly talk about consumer perspective we have been able to gather in this regard.

Implementation of tokenisation directive without adequate ecosystem preparedness is likely to cause significant inconvenience to consumers, may increase their distrust on digital economy, and nudge consumers back to the cash economy.

Micro, nano and small businesses are also likely to be adversely hit and may not be able to realise their potential.

Moreover, new-to-digital consumers, particularly women, number illiterate consumers, senior citizens, and persons with disabilities, are likely to face additional difficulties in entering the complete card details for every transaction, and could become susceptible to intermediary and third party fraud.

It has been estimated that transactions worth INR 3 billion per month may get disrupted in such scenario.

We witnessed similar disruptions when the ecosystem was not ready for transitioning to the new e-mandate framework since 1 October and a lot of transactions started failing.

Consequently, despite the right intent, some regulatory actions may adversely impact consumers. We cannot brush aside consumer concerns as acceptable transition costs, and thus request the regulator to take a holistic view of the matter.

We are here to discuss these issues, and discussing the way forward to implement tokenisation in consumer interest.

Let me welcome you again and request Dr. Saurabh Garg, CEO, UIDAI, and a dear friend, to deliver his keynote address.