



Card on File Tokenisation (CoFT)

For Prelims: Card-on-file tokenisation (CoF), Card-on-File, Reserve Bank of India (RBI)

For Mains: Issues related to Card on File Tokenisation (CoFT)

Why in News

The [Reserve Bank of India \(RBI\)](#) has **extended the timeline for implementation of** the new credit and debit card data storage norms, or **card-on-file tokenisation (CoF) by six months to 30th June, 2022.**

- The digital payment firms, merchant bodies and banks had **sought more time to integrate the systems and onboard all the stakeholders** amid fears over disruption of business transactions.
- In September 2021, the [RBI prohibited merchants from storing customer card details](#) on their servers with effect from 1st January, 2022, and mandated the adoption of CoF tokenisation as an alternative to card storage.

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PROCESS TO GET MORE TEDIOUS?

➤ E-tailers & payment gateways **currently offer to store card details**, including the 16-digit number

➤ RBI's ban on storing card data would require e-commerce firms to **opt for tokenisation** or ask customers to enter the card number

➤ Tokenisation refers to payment networks **linking card data to a token**, which is given to the merchant

➤ This token can be used for payments but **only by the specified merchant**



➤ The new rule will become the norm for all card-based transactions in e-commerce **from Jan 2022**

➤ According to a source, the **threat of ransomware attacks** have increased manifold

➤ Online firms **won't be able to store card info & debit recurring payments** (won't affect billers added with bank directly)

➤ It is thought RBI's move is aimed at **increasing customer safety & improving data security**

Key Points

▪ About:

- **Tokenisation:** It refers to replacement of actual credit and debit card details with an alternate code called the “token”, which will be unique for a combination of card, token requestor and device.
 - A tokenised card transaction is **considered safer** as the actual card details are not shared with the merchant during transaction processing.
 - Customers who do not have the tokenisation facility will have to key in their name, 16-digit card number, expiry date and CVV each time they order something online.
- **Card-on-File:** A CoF transaction is a transaction where a cardholder has authorised a merchant to store the cardholder's Mastercard or Visa payment details.
 - The cardholder then authorises that same merchant to bill the cardholder's stored Mastercard or Visa account.
 - **E-commerce** companies and airlines and supermarket chains normally store card details in their system.

▪ More Time Sought for Implementation:

- If the new RBI mandate is implemented in the present state of readiness, it could cause **major disruptions and loss of revenue**, especially for merchants.
 - Online merchants can **lose up to 20-40 % of their revenues** post 31st December due to tokenisation norms, and for many of them, especially smaller ones, this would sound the death knell, causing them to shut shop.
 - Disruptions of this nature **erode trust in digital payments and reverses consumer habits** back towards cash-based payments.
- Merchants **cannot start the testing and certification** of their payment processing systems until banks and card networks are certified and live with stable APIs (Application Programming Interface) for consumer-ready solutions.

Way Forward

- The RBI has said that after June 2022, credit and debit card data should be purged from the online systems of merchants.
- In addition to tokenisation, industry stakeholders may devise alternate mechanisms to handle any use case, including **recurring e-mandates** and **EMI option or post-transaction activity, including chargeback handling, dispute resolution, reward or loyalty programme**, that currently **involves storage of CoF data** by entities other than card issuers and card networks.

[Source: IE](#)

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