INFOSYS BPO LTD.

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

Consultation Paper No. 2 /2011 dated January 25th, 2011

2/14/2011

ISSUES FOR CONSULTATION

Provisioning requirement

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?

As highlighted in the paper, the primary point of contact for the customer (who requires financial services) would be Business Correspondent (BC) or its agent. Given the current guidelines, even mobile operators could be BC. Incidentally, there are some joint ventures (JVs) already announced by leading banks and network operators. It is desirable that a customer is in position to get all the basic services like opening of account and carry out minimum stipulated transactions through the BC, without subscribing to any special services from network operator or mobile service provider.

In order to make this happen, there would be different provisioning requirements. No-doubt, that these would be based on the standards for adoption of particular type of services. The basic services like SMS are already enabled on all the mobile phones, with limitation of characters. The SIM Tool Kit (STK) would require SIM to be replaced or programmed over-the-air (OTA). Any change would come with some cost implications. However, it may still be worth choosing considering the simplicity as well as safety of transaction. Similarly, other options would also need to be discussed as they have different requirements.

Based upon the final or multiple ways of interaction between the customer and network service provider, the most effective provisioning requirement can be worked out.

We feel that as mobile phones accumulate new applications and become more advanced, OTA configuration are becoming increasingly important and more relevant. OTA via SMS optimizes the configuration data updates in SIM cards and handsets and enables the distribution of new software updates to mobile phones or provisioning handsets with the necessary settings with which to access services such as WAP. OTA messaging provides remote control of mobile phones for service and subscription activation, personalization and programming of a new service for mobile operators and third parties.

For example, Verizon Wireless in the U.S. provides a number of OTA functions to its subscribers via the *228 service code. Option 1 updates phone configuration, option 2 updates the preferred roaming list (PRL). Similarly Voitel Wireless that uses Verizon network uses *22890 service code to program Verizon based Voitel wireless phones.

Compensation Structure

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.

We believe that IMG has taken a holistic view while arriving at these charges and they are based upon the wide consultation amongst various stake holders. However, we have to make certain comments as under:

- ✓ We feel that as m-commerce matures, current mobile operators will rely less upon usage fees and increasingly derive revenues from content and services. Additionally, m-commerce is going to bring about a massive change in the way users consume products and services. The main difference between m-commerce services and applications and traditional e-commerce services and applications is that the development and implementation of services and applications should take advantage of the characteristics of the available mobile networks and devices. The design of a successful service and application should take consideration on five factors: mobility (such as in mobile communication), location-sensitive (such as in travel navigation), Time-critical (such as in flight schedules), personal identity (such as in electronic payments), special market niche-targeted (such as in services tailored to specific country).
- ✓ The cost burden of this entire exercise is passed upon the customer. The bank would be charging about 2% on each and every transaction and that would appear small considering the micro transaction. In other words, a transaction of Rs. 100 by the customer would attract only Rs. 2/- towards transaction charges. On the other hand if we consider the avowed objective of financial inclusion and the thrust of various regulators/GOI as well as financial intermediaries in this sphere, it may be very high keeping in view the fact that urban/savvy customer is not paying any such transaction charges. We fully agree that micro transaction would not work unless all the actors in the eco-system are compensated. At the same time, if we believe that we would be adding a plethora of financial products particularly loans and insurance, we feel that financial intermediaries should be in a position to bear all these charges.

In essence, we feel that there is a need to re-visit these charges.

Prioritization of messages

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?

Different network providers and service and application providers have active role in the service provisioning and offering products under their own specific context. The pricing system should be customized to fit each of these providers. The operators would like to recover the fixed cost incurred by them for prioritization and encryption besides the operating cost. The IMG was cognizant of this fact and had accordingly recommended the charges. However, there would be conflicts unless we define it explicitly.

An example to solve this conflict and bypass the possibility of a complicated pricing model is the layered charging architecture proposed by Koutsopoulou (2004). This proposed model consists of three layers: transport, service and application, each designed for managing and processing relevant information at each layer. Additionally, different pricing models should be applied on each charging layer. For example, the applied pricing model can be: cost-based, subscription-based (or fixed charges), duration-based, volume-based, service-based, location-based, or event-based. The pricing of a service may be based on one or several of the following attributes: network type, device capabilities, quality of service, service termination indicator. Charges can be made depending on why, when or where a service was abnormally terminated, transaction type (receiving a certain type of message may have a specific price), content provider, content aggregator or network operator identity.

Tariff regulation

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.

Considering the current situation wherein we are not able to make the desired impact, we feel that the tariffs can be kept under regulation with a ceiling being prescribed by the regulator. However, it should not come in the way of the competition. In other words, the stakeholders should be encouraged to enter into dialogues with each other so that charges can be reduced without being caught into regulatory framework.

Depending upon the outcome in next few months, we would strongly suggest that regulations may be done away with so that market forces drive the prices to its optimum level.

Other issues

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

No specific comments.