

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:3360  
ANSWERED ON:12.12.2014  
BUSINESS PRACTICES BY MNC.  
Somaiya Dr. Kirit

**Will the Minister of FINANCE be pleased to state:**

- (a) whether sever criticism have been made by local taxi operators in connection with an MNCs ridiculous business practices in India;
- (b) if so, the details thereof and reaction of the Government thereto;
- (c) whether Reserve Bank of India (RBI), Foreign Investment Promotion Board (FIPB), Monopolistic and Restrictive Trade Practices (MRTP) have studied and taken initiative regarding the violation by the MNC and if so, the details thereof; and
- (d) the steps taken/proposed to be taken by the Government to curtail these unhealthy practices?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JAYANT SINHA)

(a) and (b): Reserve Bank of India (RBI) has noticed through Radio Taxi Association that the business practices adopted by certain entities (Uber Inc.) were in violation of the directives issued by the RBI under Payment and Settlement Systems Act, 2007 (PSS Act) besides the requirements under the Foreign Exchange Management Act, 1999. The instances noticed were Card Not Present (CNP) transactions being effected without the mandated additional authentication / validation even where the underlying transactions are essentially taking place between two residents in India (card issued in India being used for purchase of goods and service offered by a merchant / service provider in India). It was also observed that these entities were evading the mandate of additional authentication / validation by following business / payment models which were resulting in foreign exchange outflow.

Earlier, as part of the Policy measures to enhance the security in card transactions, banks were advised vide RBI circular dated October 25, 2010 that the mandate of additional (two / second) factor of authentication shall apply to all transactions using cards issued in India, for payments on merchant site where no outflow of foreign exchange is contemplated.

(c) and (d): In February, 2009, RBI issued directives making it mandatory for banks to put in place additional authentication / validation based on information not visible on the cards for all on-line CNP transactions. RBI also issued guidelines on 25th October, 2010 clarifying that the additional authentication is applicable only to transactions effected with cards issued in India on a merchant acquired by a bank in India and is applicable only to transactions where foreign exchange outflow is not contemplated. RBI has not issued any guidelines on routing transaction through domestic gateways. RBI advised to the stakeholders on August 22, 2014 that entities adopting such practices leading to willful non-adherence and violation of extant instructions should immediately put a stop to such arrangements. The entities were given time up to October 31, 2014 to comply with the instructions. Banks were further advised that where cards issued by banks in India are used for making card not present payments towards purchase of goods and services provided within the country, the acquisition of such transactions has to be through a bank in India and the transaction should necessarily settle only in Indian currency, in adherence to extant instructions on security of card payments.