

RBI allows tokenization of card transactions

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What to study?

For Prelims and Mains: Tokenization- meaning, significance, key facts and concerns associated.

Context: The Reserve Bank of India has allowed **tokenization of debit, credit and prepaid card transactions** to enhance the safety of the digital payments ecosystem in the country.

- The bank has offered permission for the process using all types of payment services and methods, including near-field communication (NFC), magnetic secure transmission (MST), in-app payment methods and cloud services.

What is Tokenization?

Tokenization will replace card details with a code, called a “token,” which will be specifically for the card, the token requestor and the device being used to pay. Instead of the card’s details, the token will act as the card at point of sale (POS) terminals and quick response (QR) code payment systems. The goal of the process is to improve the safety and security of payments.

To be looked in UPSC Paper 2 Topic:

1. Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment.