

28th September 2013

Mr Raghuram Rajan
Governor,
Reserve Bank of India
Mumbai

Sub: Memorandum to the Reserve Bank of India on biometric ATM

Dear Mr Rajan,

We, the undersigned signatories and organisations are surprised by a circular issued by the Reserve Bank of India (RBI) on 2 September 2013 "Know Your Customer (KYC) Norms /Anti-Money Laundering (AML) Standards/ Combating of Financing of Terrorism (CFT)/Obligation of banks under Prevention of Money Laundering Act (PMLA), 2002 - e-KYC Service of UIDAI - Recognising on-line Aadhaar authentication (electronic verification process) to be accepted as an 'Officially Valid Document' under PML Rules".

According to the news report, banks are expected to add around 200,000 POS machines and around 20,000 ATMs next year. This will involve a huge cost outlay and the report quotes one banker saying, that banks will have to divert money earmarked for other projects to fund these ATMs.

Sir, we as bank customers would like to make the following points.

1. Information technology was supposed to reduce the cost of transactions for customers while increasing their reach. Instead, bankers are constantly complaining that technology costs are extremely high and these will have to be borne by the customer.
2. A recent example is the levy of charges for mobile text alerts, which were introduced as a useful security measure. Today, all banks have acted in a cartel like fashion to charge a uniform Rs60 p.a. to customers. This, when instances of electronic fraud, cloning and phishing have increased. Further, such transactional text messages should not be charged by banks as the mobile operators are supposed to provide these messages at no cost.
3. In addition many of us as activists have always pointed out that the expensive and ambitious Aadhaar programme has never provided for the cost of biometric readers, which is crucial to the delivery of economic benefits to people. Clearly, the UIDAI (Unique Identity Database Authority of India) was hoping to divert the cost to banks for several benefits. What is not publically known is that banks will have to pay UIDAI for each and every transaction verification and authentication. This is part of UIDAI's business plan. The circular does not mention these costs to the banks.
4. It is puzzling as to who will bear the cost and address the issues relating to recourse and

specifically to grievance redress in the event of a dispute or transactional error in usage of the biometric-based customer/user authentication provided by the third party service provider UIDAI. The RBI circular should have spelt this out in clear terms.

5. None of us are opposed to the massive effort required for financial inclusion of hundreds of million unbanked Indians. However, we do think that this effort cannot be done without a clear evaluation and cost-benefit analysis of the financial outlay and results. We are especially concerned that banks will transfer the higher cost of installing Aadhaar-compliant ATMs with the ability to read biometric data to us. Even today we have no information on accountability to the customers about the use or misuse of the present ATMs. We would like to know what cost and technology audit systems are in place in the bank itself –this refers to both capital expenditure as well as operational cost.
6. Our apprehensions are founded on the fact that UIDAI, which started out saying Aadhaar was voluntary, has been mandating it through the backdoor even for benefits like LPG cylinders, where the subsidy was to be paid into bank accounts. This was a clear trap for middle class Indians with multiple identities, who did not need to get themselves an UID number at all – especially when Aadhaar is not even a proof of nationality. In the light of the recent Supreme Court interim order, such numbers cannot be used mandatorily.
7. Furthermore, the ruling makes it clear that the UID number cannot be used as sole document for KYC to open bank accounts and for all financial transactions until the case is decided by the Supreme Court, and the RBI should withdraw all its circulars related to e-KYC and biometric-compliant ATMs and PoS terminals.
8. The country currently has over 1.2 lakh ATMs and 10.30 lakh credit card swipe / PoS machines. Over 2 lakh PoS machines and around 20,000 ATMs are expected to be added by next year. But this won't solve the problem. Very soon, it will become evident that existing ATMs will also have to have biometric scanners to cater to low-income families who are entitled to direct transfer of benefits to their bank accounts. In other words, all existing ATMs and PoS terminals will also have to be scrapped. The enormous cost involved in this change must be assessed and it should be made clear to us, as consumers, who will bear the cost of this new infrastructure and transaction cost for each biometric authentication.
9. More importantly, biometric-based authentication was launched by several banks through biometric ATMs between 2004 and 2007. It did not work and its implementation has so far proved costly for the banks as well as the customers. For example, FINO has already deployed more than 35,000 terminals in the rural area franchised by banks, and the entire experiment of utilizing of biometrics for the unbanked citizens has flopped. The ATMs could not authenticate the biometrics.
10. We believe these biometric-based machines will also need scanners and high speed data transfer to send scanned fingerprint images for verification to the central database. It is not clear what this would cost and who will bear the expenditure. Mr Rajeev Chandrashekar, Member of Parliament and Member of the Standing Committee on finance, has already written to the government in this regard. He has said, "...the RBI appears to have adopted a

combination of 'chip and PIN (EMV)' authentication for existing customers and biometric checks for unbanked cardholders. The real challenge is, however, in the acceptance devices. The procurement of new equipment to facilitate these biometric checks have huge cost implications on banks, who will ultimately transfer the burden on to customers”.

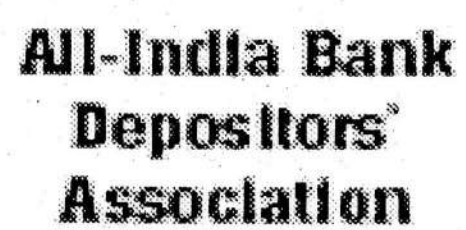
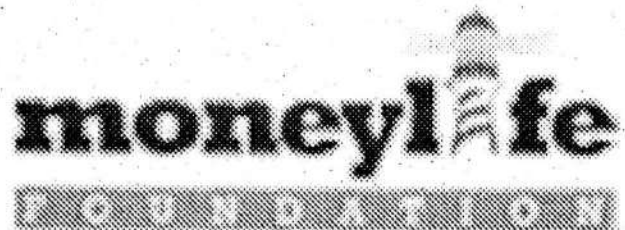
Public policy towards financial inclusion must be devised intelligently and diligently with objective of lower banking costs while ensuring safe and secure transaction. It cannot be done in an ill-conceived and coercive manner involving significant additional spending and increase in costs to consumers of financial services.

Savers and consumers cannot be treated as a “Commodity”.

We the consumers expect the RBI to follow the principles of good governance, transparency and accountability to the stake holders, especially when it comes to decisions that affect the largest bloc of consumers in the country.

Thanking You,

We the below mentioned organisations and individuals have jointly discussed and finalised this memorandum.



A.K. Ravat.



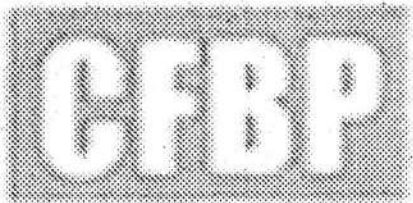
Indrani Malkani (INDRANI MALKANI)



VISHWAS UTAGI - (vice president)
AIBEA



A.K. Ravat.



Indrani Malkani (INDRANI MALKANI)



Sushil Dala



Naga S. S. B. (NAGA SRINIVAS)



Ashok Maniar (Ashok Maniar President All India Business Council)

Nagesh Kini

Nagesh Kini

JT Dsouza

J.T. D'SOUZA

Vickram Crishna

Vickram Crishna

Yogesh Sapkale

Yogesh Sapkale

Dolphy Dsouza

Ashok Maniar

Naga Srinivas

Naga S. S. B. (Naga Srinivas) - WE EMPOWER.

Shantanoo Bhide

Shantanoo Bhide (We Empower)

Pathik Muni

Pathik Muni (PATHIK MUNI)

Resham Thakur

Resham Thakur (Resham Thakur. Indian Litigants Forum)

Sujoy Chourasia

Sujoy Chourasia (Sujoy Chourasia) - WE EMPOWER.

Seraphina D'souza

Seraphina D'souza

SIDDHARTH JAIN.

Siddharth Jain (WE EMPOWER)

VISHRUT PATEL.

Vishrut Patel