InfoSec Newsletter

NATIONAL CYBER SECURITY AWARENESS MONTH

OCTOBER, 2020

Mobile smart devices and mobile internet have changed the way we do things and how we connect with other people. With no doubt we can say that Smartphone has become a crucial part for our life. It has reached a state where it plays an important role in making our personal and professional lives easier. It also brought in remarkable changes in banking sector and also in the way we transact money online. When it comes to making payments in Cyberspace, there are many terms that are associated with it. The most commonly used ones are Virtual Payments, Virtual Currencies, e-wallets, Mobile Payments, etc. The boom in e-wallet transactions has been triggered by the rise tin E-commerce through mobiles, emergence of cheaper internet access and increasing mobile penetration.

More precisely we can say that an e-wallet refers to the method of transacting money online by making use of apps. It can be used in conjunction with mobile payment systems that allow customers to pay for purchases with their smart phones using QR codes, Unified payment Interface etc. An individual's bank accountcan be linked to these e- wallets to do the payments online.

What is an e-wallet?

e-wallet is a type of pre-paid account in which a user can store his/her money for any future online transaction. Instead of using your physical plastic card to make purchases, you can pay with your smartphone, tablet, or smartwatch. An e-wallet is protected with a password.

For setting up an e-wallet account, the user needs to install the software on his/her device, and enter the relevant information required. After shopping online, the e-wallet automatically fills in the user's information on the payment form. To activate the e-wallet, the user needs to enter his password.

With more and more people opting for e-wallets for making daily payments, e-wallet has become a major target for cyber criminals. There cannot be 100 percent security, it's all about managing the risk and minimising it to whatever extent possible. It is clear that the benefits of digital payments have made the e-commerce bloom in India but, at the same time, the risks associated has to be continuously monitored and managed.

Mobile payment Vs Mobile wallet

❶ It is essential to keep in mind that there is a distinction between a Mobile Payment and a Mobile Wallet.
❷ In mobile payment you are entering your credit card information at the final stage in the e-commerce transaction to complete the checkout process.Thus, no intermediary is involved.
❸ Mobile wallets are specialized form of wallet to make the payment and it acts as an intermediary.

Difference between an E-Wallet and a Digital Wallet	
Digital wallet	**E- Wallet**
Cards details are saved in the wallets to transact cardless.	Money is preloaded in the wallets to transact cardless.
Money remains in user's bank account or credit card.	Money moves from user's account to either a mer-chant's current account or an escrow account
Example - Google Wallet, Apple's Passbook	Example - Paytm Wallet, Freecharge Wallet, Mobikwik.

Types of e-Wallets ?

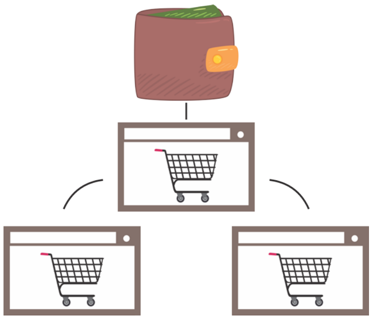
In general, as per the Reserve Bank India, there are three kinds of e-wallets—closed, semi-closed and open

Closed wallet:

A closed wallet is one that a company issues to its consumers for in-house goods and services only. These do not carry the advantage of cash withdrawal or redemption. Several online shopping portals such as Flipkart, Jabong and MakeMyTrip offer such closed wallets. It is basically an account where money gets credited in case of a refund due to cancellation or return.

Semi-closed wallet:

In the payments space, companies such as MobiKwik, PayU and Paytm offer semi-closed wallets. As per the RBI, a semi-closed wallet can be used for goods and services, including financial services, at select merchant locations or establishments that have a contract with the issuing company to accept these payment instruments. Semi-closed wallets do not permit cash withdrawal or redemption by the holder as well.



Open wallet:

Such wallets can be used for purchase of goods and services, including financial services such as funds transfer at merchant locations or point-of-sale terminals that accept cards, and also cash withdrawals at automated teller machines or business correspondents. These kinds of wallets can only be issued by banks.

Closed wallet	Semi-closed wallet	Open wallet
Where the money goes ?		
To the company's account	To excrow account	To bank account
What happens to the money ?		
Companies either earn interest on it or the money is taken as liability on the books of the company till the customer uses it to make a purchase	There is either no interest earned or 4-8% is earned based on the average balance calculation approved by the central bank	It earns interest, which is shared between the payment service provider and the bank depending on the agreement

How e –Wallets works ?

E-wallets have two primary components: software and information. The software component stores your personal information; provide security and encryption of data. The information component is a database of details provided by the user which includes names, shipping addresses, payment methods, amount to be paid and debit/credit card details.

To set up an e-wallet, you need to first choose an E-wallet and install the software on your device. To use this wallet, first you have to open your account in that wallet that you want to use and for this it is mandatory to have a mobile number. To activate the e-wallet, you will need a password. After registering to this service, money can be transferred to the wallet with the help of a debit or credit card and then at the time of purchase you can use money wallet with the help of a Smartphone.