MPAI Newsletter
(November 16 - November 30, 2021)

1. PayU as a certified Token Requestor and Token Service Provider.

PayU, leading online payments solutions provider, recently announced that it has been fully certified by Mastercard and Visa as both a Token Requestor and a Token Service Provider.

Under the card tokenization regime, a Token Service Provider shall be the entity which creates a token (i.e. an alphanumeric hash or a unique digital identifier representing customers primary account number) for a customer's card with her explicit consent.

A Token Requestor shall be the customer-facing entity which registers tokenization requests and passes them on to the Token Service Provider. This may be an application offered by the issuer, a third-party or the merchant itself.

2. Token Requestor services

PayTm recently announced its card tokenization solution in partnership with merchants such as Myntra, Oyo, Domino's etc., networks including Visa, Mastercard and RuPay.

Prior to this PhonePe, NPCI, PayU and Razorpay among others had launched similar tokenization solutions.

We highlight that absent bank and network readiness, these solutions will not be effective in ensuring a smooth transition into the tokenization regime.

3. UPI in the UAE

NPCI has been collaborating with banks and other payment service providers in other countries, to enable international UPI payments.

Network International (NI), an enabler of digital commerce across the Middle East and Africa, recently signed a Memorandum of Understanding (MOU) with NPCI International Payments Ltd (NIPL) to facilitate United Payments Interface (UPI) payments in the UAE. Through the MoU, both the parties will discuss their collaboration on UPI.

Earlier this year, NI had also announced its acceptance of India's payment scheme, RuPay, to enhance the range of payment schemes acceptance and business for UAE

4. India's proposed data protection law

The Joint Parliamentary Committee on the Personal Data Protection Bill 2019 adopted the draft report on the Bill, after almost two years of deliberations. The report will now be presented in the Winter Session of Parliament.

The upcoming data protection law will reportedly retain emphasis on data localisation of sensitive personal data and prescribe enhanced responsibilities for social media intermediaries over content hosted by unverified users on their platforms.

It is also expected that the new law would provide relaxations to innovation driven start-ups, thereby allowing them to use data for testing and developing algorithms and novel applications.

5. Antitrust issues in digital markets

Sangeetha Verma, a member of the Competition Commission of India (CCI) recently highlighted that extant Indian laws are adequate to address new-age competition concerns in digital markets.

She acknowledged that there exists a bargaining power imbalance between digital platforms and business suppliers in digital markets. However, she added that Indian law has extra-territorial jurisdiction and can deal with market practices anywhere in the world if it has anti-competitive effects in India.

6. Ecosystem readiness with tokenization solutions

Reports suggest that India's online retail market shall rise from $45-50 billion to $350 billion by 2030. However, if the RBI's directive requiring all merchants, payment aggregators and payment gateways to purge all customer card data comes into force in the absence of ecosystem readiness, online card transactions may be adversely impacted.

Notably, ecosystem readiness with tokenization solutions entails each player in the digital payments chain to update its technical systems sequentially.

This is a top-down process wherein banks and card networks must first go live with stable API documentation, following which payment system providers (PayTm, PhonePe, Razorpay) can test, develop and roll out their solutions. Only thereafter, can merchants integrate their payment processing systems to these available solutions.

As of November 30, 2021, no card network is ready with token processing (i.e. completion of transactions using tokenized card details). In terms of token provisioning (i.e. generation of unique tokens representing the customers card details), we understand that barring Visa, no card network is close to being ready with even 50% of cards operating on their rails.

In the event card networks and issuer banks are not ready with solutions, and the data purging requirement on merchants comes into force, merchants would be unable to fulfil payments and perform basic life cycle management functions (such as processing refunds).

This impact could be aggravated on small merchants and subscriptions businesses considering that the market is still reeling from the impact of the RBI's recent e-mandate processing rules.