Fintech Law: An Overview

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Outline of theClass

- An Overview of Fintech Eco System
- Regulatory Sanbox – Global Perspectives
- Regulation of Fintech – Initiatives from RBI, SEBI, IRDI
- Significance of Data Privacy and Protection for Fintech Sector
- Sanctions Prescribed by Indian Regulators for failing to Comply with Data Privacy Laws
- Data Privacy Approaches followed by Fintech Sector – A Discussion from Consent Oriented to Rights based Approach

Fintech Law and Policy

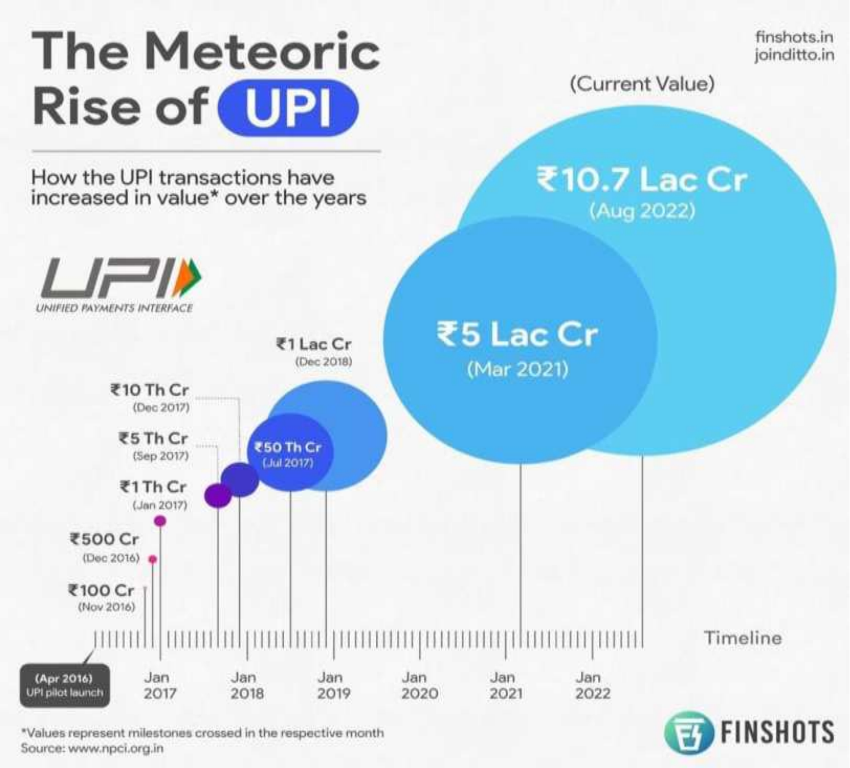
Major FinTech Clusters in India

Source: Invest India

Graphic© Asia Briefing Ltd.

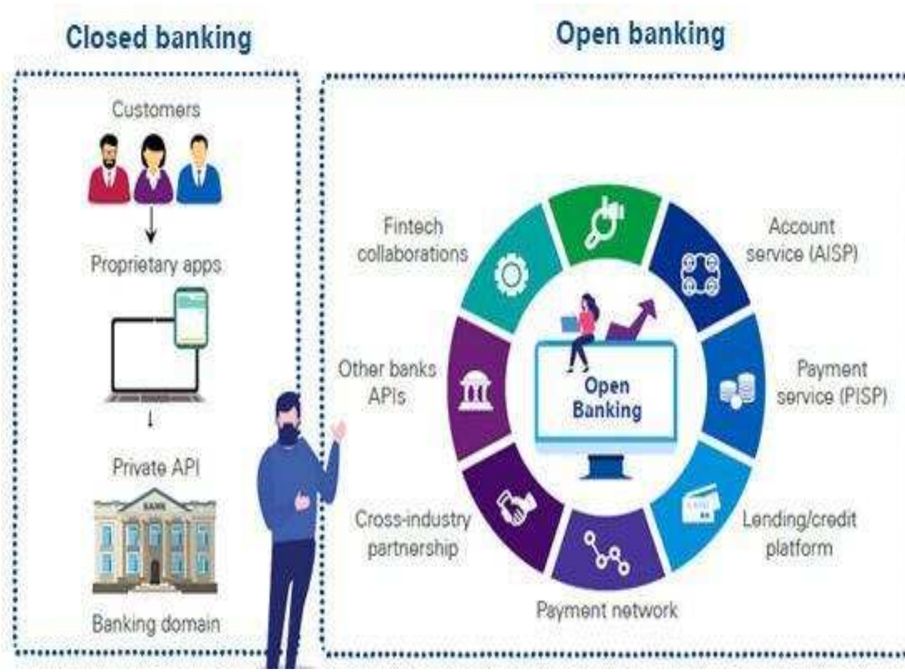
A overview of **FinTech ecosystem**

- The FinTech sector in India has shown tremendous growth, with it being one of the fastest in the world.
- There are around 2100 FinTech companies in India, with the bulk of them (almost 67 percent) having been set up in the last five years.
- The current valuation of India's FinTech companies is USD 31 Billion, which is expected to nearly triple to USD 84 billion by the year 2025 (InvestIndia 2021).
- More than 50 FinTech companies are valued at greater than USD 100 million, covering a wide array of areas such as broking, insurance, and software as a service. One key growth sector has been neo-banking, with almost 15 companies vying for that space.



FinTech ecosystem

- In 2020, FinTech SaaS and InsurTechs saw total investments of $145 Mn and $215 Mn respectively, repres enting a 4-5X growth over their 2015 funding flow.
- Amongst India's 50+ FinTechs with more than $100 Mn valuation, there are 4 Wealth and Broking FinTechs, 5 InsurTechs and 8 SaaS FinTechs.
- UPI is expected to grow significantly with the participation of domestic and international players (Paytm, Walmart and Google) continuing to dominate the segment, with a heavy focus on development the payments infrastructure through investments.
- Neo-banks in India are emerging as a key segment for growth in the space – with over 15 Neo-banks currently in India, several of them under development or in beta stages. The segment has been growing steadily, with several private banks partnering with these Fintechs to explore synergies and better means of service-delivery.



Services Offered By Fintech Industry

- **Crowdfunding Platforms:** Further, the platforms allow entrepreneurs and early-stage businesses to raise funds from all over the world, allowing them to bypass geographical boundaries and reach international markets and investors.
- **Mobile Payments:** Mobile payment applications and gateways are one of the most prevalent uses of fintech. Additionally, such applications allow users to carry out banking activities without physically visiting a bank. For example, companies like Venmo and Interac allow customers to send and receive money through smartphones at minimal transaction fees.
- **Robo-Advisors:** Robo-advisors are online investment management services that use algorithms to optimally allocate assets and generate portfolios for customers. Moreover, they allow users of all age groups to engage in investment activities at low fees with minimal manual effort.
- **Insuretech:** The term insure tech refers to the application of technology to the insurance model, which allows companies to provide tailored insurance services and data security. Further, insuretech helps streamline the insurance process through online claims filing and policy management.

Services Offered By Fintech Industry

- **Regtech:** Regtech (regulatory technology) focuses on the automation of compliance processes for financial institutions. Further, it offers fast and cost-effective management of large amounts of data, including transaction records and compliance documents, such as corporate tax returns.
- **Blockchain and Cryptocurrency:** Blockchain uses encryption technology to create cryptocurrencies, a promising new medium of exchange that is more secure and better than cash. In effect, blockchains offer vast possibilities to disrupt and change conventional business models.
- A notable emerging blockchain application is that of **smart contracts**. These are digital, self-executing contracts that can electronically facilitate, verify, and implement agreements. Experts say that these blockchain products are likely to change how future deals will be executed.

Some of the key Reg Tech processes and their benefits are as under:

- **Alternative reporting methods:** Technology that allows data to be provided (or taken) in a different way.
- **Shared utilities**:Technology that allows firms to share services via the cloud and/or online platforms.
- **Semantic tech and data point models**: Technology that converts regulatory text into a programming language.
- **Shared data ontology**: A formal naming and definition of the types, properties, and interrelationships of entities.
- **Robo-Handbook**: Interactive echnology that allows firms to understand the impact of regulations on their systems and processes.
- **Big data analytics**: Advanced analytics solutions that can interpret vast amounts of structured and unstructured data that could be stored in 'data lakes' (storage repositories).
- **Risk and compliance monitoring:** Technology that allows an always-on, noninvasive surveillance of transactions, behaviour and communications.
- **Inbuilt compliance**: Regulatory requirements can be coded into automated rules which are applied when relevant.
- **System monitoring and visualisation**: Technology that captures and traces all messages created by systems and their interactions.

The emerging focus of Reg Tech for regulators may include the following:

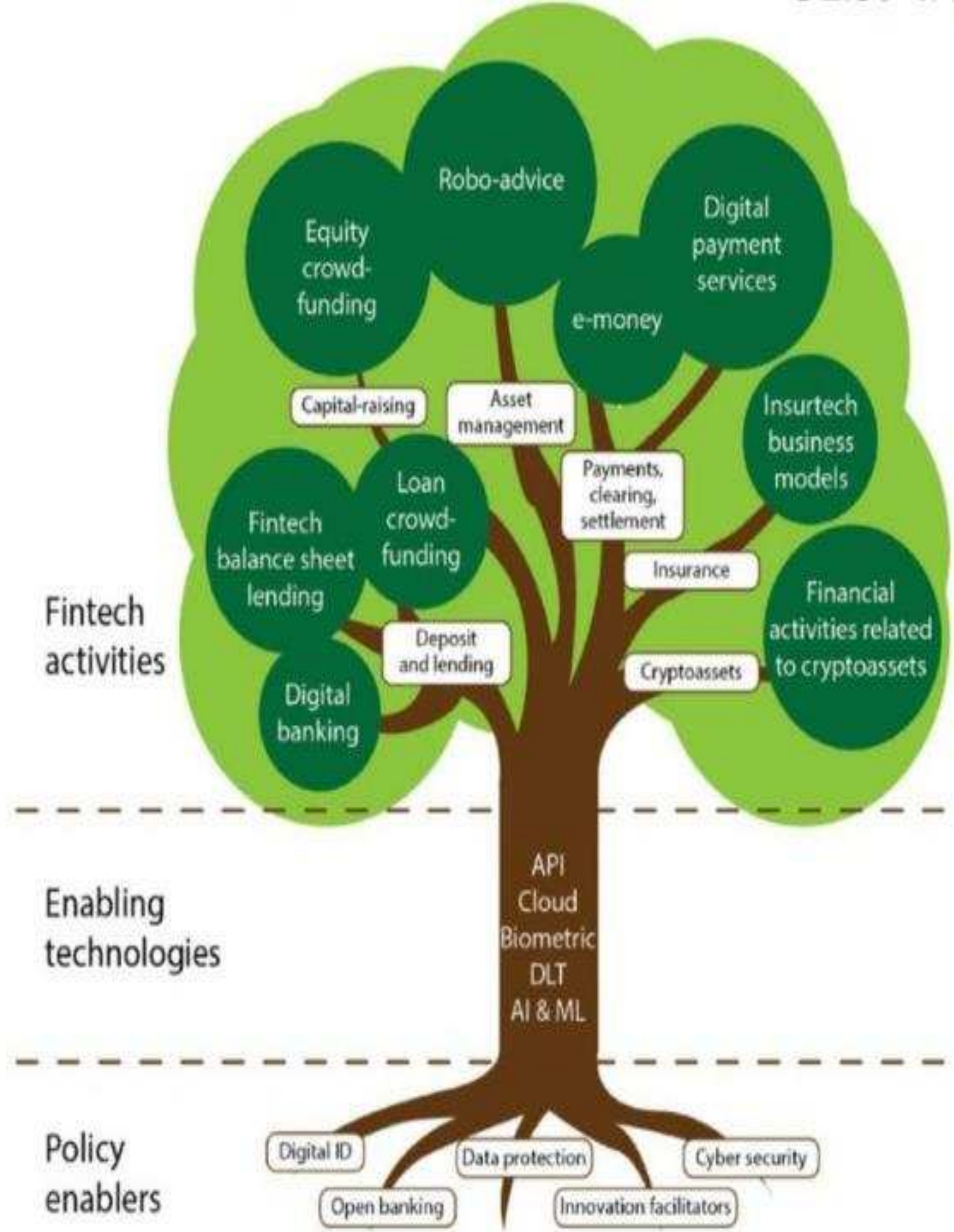
Regulatory Reporting: streamlining the existing regulatory reporting structure across the value chain

- Risk and compliance monitoring
- Protecting Customer interest
- Detecting Financial Crime

SupTech - is technology to be used by the regulators and supervisors to support supervision. The objectives of SupTech are seamless and straight through data collection / reporting, data analysis and decision making, streamlined licencing, market monitoring and surveillance, KYC / AML / CFT (i.e. Know your customer/Anti money laundering/Combating the financing of terrorism), cyber security data or evidence based policy making.

The FinTech Tree:

A taxonomy of the Fintech environment



Scope of fintech

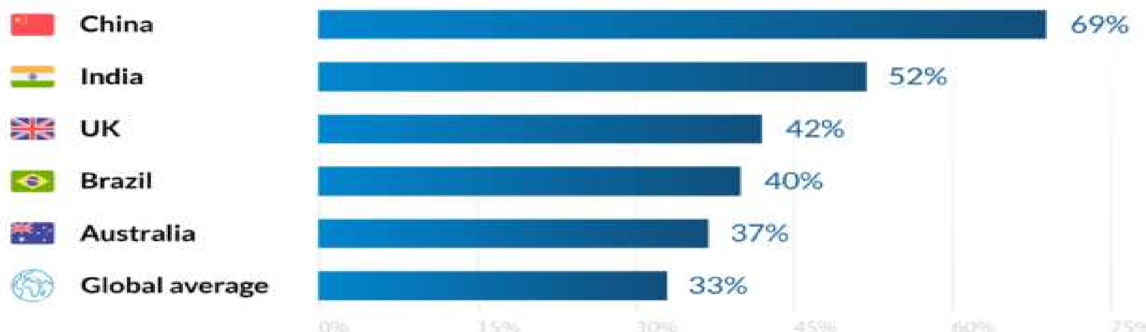
- Fintech has revolutionized many different markets, most notably the banking, trading, insurance and risk management industries.
- Fintech companies, which include startups, technology companies and established financial institutions, utilize emerging technologies, such as big data, artificial intelligence, blockchain and edge computing to make financial services more accessible and more efficient.

3 Key Fintech Trends You Should Know

FinancesOnline
REVIEWS FOR BUSINESS

1 Percentage of digitally active consumers who use fintech

Source: Business Insider Intelligence

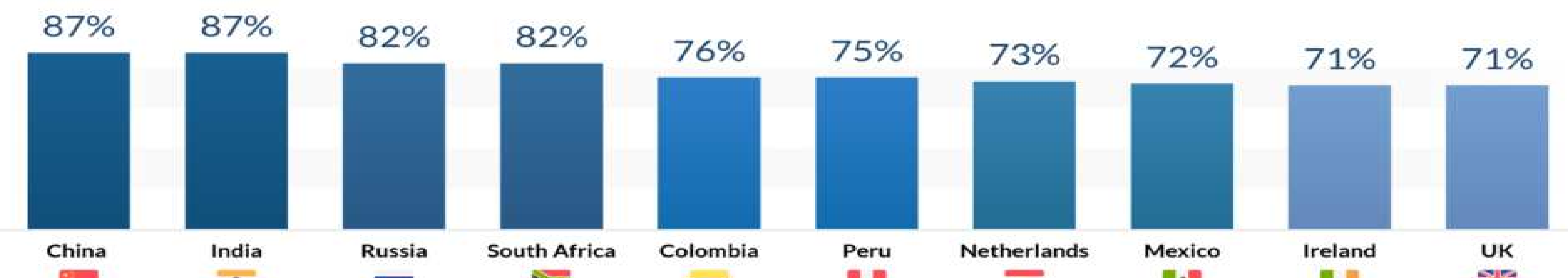


2 Key digital technologies that fintech plan to invest in in the next 12 months

Source: Deloitte 2019

3 Consumer fintech adoption rates

Source: EY



Steering Committee on Fintech

- To consider various issues relating to development of Fintech space in India
- To make Fintech related regulations more flexible to enhance entrepreneurship in areas where India has distinct comparative strengths
- To evaluate how Fintech can be leveraged to enhance financial inclusion of MSMEs

CHAIRMAN	Secretary, Department of Economic Affairs
MEMBERS	Secretary, Ministry of Electronics and Information Technology Secretary, Department of Financial Services Secretary, Ministry of Micro, Small and Medium Enterprises Chairperson, Central Board of Excise and Customs Chief Executive Officer, Unique Identification Authority of India Deputy Governor (DG), Reserve Bank of India
CONVENER	Joint Secretary (Investment), Department of Economic Affairs

TERMS OF REFERENCE

- Take stock of the global developments in the sector
- Analyze the regulatory regime spread over various entities
- Consider ways to leverage it in critical sectors of the economy
- Develop regulatory interventions to enhance the role of Fintech
- Promote ease of doing business in the Fintech sector
- Means of using data with information utilities for financing MSMEs
- Work with Government agencies like UIDAI to explore creation and use of unique enterprise identification number
- Consider international cooperation opportunities in Fintech

Regulatory Sandbox

- RS usually refers to live testing of new products or services in a controlled/test regulatory environment. The RS allows conducting field tests to collect evidence on the benefits and risks of new financial innovations. While carefully monitoring and containing their risks.

Benefits

- It fosters "learning by doing"
- It facilitates the testing of products viability at less cost
- Additionally, provides a structured and institutionalized environment for evidence-based regulatory decision-making
- leads to better outcomes for consumers through an increased range of products. Similarly, services reduced costs and improved access to financial services.

Regulatory Sandbox – Global Perspectives

- Across the world, many nations have agreed to sandboxes, and at present, 46 initiatives are implemented in different stages (WorldBank 2020).
- The concept could be mapped out to the U.S. Project Catalyst. It was a program formed by Consumer Financial Protection Bureau in 2012 for encouraging customer-friendly improvement and start-ups for financial services (BakerMcKenzie 2020).
- The program is an important extension of the Consumer Protection Act and Dodd-Frank Wall Street Reform, providing consumers with clear, spirited, and modern marketplaces. The U.K.'s Financial Conduct Authority (FCA) recognized the modern regulatory sandbox in 2015.
- It called the framework a safe place for companies to test new products, trade concepts, models, and services and to deliver optimal results without incurring standard regulatory costs.
- Of the 99 companies that applied for FCA's fifth cohort in 2019, 29 were accepted, including small start-ups and established banks (InvestIndia 2021).

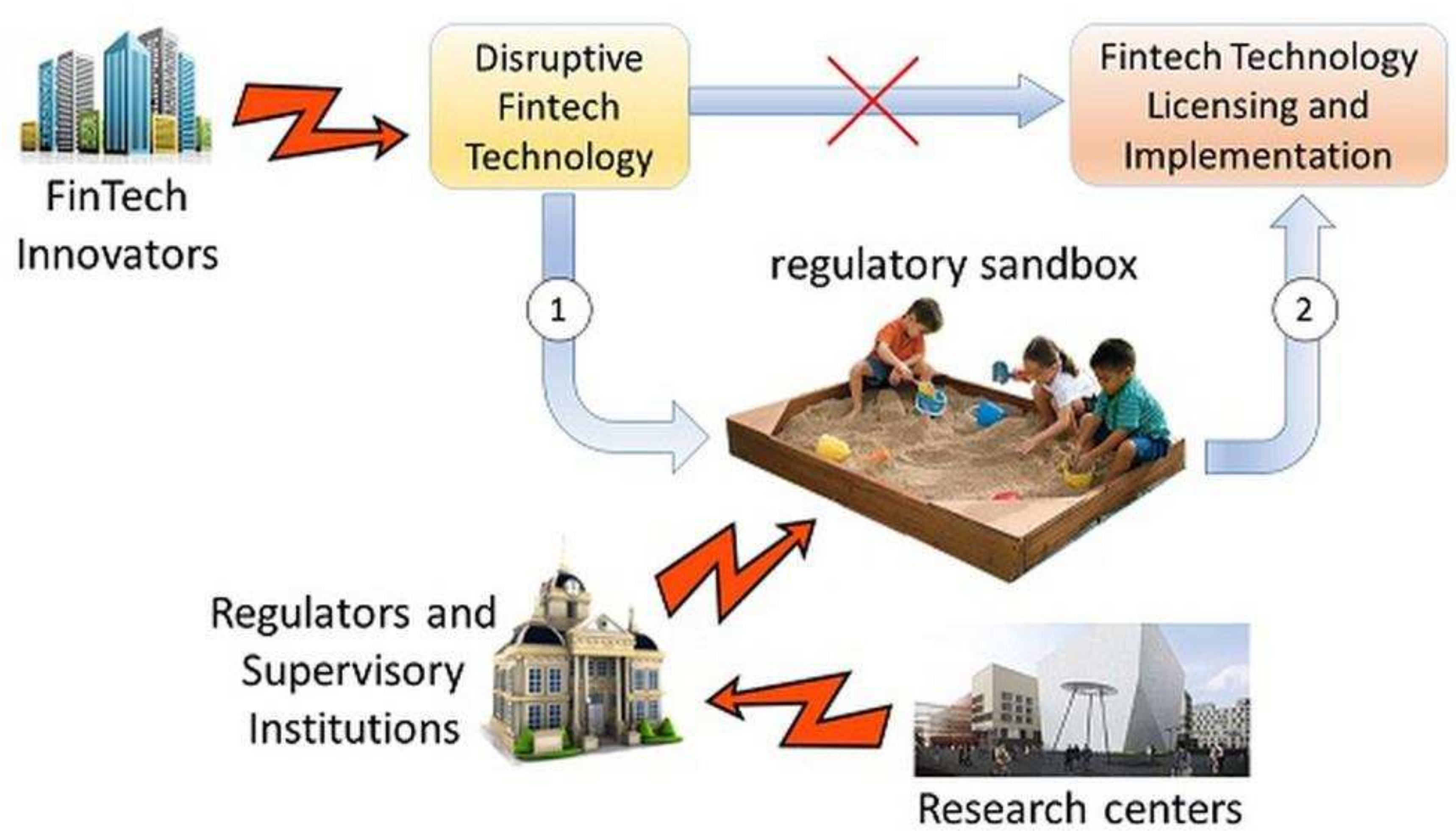
Regulatory Sandboxes in India

- In 2016 RBI initiated an inter-regulatory functioning team to look at the new and finer aspects of FinTech. RBI also released guidelines for the sandbox in August 2019 after the suggestions made by the working group. Furthermore, both the SEBI and the IRDAI have announced their plans for regulatory sandboxes. The SEBI regulates India's securities markets, whereas IRDAI regulates the insurance and re-insurance sectors (Dayal and Narayanan 2021).
- Maharashtra already has policies for encouraging financial start-ups. The government launched a sandbox exposing bank application programming lines to endorse open banking proposals. Several private bank institutions, such as ICICI Bank, YES Bank, and HDFC Bank, have an initiative where programmers and developers are asked to create a new application through banking APIs (BakerMcKenzie 2020).
- Indian regulators decided on a diverse approach compared to the U.K.'s FCA sandbox. For example, the FCA sandbox allows testing for the products in different sectors such as Know Your Customers (KYC), debt, insurance, and securities. On the contrary, Indian regulators promote new concepts through premeditated sandboxes for each division. However, sandboxes in India are currently in an emerging period as Indian regulators are still standardizing the regulations.

IRDAI's Regulatory Sandbox

- IRDAI is tasked with licensing and regulating India's insurance and re-insurance sectors. It looks at products and services in the insurance sector and has a separate section for reviewing requests. According to IRDAI's plan, any application willing to promote and bring innovation in insurance can enter the program. Though, it requires a demonstration of the new invention to the regulators. There is no detailed test period, but it ends when the number of customers reaches 10,000 or when the insurance premium reaches INR 50 lakh (Dayal and Narayanan 2021).

SEBI WORKING REGULATORY SANBOX ON FINTECH



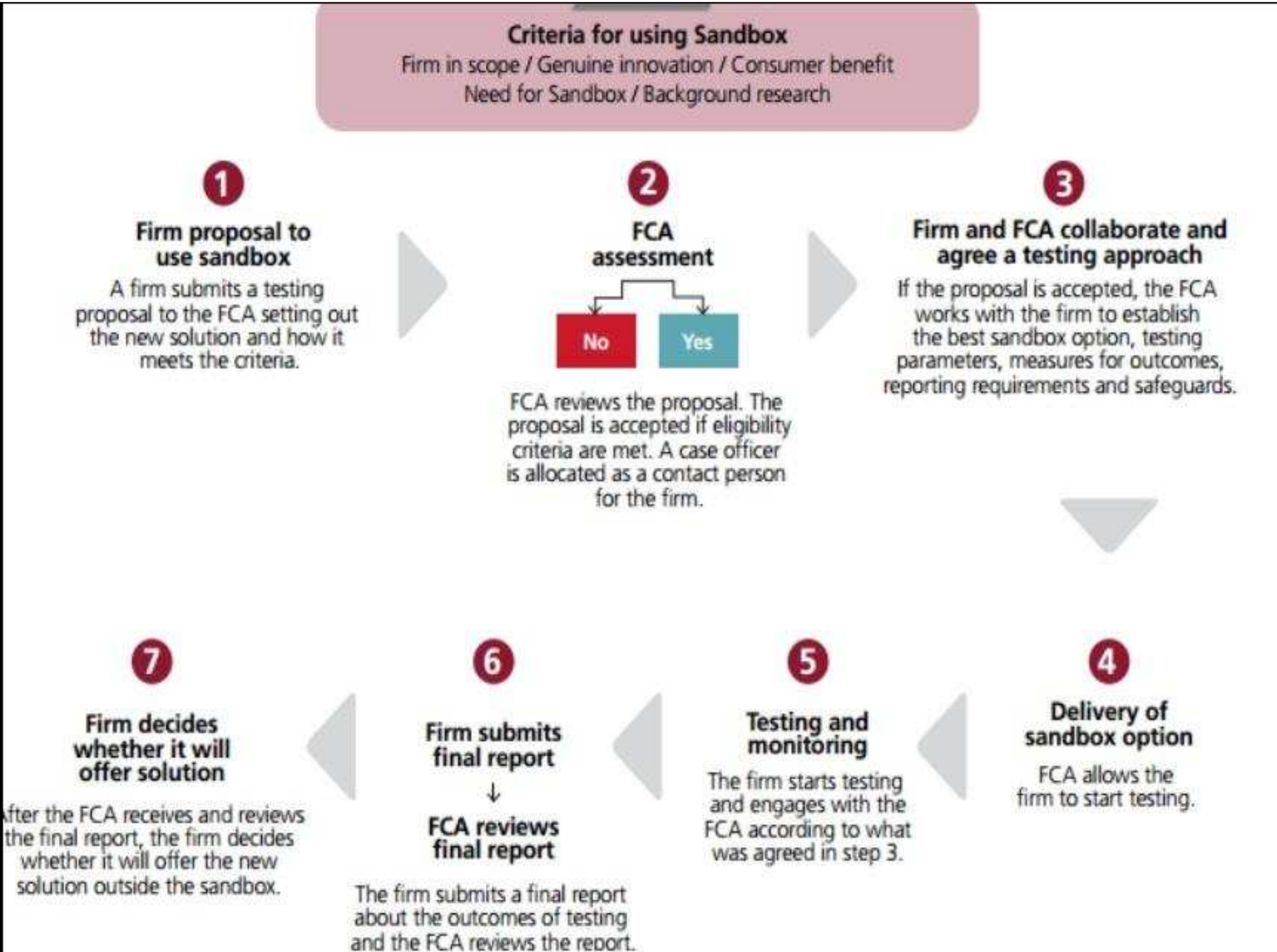
HOW THE SANDBOX WORKS

- The RS is proposed to work by selecting cohorts of participants, each with a limited number of entities (proposed to be 10-12 entities initially).
- Cohorts will be based on themes (e.g., financial inclusion, payments, KYC etc.) and are taken through an end-to-end sandbox process under the oversight of the FinTech Unit ("**FTU**") of the RBI.
- The estimated timeline for each RS cohort is approximately six months.

Stages

Each thematic cohort of the RS shall have the following five stages and timeline:

Stage	*Indicative time period*	**Description**
Preliminary Screening	4 weeks	The FTU will evaluate the shortlisted applicants and check if they are meeting the eligibility criteria.
Test Design	3 weeks	The FTU will finalize the test design through an iterative engagement with RS applicants.
Application Assessment	3 weeks	The FTU will vet the test design and propose regulatory modifications, if any.
Testing	12 weeks	This is the crux of the RS, where the solution will actually undergo testing. The FTU will gather empirical evidence from the testing.
Evaluation	4 weeks	The RBI will evaluate the final outcome of the testing on the basis of the expected parameters, and assess its viability.


Criteria for using Sandbox
Firm in scope / Genuine innovation / Consumer benefit
Need for Sandbox / Background research
1
Firm proposal to use sandbox
A firm submits a testing proposal to the FCA setting out the new solution and how it meets the criteria.
2
FCA assessment
No
Yes
FCA reviews the proposal. The proposal is accepted if eligibility criteria are met. A case officer is allocated as a contact person for the firm.
3
Firm and FCA collaborate and agree a testing approach
If the proposal is accepted, the FCA works with the firm to establish the best sandbox option, testing parameters, measures for outcomes, reporting requirements and safeguards.
4
Delivery of sandbox option
FCA allows the firm to start testing.
5
Testing and monitoring
The firm starts testing and engages with the FCA according to what was agreed in step 3.
6
Firm submits final report
↓
FCA reviews final report
The firm submits a final report about the outcomes of testing and the FCA reviews the report.
7
Firm decides whether it will offer solution
fter the FCA receives and reviews the final report, the firm decides whether it will offer the new solution outside the sandbox.

Global perspective

- It is essential to delve into some established international structures to understand the regulatory sandbox better.
- Three different countries – China, the U.K., and Australia – have been chosen for a deeper analysis to comprehend the functional aspects of such a setup

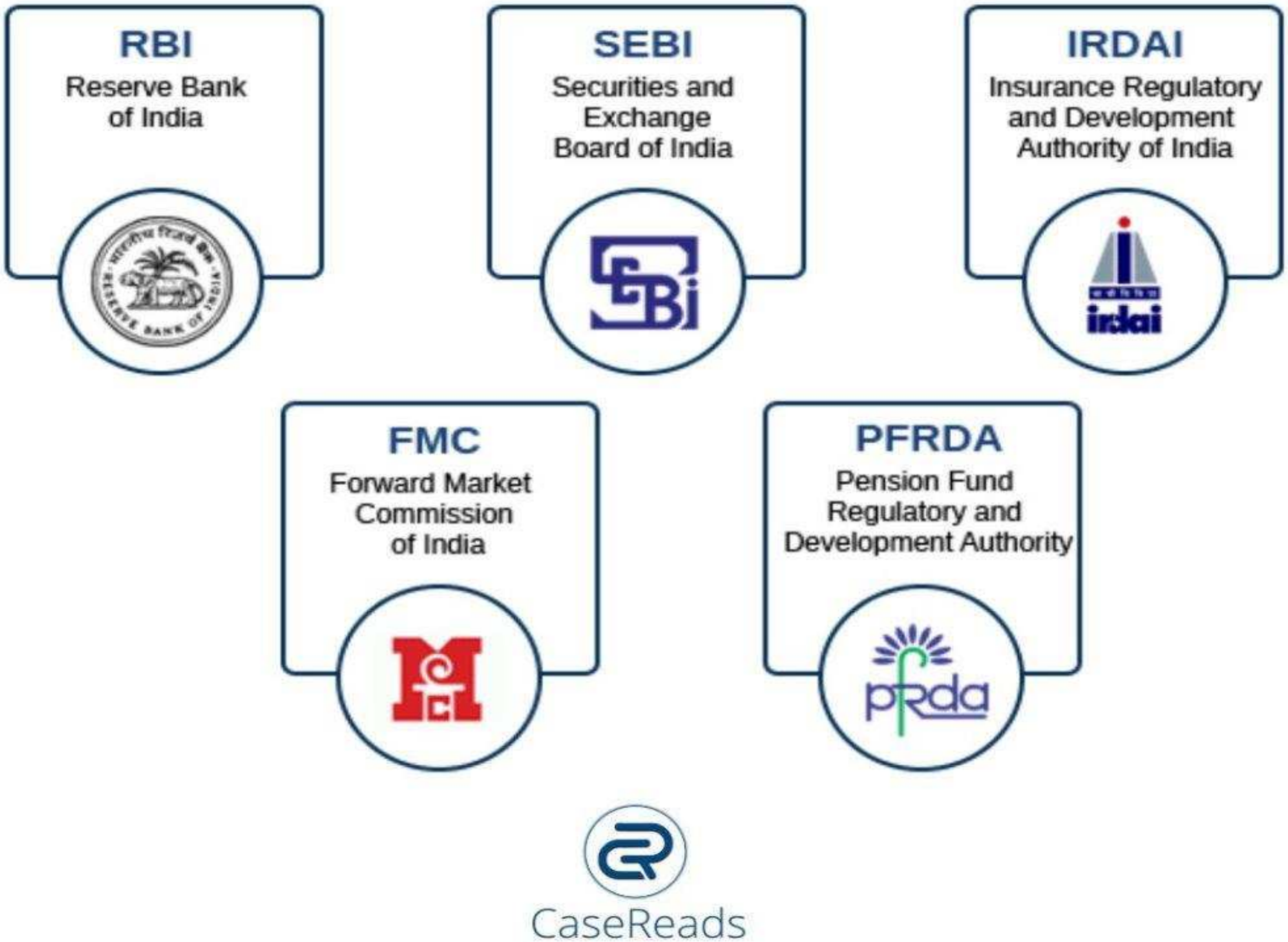
Trans-governmental attempts to facilitate cooperation among regulators

- One of the best examples of trans-governmental cooperation among regulators can be seen in the case of the E.U. (European Union). In the context of current discourse, the study of this initiative attains great relevance.
- The risk of market fragmentation primarily accelerated this cooperation. This cooperation was also compounded by potential difficulties in scaling and deploying innovative products across the E.U. market (Allen, 2020).
- The group of experts on "Regulatory Obstacles to Financial Innovation" recommended the creation of a pan-E.U. regulatory sandbox. While the intricacies of such a cooperative effort are time-dependent, it brings the concept of such a positive symbiotic existence to the fore.
- Arrangement of cross-border testing between nationally operated sandboxes can accelerate product market penetration and make it more attractive as a business destination.
- Some of the proposed aspects to be covered under this cooperative framework are: Circumscribed scope in granting permissions for multilateral trading facilities and securities settlement systems; Limits and safeguards for consumer and investor protection, market integrity, and financial stability; Creation of a harmonized framework from which national authorities can grant exemptions and take alternative measures; Specific permissions to be valid across the European Union for a time-limited period.

GFIN (Global Financial Innovation Network)

- This group includes several countries, such as Australia, Abu Dhabi, and the U.K. Some of the other jurisdictions involved are Bahrain, Dubai, Guernsey, Hong Kong, and Singapore.
- Canada's AMF (Autorité des marchés financiers) and OSC (Ontario Securities Commission), along with twelve other regulators, have proposed the creation of this group for the formation of a single Global Financial Innovation Network (GFIN).
- This body aims to foster existing collaborations, speed the process of information sharing, and create easier approach mechanisms for regulators in foreign jurisdictions (BakerMcKenzie, 2020). Better relations would translate to more compatible forms of regulation and thus lead to greater advantages in operation. Some areas of benefit would be new product development, counter-terrorist financing, payments, and financial crime.
- This framework would allow firms to test their ideas and products across multiple geographies and gain real-time insights. It would also ensure a well-rounded feedback loop, making the products more robust and suited to consumer needs.

Regulatory Bodies in India



Difference Between Fintech and Banking Sector

Fintech Companies	**Banking Sector Industry**
They majorly focus on managing customer experiences	Additionally, They majorly focus on the management of risk
They incline towards mobile functionality, data analysis, ease of accessibility, cloud computing, and personalisation	Further, they incline towards supply credit, economic growth, trust, security, and capitalisation
Area of premises is solely based on customer satisfaction and good user experience	They strive towards integrating good UX patterns to make sure customers have a seamless transaction
They main to provide 24*7 services to all areas of the world including remote areas where banks fail to provide services	Banks have been trying to ease the financial transactions for customers in remote areas but have somehow been less successful in attaining it
They have higher penetrations due to mobile connectivity	The physical distribution of banks is a major issue to resolve.
They are consumer-oriented	Further, they are process-oriented
They heavily depend on the technology	Moreover, they are very traditional in their approach

Payment and Settlement Systems Act, 2007

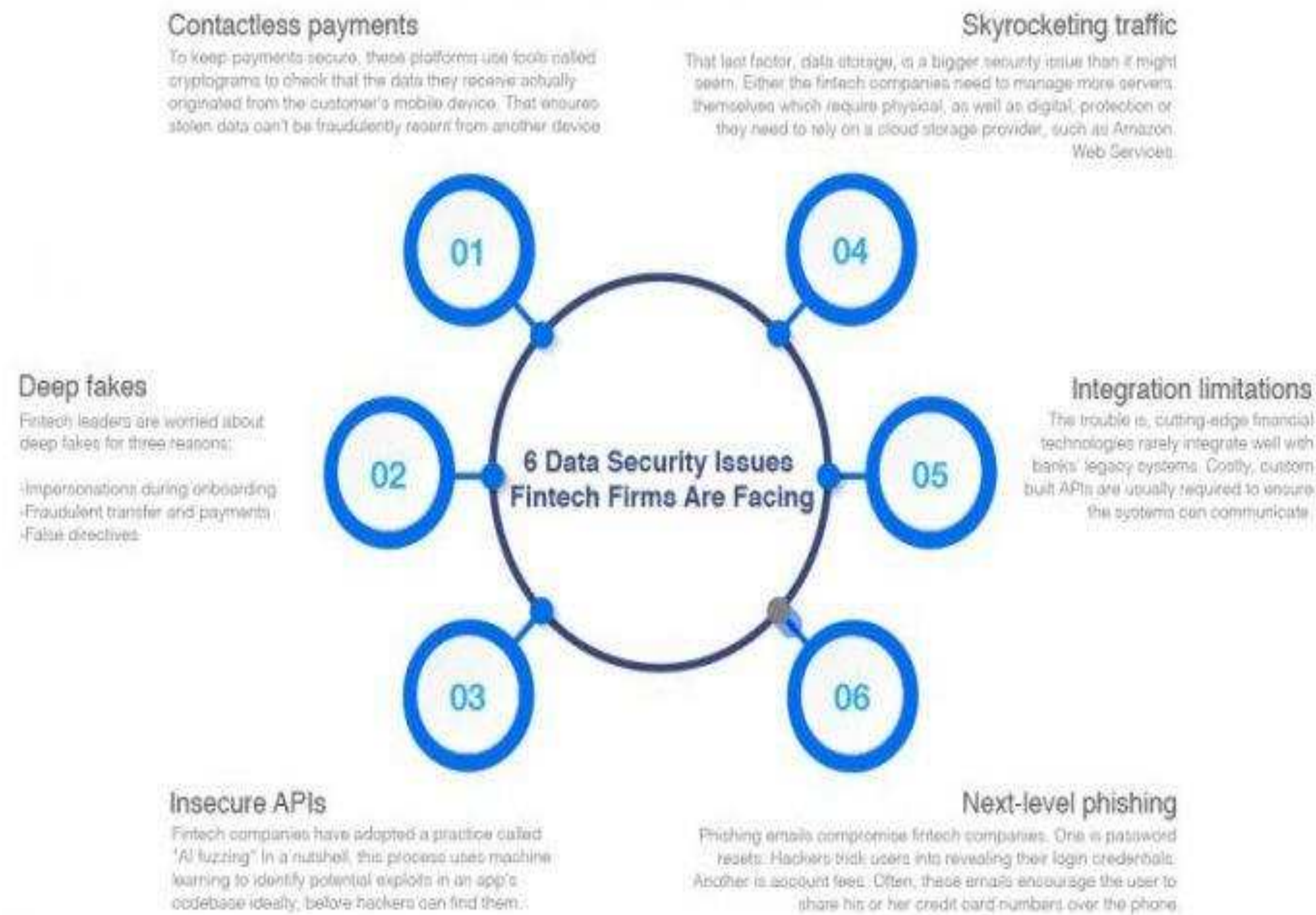
- which provides for the regulation and supervision of financial transactions in India. Under the PSS Act, 2007, two Regulations have been made by the RBI, namely, the Board for Regulation and Supervision of Payment and Settlement Systems Regulations, 2008 (BPSS Regulations) and the Payment and Settlement Systems Regulations, 2008 ('PPS Regulations, 2008').
- The BPSS empowers for authorizing, prescribing policies and setting standards for regulating. Further, supervising all the payment and settlement systems in the country. Additionally, exercises its powers on behalf of the RBI under the PSS Act, 2007.
- The PPS Regulations, 2008 lays down the procedural requirements for commencing or carrying on a payment system.

RBI Guidelines on Fintech

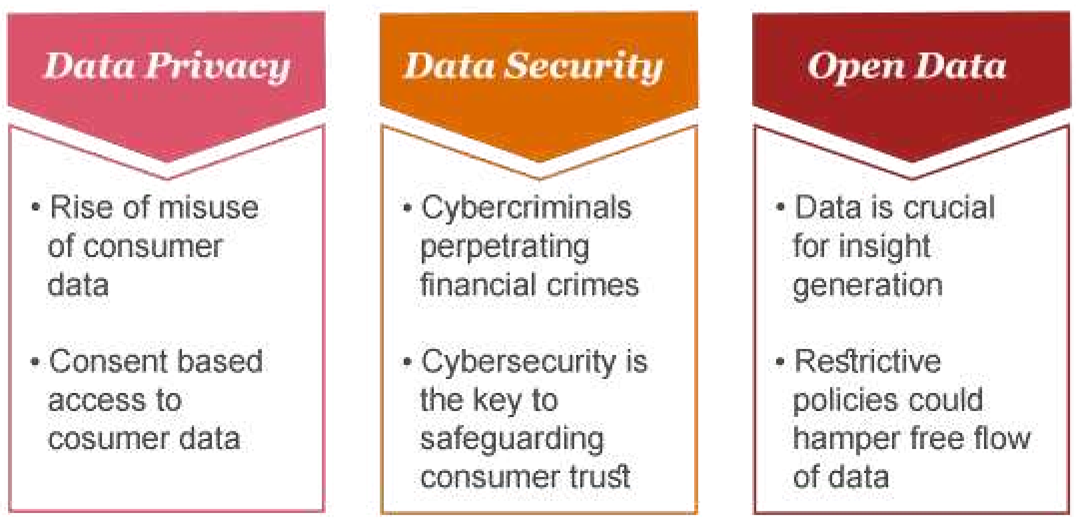
- **Regulation of Prepaid Payment Instruments by the RBI**: Prepaid Payment Instruments ("PPIs") are instruments that facilitate the purchase of goods and services, including financial services, remittance facilities, etc., against the value stored on such instruments. Further, on October 11, 2017, the RBI issued the Master Direction on Issuance and Operation of Prepaid Payment Instruments ("PPI Master Directions") under section 18 read with section 10(2) of the P&SS Act.
- **Regulation of Payment Intermediaries by the RBI:** The Directions For Opening And Operation Of Accounts And Settlement Of Payments For Electronic Payment Transactions Involving Intermediaries ("2009 EPT Directions") were issued by the RBI under section 18 of the P&SS Act to protect the interests of the customers and to ensure that the payments made by them are duly accounted for by the intermediaries receiving such payments and remitted to the accounts of the merchants without any delay. Moreover, the RBI recently issued the Guidelines on Regulation of Payment Aggregators and Payment Gateways dated March 17, 2020 ("PAPG Guidelines") under section 18 read with section 10(2) of the P&SS Act.

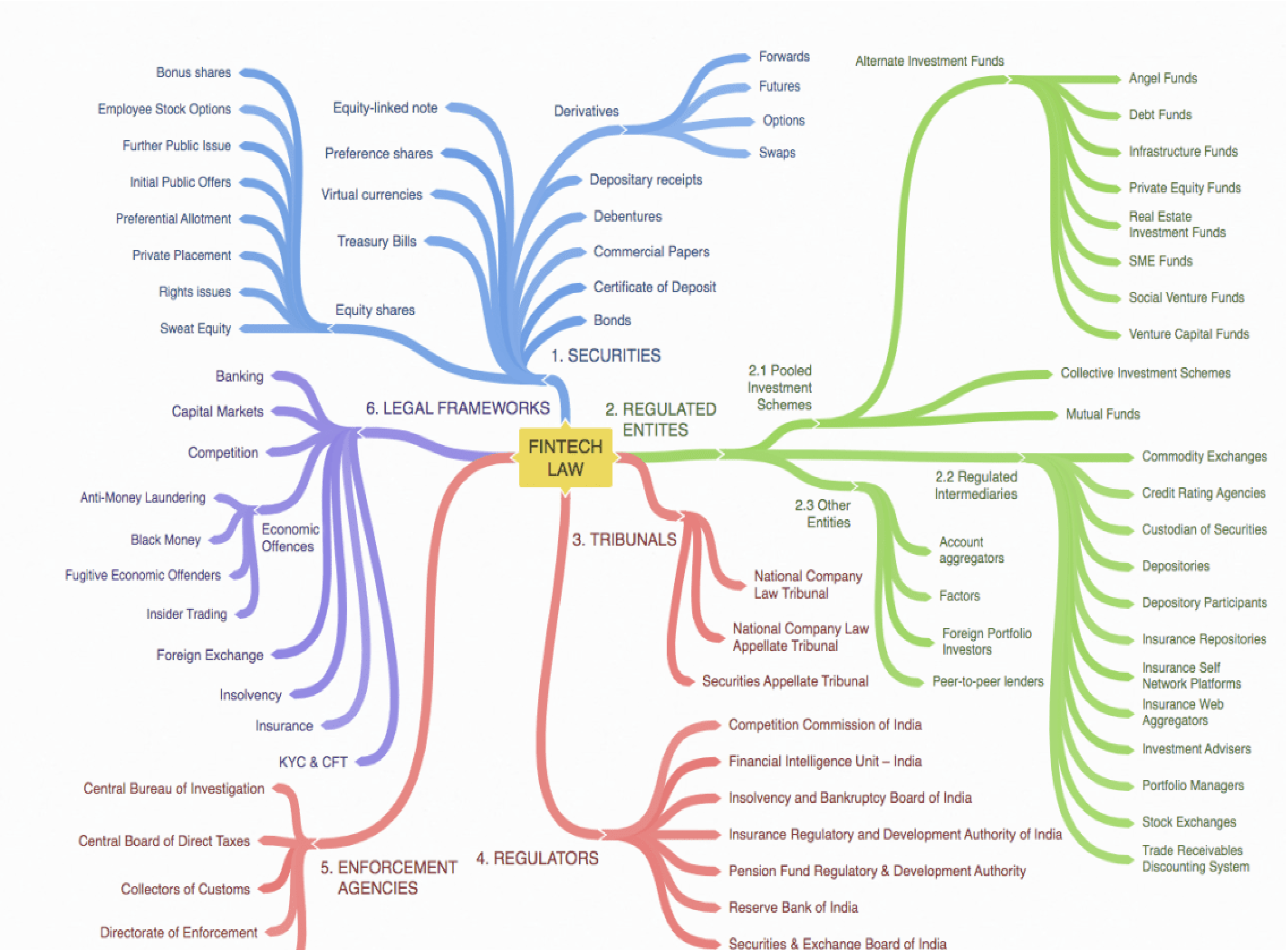
RBI Guidelines on Fintech

- **Payment Banks**: A payments bank functions as a bank but operates on a smaller scale and cannot advance loans or issue credit cards. Further, such banks are registered as public limited companies under the Companies Act, 2013, and licensed under **section 22 of the Banking Regulation Act, 1949**, with specific licensing conditions restricting its activities mainly to the acceptance of demand deposits and provision of payments and remittance services.
- **NBFC Regulation**: An entity which carries on FinTech business may have to be registered with the RBI as an NBFC if it falls within the prescribed criteria. In terms of **section 45-IA of the RBI Act,** no NBFC can commence or carry on the business of a non-banking financial institution without (a) obtaining a certificate of registration from the RBI and without having a net owned fund of Rs. 25,00,000 and not exceeding Rs. 100,00,00,000. However, in terms of the powers given to the RBI, to obviate dual regulation. Some categories of NBFCs will regulate by other regulators.

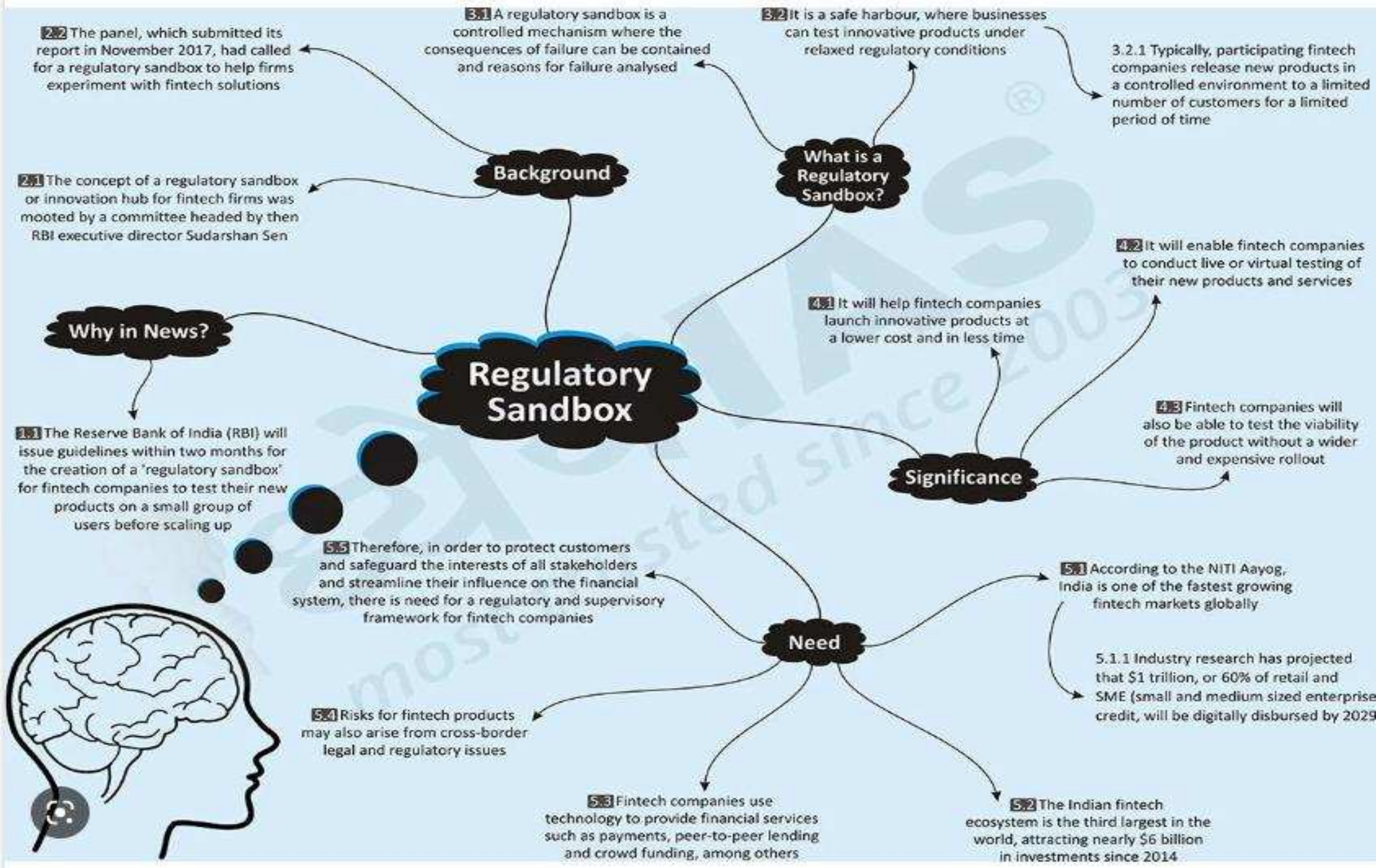

6 Data Security Issues Fintech Firms Are Facing
01
Contactless payments
To keep payments secure, these platforms use tools called cryptograms to check that the data they receive actually originated from the customer's mobile device. That ensures stolen data can't be fraudulently resent from another device
02
Deep fakes
Fintech leaders are worried about deep fakes for three reasons:
-Impersonations during onboarding
-Fraudulent transfer and payments
-False directives
03
Insecure APIs
Fintech companies have adopted a practice called "AI fuzzing". In a nutshell, this process uses machine learning to identify potential exploits in an app's codebase ideally, before hackers can find them.
04
Skyrocketing traffic
That last factor, data storage, is a bigger security issue than it might seem. Either the fintech companies need to manage more servers themselves which require physical, as well as digital, protection or they need to rely on a cloud storage provider, such as Amazon Web Services
05
Integration limitations
The trouble is, cutting-edge financial technologies rarely integrate well with banks' legacy systems. Costly, custom built APIs are usually required to ensure the systems can communicate.
06
Next-level phishing
Phishing emails compromise fintech companies. One is password resets: Hackers trick users into revealing their login credentials. Another is account fees. Often, these emails encourage the user to share his or her credit card numbers over the phone

Key Challenges in Fintech Regulation





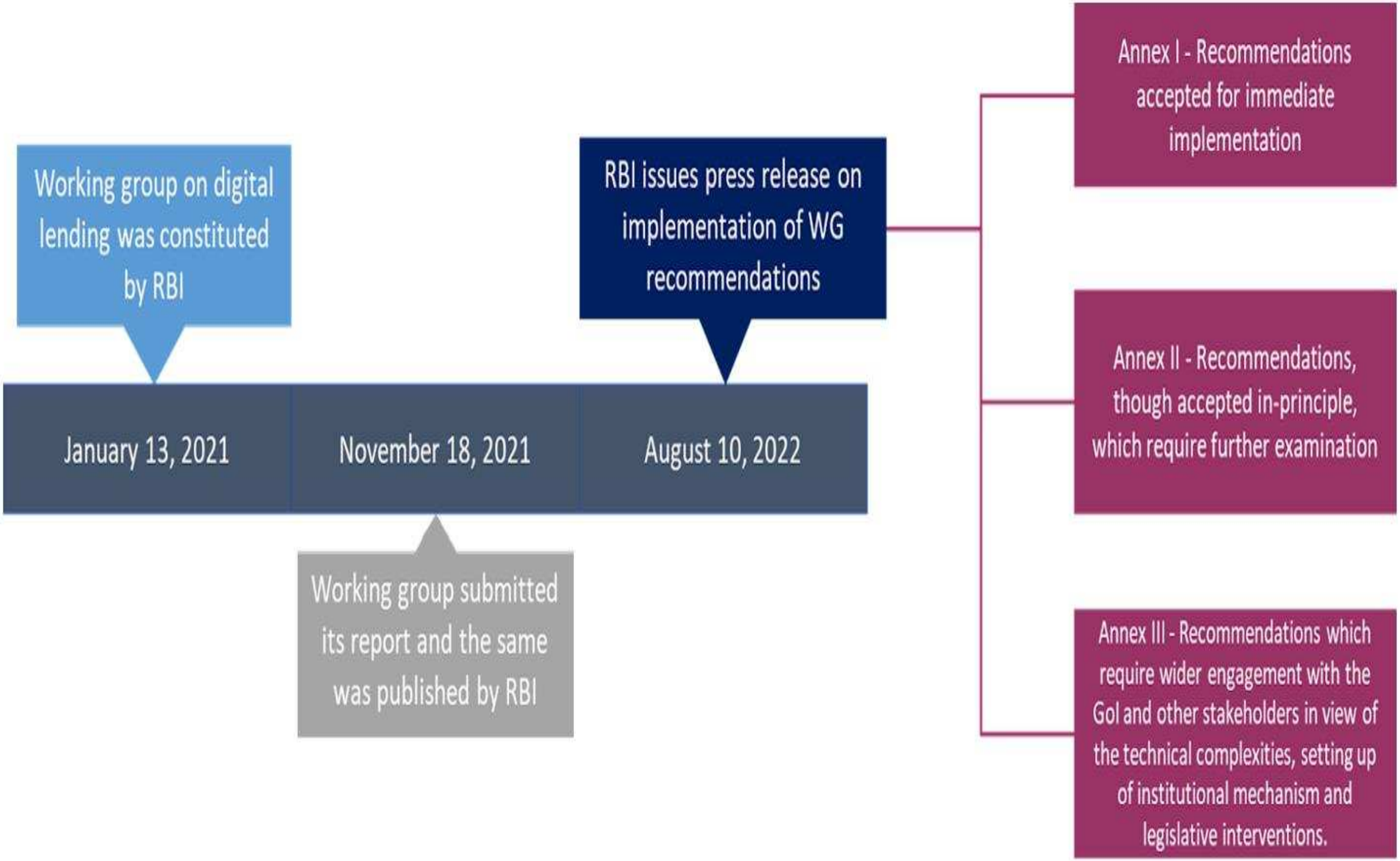
FINTECH LAW
1. SECURITIES
Bonus shares
Employee Stock Options
Further Public Issue
Initial Public Offers
Preferential Allotment
Private Placement
Rights issues
Sweat Equity
Equity shares
Equity-linked note
Preference shares
Virtual currencies
Treasury Bills
Derivatives
Forwards
Futures
Options
Swaps
Depositary receipts
Debentures
Commercial Papers
Certificate of Deposit
Bonds
2. REGULATED ENTITES
2.1 Pooled Investment Schemes
Alternate Investment Funds
Angel Funds
Debt Funds
Infrastructure Funds
Private Equity Funds
Real Estate Investment Funds
SME Funds
Social Venture Funds
Venture Capital Funds
Collective Investment Schemes
Mutual Funds
2.2 Regulated Intermediaries
Commodity Exchanges
Credit Rating Agencies
Custodian of Securities
Depositories
Depository Participants
Insurance Repositories
Insurance Self Network Platforms
Insurance Web Aggregators
Investment Advisers
Portfolio Managers
Stock Exchanges
Trade Receivables Discounting System
2.3 Other Entities
Account aggregators
Factors
Foreign Portfolio Investors
Peer-to-peer lenders
3. TRIBUNALS
National Company Law Tribunal
National Company Law Appellate Tribunal
Securities Appellate Tribunal
4. REGULATORS
Competition Commission of India
Financial Intelligence Unit – India
Insolvency and Bankruptcy Board of India
Insurance Regulatory and Development Authority of India
Pension Fund Regulatory & Development Authority
Reserve Bank of India
Securities & Exchange Board of India
5. ENFORCEMENT AGENCIES
Central Bureau of Investigation
Central Board of Direct Taxes
Collectors of Customs
Directorate of Enforcement
6. LEGAL FRAMEWORKS
Banking
Capital Markets
Competition
Economic Offences
Anti-Money Laundering
Black Money
Fugitive Economic Offenders
Insider Trading
Foreign Exchange
Insolvency
Insurance
KYC & CFT


Regulatory Sandbox
Why in News?
1.1 The Reserve Bank of India (RBI) will issue guidelines within two months for the creation of a 'regulatory sandbox' for fintech companies to test their new products on a small group of users before scaling up
Background
2.1 The concept of a regulatory sandbox or innovation hub for fintech firms was mooted by a committee headed by then RBI executive director Sudarshan Sen
2.2 The panel, which submitted its report in November 2017, had called for a regulatory sandbox to help firms experiment with fintech solutions
What is a Regulatory Sandbox?
3.1 A regulatory sandbox is a controlled mechanism where the consequences of failure can be contained and reasons for failure analysed
3.2 It is a safe harbour, where businesses can test innovative products under relaxed regulatory conditions
3.2.1 Typically, participating fintech companies release new products in a controlled environment to a limited number of customers for a limited period of time
Significance
4.1 It will help fintech companies launch innovative products at a lower cost and in less time
4.2 It will enable fintech companies to conduct live or virtual testing of their new products and services
4.3 Fintech companies will also be able to test the viability of the product without a wider and expensive rollout
Need
5.1 According to the NITI Aayog, India is one of the fastest growing fintech markets globally
5.1.1 Industry research has projected that $1 trillion, or 60% of retail and SME (small and medium sized enterprise credit, will be digitally disbursed by 2029
5.2 The Indian fintech ecosystem is the third largest in the world, attracting nearly $6 billion in investments since 2014
5.3 Fintech companies use technology to provide financial services such as payments, peer-to-peer lending and crowd funding, among others
5.4 Risks for fintech products may also arise from cross-border legal and regulatory issues
5.5 Therefore, in order to protect customers and safeguard the interests of all stakeholders and streamline their influence on the financial system, there is need for a regulatory and supervisory framework for fintech companies

Regulations governing Lending FinTech's in India

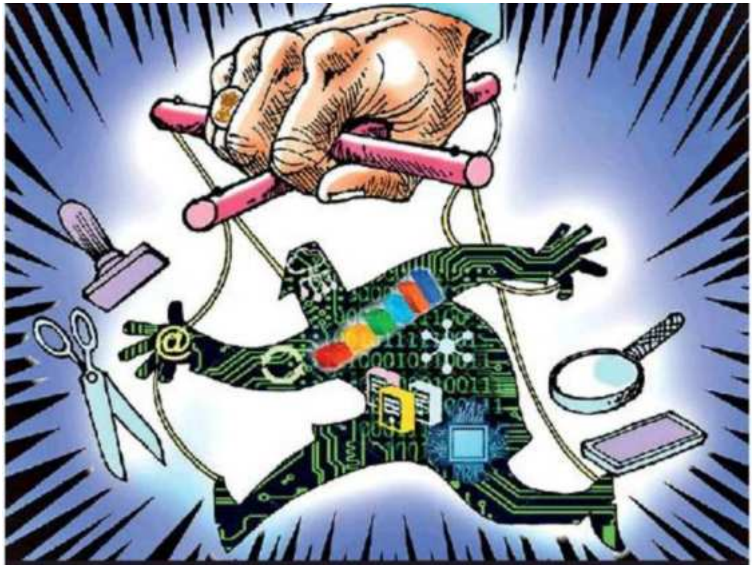
No.	Segment	Regulatory Compliance	FDI Compliance
1.	Digital Lenders	Respective Master directions & circulars governing NBFC licensing and service in India	100% FDI allowed
2.	Peer to Peer Lenders (P2P)	Master Directions - Non-Banking Financial Company – Peer to Peer Lending Platform (Reserve Bank) Directions, 2017	100% FDI allowed
3.	Account Aggregator	Reserve Bank (NBFC - Account Aggregator) Direction, 2016	

Regulating Authority - Reserve Bank of India


Working group on digital lending was constituted by RBI
January 13, 2021
November 18, 2021
August 10, 2022
Working group submitted its report and the same was published by RBI
RBI issues press release on implementation of WG recommendations
Annex I - Recommendations accepted for immediate implementation
Annex II - Recommendations, though accepted in-principle, which require further examination
Annex III - Recommendations which require wider engagement with the GoI and other stakeholders in view of the technical complexities, setting up of institutional mechanism and legislative interventions.

RBI guidelines on the Data Localization Policy

- Reserve Bank of India (RBI) issued a circular dated April 6, 2018, stating that all authorized Payment System Operators (PSOs) in India to ensure that the data related to payment systems such as customer data, payment sensitive data, payment credentials, and transaction data should be mandatorily stored within India itself under the Payment and
- All payment firms, including American Express, Master Card/Visa, PayPal, Google Pay, WhatsApp Pay, Paytm, and Phone Pe, should adhere to the RBI's data localization rule. Subsequently, RBI insisted system providers for unfettered access to all data on complete end-to-end transaction details/information collected/carried/processed as part of the message/payment instruction by submitting Audit Report (SAR) conducted by CERT-IN. Settlement Systems Act, 2007.

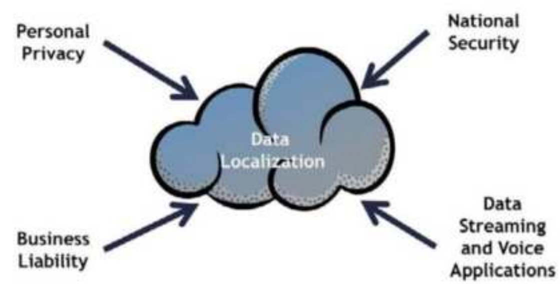


Indian Laws and Policies Enabling Data Localisation

Category of Data	Policy/ Law	No Restriction of Cross Border Flow	Cross Border Flow Permitted as Long as Copy Maintained in India	No Cross Border Flow Permitted
Critical Data	Personal Data Protection Bill, 2018			
Personal Data				
Personal Data Not Collected in India				
Public IoT Data	e-Commerce Policy			
E-Commerce Data				
Payment Systems Data	RBI Circular			
e-Pharmacy Data*	e-Pharmacy Regulations			
Subscriber and User Data	Unified Access License for Telecom			
Subscribers' Databases (Broadcasting Sector)	FDI Policy			
Companies' Account Related Data	Companies (Accounts) Rules, 2014			
Insurance Policy Holder Data	IRDAI Regulations			
Government Data	Guidelines on Contractual Terms Related to Cloud Services			

Latest position on data localization

- RBI reiterated its stand on data privacy by issuing a circular stating that from April 1, 2021, all Payment system operators to submit a compliance certificate duly signed by their CEOs or Managing Directors on a half-yearly basis adhering to the RBI's regulations on securing payments data.
- This again triggered an active interest in RBI's continuous intervention on securing and continuously monitoring the data to avoid any future risks to the country. With the advancements in the digital economy, financial data security is a must for the country's economic growth and development.



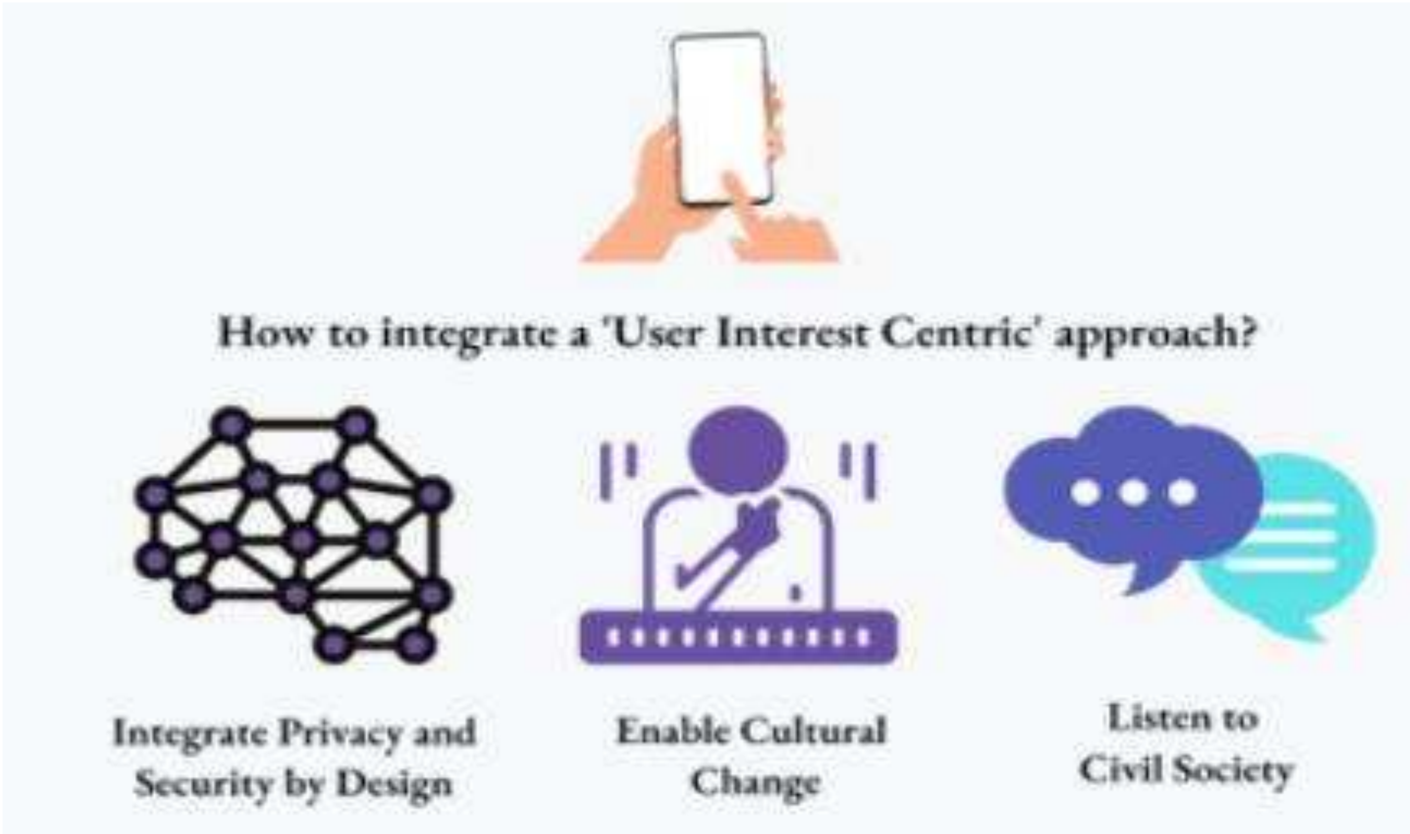
Fintech at present Compliance Centric Approach

- Heavy penalties
- Increased regulatory attention
- Intention to engage with the government

Development of Indian cybersecurity framework

Development of the data privacy framework in India

Cybersecurity requirements under Indian law

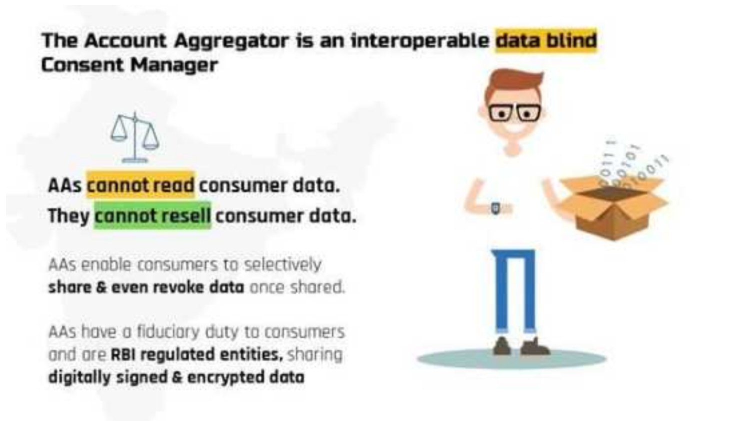

How to integrate a 'User Interest Centric' approach?
Integrate Privacy and Security by Design
Enable Cultural Change
Listen to Civil Society

Future of Data Sharing:

- The consented data sharing under AA allows any third party app to securely receive users data which in turn gives rise to a range of new use cases. Imagine a Uber driver being able to get a loan through their rider app by sharing their bank account statement as opposed to walking to a bank. The possibilities are endless.

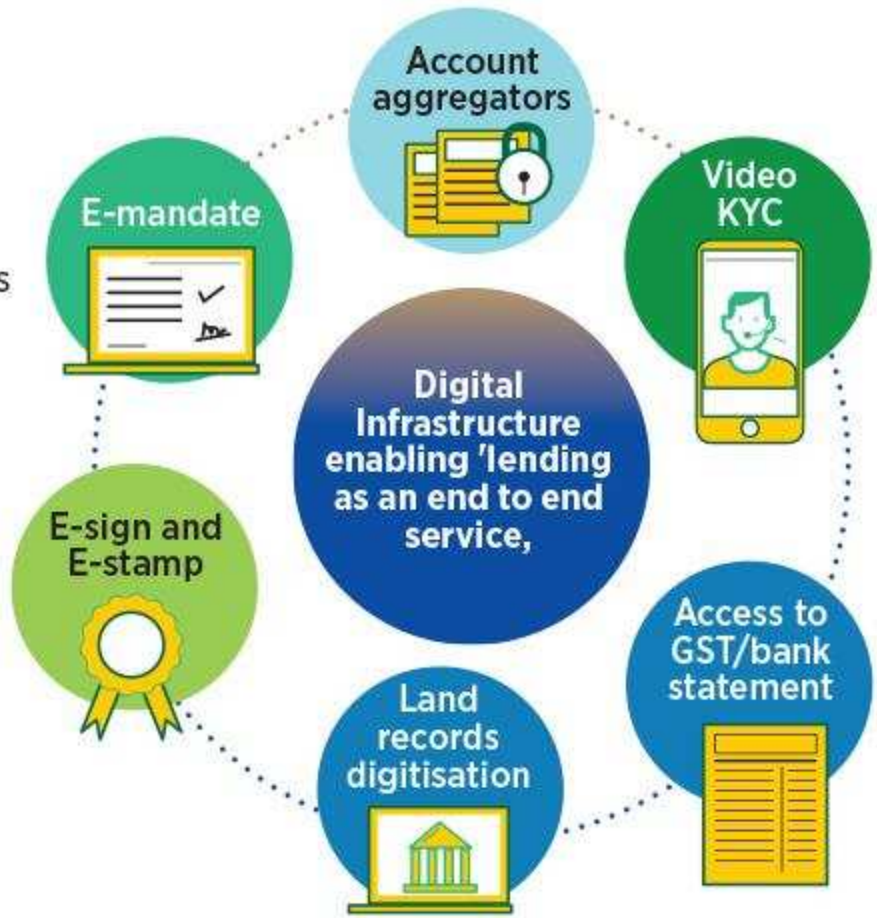
Can an AA see or store data?

- Data transmitted through the AA is encrypted.
- AAs are not allowed to store, process and sell the customer's data. No financial information accessed by the AA from an FIP should reside with the AA.
- It should not use the services of a third-party service provider for undertaking the business of account aggregation.
- User authentication credentials of customers relating to accounts with various FIPs shall not be accessed by the AA,



Key drivers for innovation in financial inclusion

Account aggregator to manage consent for financial data sharing



NPCI introduced **E-mandate services** to reduce processing tme, make recurring payments more efficient

Video-based KYC verification process and document verification through live video call

E-sign and E-stamp has enabled digitised loan agreement

Access to GST/bank statement/ ITR data for both individuals and MSMEs

Leveraging **dgitised land records** for land record authentication and scale of finance

SOURCE KPMG

The government should invest money and frame policy to register the micro enterprises that remain outside the formal system. If an Aadhaar framework can be created, with crores of numbers being issued, why can't we have a similar unique number for these businesses?

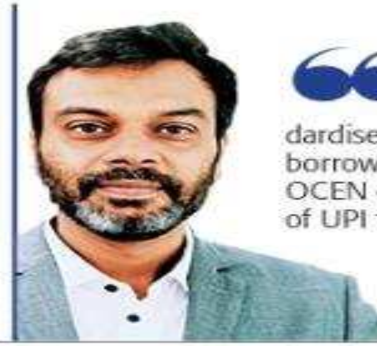
Subhash Chandra Garg
Former Economic Affairs Secretary and Finance Secretary, GoI

The way MSMEs have taken to invoice discounting shows how eager they are to embrace digitalisation when they find they can benefit from it. People from the smallest towns have taken to the TReDS platform despite the solution being available only in the English language

Rajeev Kumar
Senior Vice President, Market Development, South Asia, Mastercard

Fintech companies should ensure they are ring fencing defaults on their platform, because if don't and a default happens, the market's confidence in their entire model will be shaken

Sundeep Mohindru
CEO, M1Xchange



Macro platforms like OCEN (Open Credit Enablement Network), which has standardised APIs enabling data transfer from borrower to lender, should be created. OCEN can be developed into a parallel of UPI for credit

Nitish Asthana
President and COO, Pine Labs

Indians have excellent trading instinct; we have been successful traders for over 2,000 years. Even so, localisation, providing local language options on the relevant portals, will increase the pace of MSME digitalisation

Kalpana Balasubramanian
CEO and Chief Thinker, Grant Thornton dGTL

Micro enterprises prefer not to get registered for fear that if they do they will be charged commercial rates of property tax and power instead of residential. The solution lies in ruling that establishments with turnover below a certain threshold will not be charged commercial rates

Anil Bhardwaj
Secretary General, Federation of Indian Micro and Small & Medium Enterprises (FISME)

NEW REGULATIONS SHAPING FINTECH

April 21

RBI updates Master Direction on co-branded, credit and debit cards

Impact:

Limited role of co-branding partners to marketing and distribution

Barred co-branding partners from storing transaction data

June 20

RBI says credit lines cannot be loaded into prepaid cards, wallets

Impact:

Players like Slice, Uni, LazyPay, PostPe stop loading credit lines

Uni, LazyPay pause new customer on-boarding

Slice replaces credit lines with loans

August 10

- RBI's digital lending norms eliminate third party or pass through accounts in flow of lending
- Loans cannot be loaded into prepaid cards, wallets
- Norms to be adhered to by November 30

Impact:

- Slice, Uni, LazyPay's PPI-led lending models invalid

- Other fintechs that pooled funds working on re-wiring processes


Integrity
Inclusion
Internationalisation
Goals for Payments Vision 2025
Instituionalisation
Innovation

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ETHICS
RESPECT
INTEGRITY
HONESTY

Questions????


DATA
INFORMATION
BACKUP
AI
LOADING
RESOURCE
PUBLIC


key
secret
procedure
text
enter data
network
online
business
guideline
technology
restricted
identity
attack
confidential
code
protect
personal
customer
access
account
system
regulation
service
violation
idea
digital
stealing
legal
computer
user
anonymity
safety
login
protection
information
safe
privacy
trust
web
word
private
agreement
control
cyber
communication
conditions
conceptual
law
term
policy
security
hack
message
encryption
website
forbidden
secrecy
violate
design
concept
secure
contract
software
password
sign
crime
company
internet