

CENTRAL BANK OF EGYPT
Egyptian Banking Institute



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June 2022

Current Trends

Unified Payments Interface (UPI)

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Background

At the turn of the century, digitization of the economy has become the speediest factor driving globalization. This new and faster payment system, called the Unified Payments Interface (UPI) implemented by the National Payments Corporation of India, aims to facilitate instant funds transfer, along with opening doors to an effective cashless society. Egyptian authorities were inspired by India's payments-forward fintech strategy, and created recently a similar platform. The Unified Payments Interface (UPI) has also gained acceptance in Singapore (March, 2020), Bhutan (July, 2021) and recently with partners in UAE and Nepal (February, 2022).

Concept and Definition

Unified Payments Interface (UPI) is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood. It also caters to the "Peer to Peer" collect request which can be scheduled and paid as per requirement and convenience.

It eliminates the need to enter bank details or other sensitive information each time a customer initiates a transaction. Once a single identifier is established, the system allows mobile payments to be delivered without the use of credit or debit cards, net banking, or any need to enter account details. This would not just ensure greater safety of sensitive information, but connect people who have bank accounts via smartphones to carry out hassle-free transactions.

Importance

- **Safety During Verification:** The first feature is the mobile number verification during the initial registration. This binds your UPI account to your number, making it a point of identification. If you change your number, you will have to re-initiate the verification all over again. In the event of mobile phone loss, you can block the mobile number, preventing any further transactions from your bank account. This is a safety net against identity threat.

- **Safety During Transactions:** On signing up, the UPI provides an option to set up a 4 or a 6-digit mobile pin called the MPIN. Once created, you can authenticate every transaction with the MPIN. This prevents someone else from using the app on your phone to make a payment from your account, as the MPIN is known only to you.

- **Safety During Authentication of Other Parties:** Another feature embedded in the UPI system enables you to check the authenticity of merchants, thus preventing fraud. The Quick Response or the QR code and signed intent option allows you to find out if the merchant is UPI-verified or not. If the merchant is not UPI-certified, you instantly get notified. QR code tampering fraud is also very low, and enhances the security of UPI transactions.

What Makes Unified Payments Interface Unique:

- There is just one single mobile app to access various bank accounts.
- It facilitates the Immediate transfer of money via mobile devices 24*7.
- The virtual address of the customer for any kind of 'Pull & Push' offers security. The customer does not have to enter information like card number, IFSC code or account number.
- With one click, there is a two-factor Authentication – Aligned with the Regulatory guidelines, and also provides a seamless single click payment.
- Negates the hassle of cash on delivery, or even going to an ATM.
- You can easily share your bills with friends.
- Over the Counter Payments, Barcode (Scan and Pay) based payments, and Utility Bill Payments can be made.
- You can make merchant payment with a single app or in-app payments.
- You can raise complaints directly from the mobile app.
- You can make donations, disbursements, and collections easily.

| How to use

Steps to Create a UPI Account

You can set up a UPI account in five simple steps:

1. To enjoy the benefits of cashless payments and instant money transfers through UPI, you need two things: your smartphone and a bank account of a UPI-member bank.
2. Your mobile number must be registered as part of your information with the bank. Majority banks in India are member banks as of today. In 2016, 21 banks allowed UPI. This has now increased to 216 banks in 2021.

Practices Worldwide

3. The next step is to download any UPI supporting app on your smartphone. Some popular examples of UPI apps are PhonePe, Paytm, Google Pay, BHIM, MobiKwik, Uber, SBI Pay and BOB UPI.

4. Once the download is complete, you will be asked to create a virtual ID (identity) by the app. That is your unique ID to make or receive any UPI payment. Your bank will then send a one-time password or an OTP to your mobile number to confirm that it is indeed your bank account.

5. Once the verification is through, you can set up your Virtual Payment Address (VPA).

- The Reserve Bank of India has approached other central banks of many nations and has highlighted the advantages of using UPI as an efficient and secure payment system.

- The Singapore government has joined the league of countries interested in adopting UPI as one of the payment methods in their country. The project is expected to go live by July 2022. Once it's operational, the new app will further serve as an anchor for smoother trade transactions, travel as well as the flow of remittances between India and Singapore.

- After Singapore, the Government of India launched UPI in the United Arab Emirates. The rollout of UPI through the proposed partnership between NPCI International Payments Ltd (NIPL) and Mashreq Bank is expected to commence in the first quarter of 2022.

- The Central Bank of Egypt (CBE) has announced the activation of the InstaPay application on Wednesday 23 March, which is functioning in tandem with the Instant Payment Network (IPN). The application was developed by Egyptian Banks Company, the CBE's technological arm, under the guidance of its umbrella company. The new platform aims to enhance Egypt's emerging digital economy, allowing transactions to be rendered digitally, in an instant, either through bank accounts or a Meeza card. There are 13 banks currently supporting the application and its IPN: The National Bank of Egypt, Commercial International Bank, EG Bank, Arab African International Bank, SAIB, Banque Misr, Banque du Caire, Egyptian Gulf Bank, ALEXBANK, QNB Al Ahli, Arab Bank, and Société Arabe Internationale de Banque.

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