To

The Chairman and Managing Director/ Chief Executive Officers
All scheduled Commercial Banks including RRBs/Urban Co-operative Banks/
State Co-operative Banks/District Central Co-operative
Authorised card payment networks

Security Issues and Risk mitigation measures related to Card Not present
transactions

Please refer to our circular RBI/DPSS/No.1501/02.14.003/2008-2009 dated February
18, 2009, wherein a directive was issued making it mandatory for banks to put in place
additional authentication/validation based on information not visible on the cards for all
on-line card not present (CNP) transactions except IVR transactions. This mandate was
further extended to all CNP transactions including IVR transactions with effect from

2. The progress in implementing the directions has been under continuous monitoring
since several stake holders are involved in implementing the service solutions. While
considerable progress has been achieved in the matter, banks have been requesting to
permit them to test the new system in a live scenario by providing a parallel run for a
reasonable period, so as to ensure that customers are not put to inconvenience.

3. After further discussions with the stakeholders it has been decided to permit a parallel
run of the new arrangement for a period of one month upto January 31, 2011. During
this period IVR transactions will not be declined merely on account of non authentication of additional factor. However, all efforts will be taken by the banks to ensure that customers use the additional factor as well while transacting through the IVR mode. **However, after January 31, 2011 no IVR transactions shall be permitted unless such transactions comply with the additional factor authentication requirement.**

4. We have been receiving requests from the various stakeholders that the Mail order Telephone order (MOTO) transactions which are also a subset of the Card Not present transaction may be exempted from the purview of additional factor of authentication for the present. After extensive deliberations with the stakeholders, it has been decided that the banks and card companies shall revert to us by February 28, 2011 on the process to be followed in respect of:-:

a. Recurring transactions based on standing instructions given to the merchants by the cardholders indicating the category of utility services.

b. Travel and hotel industry bookings and other MOTO transactions

5. Please acknowledge receipt.

Yours faithfully

G. Padmanabhan
Chief General Manager