

Combined Guidelines and Regulations for Online Banking Transactions & Mobile Banking:

1. HDFC Bank Guidelines and Rules for Online Banking Transactions

Overview:

Given the push for digitization of payments, there has been a surge in the volume and value of card transactions throughout the country, particularly in the last few months. In a bid to curb cyber frauds, the Reserve Bank of India (RBI) issued a new set of rules for Debit Cards and Credit Cards back in January 2020. These measures are aimed at controlling the misuse of Debit and Credit Cards while enhancing the security of card transactions and ensuring user safety and convenience.

New RBI Rules for Debit and Credit Cards

1. Only Domestic Card Transactions Applicable

- Card issuers are now required to allow only domestic card transactions at ATMs and Point of Sale (PoS) terminals in India at the time of issuance or re-issuance.
- If your bank has issued a new Debit or Credit Card after March 16, 2020, it will only allow cash withdrawals from domestic ATMs or transactions at PoS terminals within India.

2. Setting Up Additional Services Separately

- For additional functions (e.g., international transactions, online payments on e-commerce sites or via phone, recurring automatic payments, and contactless transactions), cardholders must separately activate these services via their banking app, internet banking, or by contacting/visiting their bank branch.

3. Existing Cardholders Need to Enable Services

- For cards issued before March 16, 2020: if you have not used your card for online, international, contactless, or card-not-present transactions, these services will be blocked by default.
- You must contact your bank (or log in to NetBanking, as in the case of HDFC Bank) to activate these services.

4. Set Transaction Limits

- RBI now permits modification of your transaction limit within your overall card limit.
- This applies to domestic and international transactions at PoS, ATMs, online, and contactless transactions.

- International transactions can be enabled as per your choice.
- HDFC Bank, for instance, allows 24x7 modification through MobileBanking, NetBanking, ATMs, or at a branch.

5. Receive Notification from the Bank

- Banks will notify you via SMS or email regarding any changes made to your card's status or the activation/deactivation of any service.

Note: These new rules do not affect prepaid Gift Cards or those used at mass transit systems. The overall objective is to enhance the security of your money and personal data during card transactions.

2. RBI Guidelines on Tokenisation

Overview:

If you are a frequent online shopper, you might save your card details for quick payments. However, as per the latest RBI guidelines, merchants are not allowed to store your Debit or Credit Card details on their apps, platforms, or websites without tokenisation.

How Tokenisation Works

- **Traditional Process:**
 - When you make an online payment, the merchant transmits your full card details along with transaction information to your card issuer. The issuer verifies and approves the payment.
- **With Tokenisation:**
 - Instead of sending full card details, a unique token linked to your card is transmitted.
 - The card issuer validates the token and approves the transaction.
 - This ensures that the merchant never has access to your complete card details.

Key Points of the RBI Tokenisation Guidelines

- **Mandatory Additional Authentication:**
 - Even with tokenisation, cardholders must complete an Additional Factor of Authentication (AFA), such as an OTP, for every transaction.
- **Free Service:**
 - Card issuers must provide the tokenisation facility free of charge.

- **Data Storage:**
 - Your card data remains with your card issuer only. Merchants are allowed to view only the last four digits of your card along with your name.
- **Consent-Based:**
 - Tokenisation is optional and is carried out only after explicit consent from the cardholder via AFA.
- **Multiple Card Support:**
 - You can tokenise multiple cards within one mobile application and choose which token to use during a transaction.
- **Transaction Limits:**
 - Card issuers can set daily, weekly, or monthly limits on tokenised transactions.
- **Management Portal:**
 - Card issuers must provide a portal for managing tokens where you can suspend a token in case of suspected compromise.
- **Purge Deadline:**
 - As per the RBI circular, all existing card data stored with merchant apps had to be purged by September 30, 2022.

Tokenisation significantly enhances security by ensuring that only a token (and not the actual card number) is transmitted during a transaction, thereby reducing the risk of fraud.

3. RBI Guidelines for Automatic Payments and Digital Transactions

Changes to Automatic Payments

- **Transaction Limit:**
 - RBI regulations now limit automatic payments in India to ₹5,000 per transaction.
- **E-Mandate Requirement:**
 - The e-mandate notification requires setting up an electronic mandate (e-mandate) for your card, affecting both new and existing customers.
- **Impact on Users:**

- New customers and existing users might experience differences in how automatic payments are handled, with clear notifications and limits imposed to reduce fraudulent transactions.

Additional RBI Guidelines for Online Financial Transactions

1. Two-Factor Authentication for Online Transactions

- All online transactions involving account debits must be authenticated using two factors:
 - **Something You Know:** e.g., password or PIN
 - **Something You Have:** e.g., mobile device for OTPs
- For mobile banking, one factor (such as an mPIN) should be encrypted end-to-end.

2. Card Transactions and Tokenization

- Newly issued cards are by default enabled for domestic transactions only.
- Additional functions like international or online transactions must be activated separately.
- Tokenisation (effective from September 30, 2022) prevents merchants from storing full card details.

3. Recurring Payments and E-Mandates

- Recurring online transactions are subject to a ₹5,000 limit per transaction.
- Customers must set up an e-mandate to authorize these recurring payments.

4. Digital Lending Guidelines (September 2022)

- Emphasize transparency, data privacy, and fair practices in digital lending.

5. Payment Aggregators and Gateways

- Entities facilitating online payments must maintain robust governance structures, stringent security controls, and effective customer grievance redressal mechanisms.

By adhering to these guidelines, financial institutions help ensure a secure and efficient digital payment ecosystem in India.

4. RBI Master Circular – Mobile Banking Transactions in India

Based on "MC177DF24D0B0964448286BC682385CDA1F3.pdf"

Document Reference:

RBI/2016-17/17, DPSS.CO.PD.Mobile Banking.No./2/02.23.001/2016-2017

Updated as on November 12, 2021 (and January 10, 2020)

Purpose:

This Master Circular provides a consolidated set of operative guidelines on Mobile Banking transactions for all scheduled commercial banks (including RRBs, Urban Co-operative Banks, State Co-operative Banks, and District Central Co-operative Banks).

Key Sections of the Master Circular

1. Purpose & Scope

- To provide consolidated instructions on mobile banking services.
- Applicable to all banks offering mobile banking, ensuring standardized procedures and practices.

2. Classification

- Statutory Guidelines issued by RBI under section 18 of the Payment & Settlement Systems Act, 2007.

3. Mobile Banking Definition

- Mobile Banking transaction refers to banking transactions performed via mobile phones that involve accessing, crediting, or debiting customer accounts.

4. Regulatory & Supervisory Issues

- Only banks with a physical presence in India and those that have implemented core banking solutions may offer mobile banking.
- Guidelines on KYC, AML, and combating financing of terrorism are applicable.
- Banks must file Suspicious Transaction Reports (STRs) for mobile banking transactions.

5. Customer Registration for Mobile Banking

- Banks are to provide multiple channels for easy registration and activation.
- Best practices include offering registration options at account opening, via ATMs, branch visits, online platforms, and more.

- Emphasis on standardization of procedures, especially when using interoperable platforms.

6. Technology and Security Standards

- Information security is critical; mobile banking technology must ensure confidentiality, integrity, authenticity, and non-repudiability.
- Guidelines include:
 - Use of application-level and transport-layer encryption.
 - Implementation of firewalls, intrusion detection systems, and regular security audits.
 - Secure storage of authentication factors such as mPINs.

7. Inter-operability

- Banks must ensure that mobile banking services are available irrespective of the customer's mobile network.
- Adoption of standards such as ISO 8583 for message formats to ensure seamless inter-bank transactions.

8. Clearing and Settlement

- Robust 24x7 clearing and settlement infrastructure is necessary for inter-bank funds transfer via mobile banking.
- Authorization from RBI is required for systems used in such settlements.

9. Customer Complaints and Grievance Redressal

- Banks must set up dedicated help desks and clearly disclose complaint redressal procedures.
- Grievances are subject to the Reserve Bank's Integrated Ombudsman Scheme.

10. Transaction Limits and Remittance

- Although there is no daily cap for transactions involving goods or services, banks may impose per-transaction limits based on risk assessment.
- Specific guidelines for cash disbursement via mobile banking include maximum transfer values and monthly limits per beneficiary.

11. Board and RBI Approvals

- New mobile banking products require board approval and prior one-time RBI approval detailing risks and mitigation measures.

Annexes

- **Annex I:** Best practices for customer registration/on-boarding.
- **Annex II:** Detailed technology and security standards framework.
- **Annex III:** Customer protection issues including authentication, confidentiality, stop-payment limitations, and grievance redressal.

For complete details, refer to the RBI website at <http://www.rbi.org.in/>.