14th February, 2011

Mr. Raj Pal
Advisor (ER)
Telecom Regulatory Authority of India,
Mahanagar Door Sanchar Bhavan
Jawahar Lal Nehru Marg
Old Minto Road,
New Delhi-110002

Sub: Tata Teleservices' inputs on 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"

Dear Sir,

The Telecom industry is one of the fastest growing industries in India today with the reach going down to the bottom of the Pyramid. Convergence of Mobile and Financial services opens up a huge market for Value added Services. Mobile financial services will play a significant role in driving financial inclusion for a large section of India's population that has access to mobile connectivity but not to a bank account.

Mobile phone banking in our country is at its infancy and there is a great potential for growth which would give greater impetus for mobile banking transaction. Service providers are already providing enough capacity for financial transactions and there is enough competition in the market thus quality and cost of service does not seem to be an inhibiting factor for mobile banking adoption and growth.

We would like to submit point-wise reply to the points raised for consultation in the said Consultation paper.

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?

The available Modes of Communication & Provisioning requirements for Financial transactions are as follows.

1. SMS – QoS and delivery SLA requirements: Such requirements can be assured by a telecom service provider (Telco) only for SMS to be delivered within its own network., and where the customer's handset is powered on and within the network reach. If customer is not powered on/out of network reach, the Telco can provide aggressive customized retry mechanisms for Mobile payments, for delivery ASAP (e.g. 10 seconds, 20 seconds, 50 seconds, 2 min etc). This would require such messages to be accorded prioritized treatment, which would mean the Telco would have to provision separate accounts in the SMSC for such SMSes, and possibly additional SMSCs once the volumes go up. These measures would indicate an increase in the SMS transaction costs in the medium to long term.

   Inter Operator availability: No specific provisioning is required if the SMSes are routed through normal means. However, no delivery SLAs can be guaranteed by a Telco once an SMS has been switched to another Telco's network.

2. USSD –It's a simple mode of communication with availability on all kinds of handsets. It works only in GSM Networks.

The USSD platform always attempts to deliver the message once, and in case of message failure there is no retry mechanism. There are known issues in inter-operability across Telecom Service Providers (Telcos). For menu-based transactions, the session time-out can be set on the higher side with 120 seconds etc.

3. IVR – The Service provider would need to have certified dedicated IVR (or at least a separate set of voice prompts) to handle financial transactions for each Financial Service Provider to maintain a distinct branding and hence ensure full availability for such services. This would however drive the cost up based on the usage and capacity of the IVR. Time taken to connect IVR will be 3 sec approx.

Inter Operator Availability. It's a simple mode of communication with availability on all kinds of handsets. It is a reasonably secure mode of communication due to DTMF (Dual-tone multi-frequency signaling) process.

4. STK - STK occupies a real estate on the customer's SIM card, which belongs to the Telecom Operator and hence a Telco can have an understanding with the Bank/s and based on the commercial understanding a Telco can put a banking application on its STK environment. This would involve specific provisioning and cost considerations.

STK has dependency of interoperability across Telcos, since the bearer used is usually encrypted SMS. However, the security offered by STK is very high and it also involves user-friendly interactive menu at the handset. Time taken to receive response is similar as SMS as discussed above.

5. Java client– It works only for J2ME supported handsets. Generally does not support low end handsets. Very secure as the information can be encrypted.

A Java client for Financial transactions would usually be issued by the concerned bank, and the Telcos would be required to only provide the data connectivity for its usage on the customers' handset. Currently there is no provision for offering QoS on the data channels by Telcos, and there would be heavy technology and cost implications if that were to be brought in.

In case the Java client uses SMS or USSD as a bearer, then the comments as made above on the respective bearers would apply.

6. WAP - It works only for supported handsets, and those with a data bearer activated. These days most handsets support WAP/ HTML browsing.

For financial transactions, it is highly recommended to use SSL-enabled WAP browser that is highly secure, which would have a higher degree of handset dependency. The Telcos should be required to only provide the data connectivity for its usage on the customers' handset. Currently there is no provision for offering QoS on the data channels by Telcos, and there would be heavy technology and cost implications if that were to be brought in.

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.

The IMG recommendations are limited to Mobile based No Frills account operations only.

As mentioned in the IMG document the MSP would get remunerated for "Prioritized Secure communication charges not exceeding Re 1 per transaction (a transaction may contain multiple messages)". However, this remuneration may not be sufficient especially when the number of messages in a transaction is not clearly specified and there is a specific SLA being expected from the MSP as mentioned in para 2.9.

The remuneration recommendation needs to be discussed further so that the MSPs are involved in the initiative as an equal partner and the MSP also should find the initiative commercially viable enough to commit towards long term participation.

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?

As already commented above.

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.

The tariff for Telecom services for providing basic financial services using mobile phone should be left to operate under market forces. Based on the promising volume of the business and unmet need of doing financial transactions the MSPs would operate in a very competitive market scenario and hence it is best left open for the MSPs to decide on the tariffing aspect of the same.

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

No comments.

Thanking you,

Yours sincerely,

Anand Dalal
Vice President - Corporate Regulatory Affairs
for Tata Teleservices Limited
and
Authorised Signatory
for Tata Teleservices (Maharashtra) Limited