



SHAPING THE FUTURE OF FINTECH

DIGITAL INDIA V2.0

ANNUAL REPORT 2018/19



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Message from Vishwas Patel Chairman, PCI

Dear Fellow Members,

It has been a marvellous journey for me to lead Payments Council of India (PCI) as its Chairman in the year 2018-19. It was delightful experience to steer the vision and mission of the payments industry being driven by all its passionate members.

The industry is evolving at a rapid pace with new tools, new service providers, new platforms etc. coming to daily life. The development of technology in these systems is taking place at an even greater speed with the speedy evolution of consumer needs and awareness. As per the MEDICI database, it was reported that in 2018, there were 165 PE/ VC deals amounting to \$1.83 billion of funding in FinTech.

With more than 100 members, PCI today represents varied industry sectors including Prepaid Payment Issuers, Merchant Aggregators & Acquirers (Payment Processors), Payments Banks, International Remittance Facilitators, Bharat Bill Payment System Operating Units, Card Networks and UPI Facilitators and our emphasis had always been to constantly multiply our efforts and dynamize to help each and every sector in the payments industry.

In the last year, PCI made several medium to long-term recommendations to Reserve Bank of India (RBI), Ministry of Finance (MoF), Unique Identification Authority of India (UIDAI), Ministry of Electronics and Information Technology (MeitY) and other government bodies & statutory authorities in order to accelerate the growth of the digital payments ecosystem. Many of the recommendations made by the PCI through in person and written representations have duly been considered by the regulators and the government, and has led to the positive policy framework that supports and encourages the industry to continue digitisation efforts.

Amongst many important concerns at the industry level, few of which we have consistently been discussing with the regulators and policy-makers included the access of Point of Sale (PoS) acquiring to larger industry eco-systems including non-banks; consideration of deeper involvement of non-bank payment players in both interoperable payment as well as settlement system; setting up of a payments self-regulatory

organisation (SRO); e-mandates and standing standards which are very critical for growth of credit players; simplification of existing policies to enable non-banking financial companies (NBFCs) to issue credit cards; inter-regulatory and intra-regulatory coordination which is extremely critical in dynamic environment such as payments; and adoption of distributed ledger technology (DLT) in payment systems proofing Indian payment systems and players along with the risk-based supervision.

Apart from these we have, throughout the year, actively taken up with the stakeholders and authorities, the below mentioned important matters.

Representation for e-KYC

One of the most important fronts was Know Your Customer (KYC) during the year as the industry faced utter turbulence after Honourable Supreme Court's decision on Aadhaar Act, There was a sudden halt till the time of release of Aadhaar ordinance, which was also not enough for full-fledged functioning of industry freely. Thus, we at PCI constantly kept meeting and representing the concerns to the regulators and the government, requesting them for allowance of Aadhaar based e-KYC authentication with certain limitations and covenants; re-introduction of minimum KYC Prepaid Payment Instruments (PPIs); conversion of all PPIs to full KYC accounts within 12 months from issuance not to be time bound but based on the value and additional features availed by the customers; increase in limits permitted under (One Time Password) OTP based e-KYC on-boarding; alignment of KYC standards; framework for digital KYC; central KYC registry as well as KYC bureau & appellate tribunal; alternative digital KYC methods; etc. according to the issues on time-to-time basis, which were duly taken care of by the regulators accordingly, to enable the industry function smoothly.

Opening-Up Interoperability for PPIs

We also met Shri B P Kanungo, Deputy Governor at RBI to open-up interoperability for PPIs both through UPI and cards in one single phase. Following the request by PCI at various discussions and meetings

with the regulator and government, RBI released the long awaited guidelines for the PPI Interoperability in the month of October, 2018. Thereafter PCI had organized workshops with card networks namely; National Payments Corporation of India (NPCI), VISA and MasterCard. The players discussed the issues on framework for interoperability for Unified Payment Interface (UPI) & cards, membership, certification, and integration.

Representation to the Nandan Nilekani Committee on Deepening of Digital Payments (CDDP)

Also, the RBI had invited PCI for a meeting with the CDDP to discuss the key concerns faced by payments industry along with the suggestions for deepening the digital payments. PCI secretariat along with its key members had presented several medium to long-term recommendations in-person and submitted the same to the CDDP to accelerate the growth of India's digital payments ecosystem.

For these achievements, appreciation goes to all the Executive Council Members and Secretariat of PCI for their invaluable contribution in management. I would also like to acknowledge the efforts of all the Members of PCI in designing and achieving the current success in the digital payments industry. Additionally, the support received from the government & regulator was also commendable and we recognise and admit the substantial role played by them in helping us to shape this industry as it is such, today. Mr. Naveen Surya deserves a special mention, under the supreme guidance and leadership of whom the industry is ready to thrive.

Now, as we move forward, the next financial year seems to me as an encouraging year, wherein the industry is being seen as supported both by the regulator and government. With the favourable policy framework we are set to achieve much more in the field of payments and settlement systems.

Sincerely,
Vishwas



Message from Naveen Surya Chairman, FCC

Dear Friends,

FinTech being one of the emerging and fast-growing digital sectors, has its own share of unique challenges to achieve its true potential and place in our country. Given the scenario, we had launched the FinTech Convergence Council (FCC) in September 2018 to identify the opportunities for collaboration and convergence between the larger Financial Services Institutions (Across Banking, Payments, Insurance, Investment) with its Eco-system and FinTech Entities. FCC functions in parallel with the Payments Council of India (PCI) which is primarily aimed at bringing participants of the payments and settlement sector together.

As Chairman of the Council, I am delighted to inform you that the FCC aims at leading the development of; open platforms; and standards for the FinTech industry along with engaging with the government and regulators for favorable policy environment for this sector to grow and drive market expansion and penetration across financial services.

The Council has a vision which aims “to proactively work towards growth of FinTech and penetration of financial services to support our national goal of financial inclusion, moving towards a digitally empowered country” and simultaneously has a mission “to identify and build opportunities for collaboration, convergence between the various players in the financial services domain and to grow and drive market expansion”.

While FinTech as a sector has grown rapidly and that is commendable, penetration is still relatively low in India and that is only possible when the multiple stakeholders of the space can come together effectively and try to solve the problems.

FCC focusses on the following sectors, each one of which is represented by a committee/ focused group:

- Insurance (All segments i.e. Life & General etc.)
- Lending/ Credit (Across segments from individual to SME, MSME & Corporate)
- Investment (Including Personal Financial Management)
- Technology (Across Segments from BankTech, RegTech etc.)
- Digital KYC Committee (Across All Segments)

Further FCC also have an advisory board that comprises industry veterans, experts and important personalities such as:

- G Padmanabhan, Non-Executive Chairman, Bank of India
- V R Iyer, Ex- Member of investment and finance, IRDA
- A P Hota, Ex-Managing Director & CEO, NPCI
- Mohan Tanksale, Ex-Chairman, Indian Banks Association

This enables FCC to bring together companies across the broad spectrum of FinTech like insurance, payments, lending, investment and technology along with the multiple regulators who look into the space.

FCC intends to take up the following activities in order to bring the desired results to the entire industry.

- To deliberate on regulatory, legal and other developments (draft notes, laws, regulations, etc.);
- Submit recommendations and feedback on policy papers released for public comments;

- Proactively offer opinions to lawmakers, and be an active participant in law-making process;
- Engage with Government and Regulators for favourable policy environment for FinTech sector;
- To collaborate with different associations to seek synergies;
- To identify the opportunities for collaboration and convergence between the larger financial services institutions (across banking, payments, insurance, investment) with its eco-system and FinTech companies; and
- To proactively work towards growth of FinTech and penetration of financial services to support our national goal of financial inclusion, moving towards a digitally empowered country.

On issues like common minimum KYC programme, interoperability, digital claims processing for insurance, huge benefits could be derived out of coordinated industry level discussion.

Last but not least, the Executive Council Members of FCC deserve a special word of thanks for their continuous support in this endeavour. My gratitude is further extended to Mr. Dilip Asbe who has always been guiding us in the right direction.

In the coming years, we look forward for the FinTech industry of the country to grow with the collaborated efforts of the industry and constant support of the regulators and policy makers.

**Best,
Naveen**

1. Public Policy and Promotion of FinTech

INDUSTRY REPRESENTATIONS

i. Representation to the Nandan Nilekani Committee on Deepening of Digital Payments



- Invited by the Reserve Bank of India (RBI) committee to present concerns of the digital payments industry
- Presented and submitted concerns and suggested key drivers such as parity, access, viability, competition & innovation, customer choice, convenience & confidence, and regulatory governance to deepen digital payments

The Reserve Bank of India had constituted a high-level Committee on Deepening of Digital Payments (CDDP), under the chairmanship of Shri Nandan Nilekani (former Chairman, UIDAI), to accelerate digitisation of the economy and financial inclusion through greater use of digital payments. The Committee's mandate included reviewing existing status of digitisation of payments and level of digital payments in financial inclusion, undertaking cross country analyses to identify best practices that can be adopted, suggesting measures to strengthen safety and security of digital payments, providing a road map to increase customer confidence in digital financial services, and suggesting a medium-term strategy for deepening of digital payments. The other members of the committee were Shri Harun Rashid Khan, Former Deputy Governor, Reserve Bank of India; Shri Kishore Sansi, Former Managing Director & Chief Executive Officer, Vijaya Bank; Smt. Aruna Sharma,

Former Secretary, Ministry of Information Technology and Steel; and Shri Sanjay Jain, Chief Innovation Officer, Centre for Innovation, Incubation & Entrepreneurship.

The Reserve Bank of India had invited PCI for a meeting with the CDDP to discuss the key concerns faced by prepaid payments issuers, merchant aggregators and other players in payments and settlement industry along with the suggestions for deepening digital payments.

PCI secretariat along with its key members had presented several medium to long-term recommendations to the CDDP to accelerate the growth of India's digital payments ecosystem.

Suggestions based on the following key drivers were presented to the committee:

Parity between cash and digital payment instruments

- PPIs should be allowed to be issued for all payments and remittance transactions below INR 50,000/ with minimum KYC (mobile verified)

Access to payments as well as settlement systems

- Offering seamless access to payments and settlement systems and payments infrastructure to enable cross-border outward remittances through PPIs issued by non-banks;
- Direct membership with card networks to acquire merchants to enable non-bank entities to directly acquire merchants in partnership with card network associations.;
- Non banking entities which are regulated by Reserve Bank of India to get access to offline eKYC solutions by UIDAI;
- Allowance of credit card issuance to NBFCs to help bridge gap between credit card consumers and those availing credit through other means;
- Extension of interoperability to PPIs to foreign merchants and foreign inward remittances;
- Need for a standardized authentication protocol across all payment methods including debit card, credit card, net banking, PPI etc. and inclusion of debit cards on IVR system.

Economic viability

- Access to eKYC or Digital KYC Framework, Interoperable KYC infrastructure is key to improve customer acquiring as well as lowering customer acquisition cost across payment services and ideally across Financial Services. Promoting economic viability through tax incentives and exemptions;

- Government support in form of GST tax exemption in services like Domestic Remittance, Import duty on PoS etc. is key to drive investment and penetration in middle and bottom of the pyramid customers.
- All commercials & pricing decisions to be market driven.

Promote competition & innovation

- Stimulating competition and offering customer choice while safeguarding transactional security and providing a level playing field to new entrants.

Customer choice, convenience & confidence

- Customer choice and education promoting safety and security.

Regulatory governance

- Introduction of risk/ principle based regulations for payment systems;
- Stable regulatory framework with compulsory & genuine consultative process while changing/ adding regulations;
- Framework for digital KYC, central KYC registry as well as KYC bureau & appellate tribunal;
- Government first in digital payments approach with room for market driving pricing;
- Strengthening of board of payment and settlement systems with full time independent payment experts; and
- Allowance of cash out from PPIs through ATMs and agent networks for domestic remittances of the unbanked population.
- Re-introduction of minimum KYC PPI instruments
- Conversion of all PPIs to full KYC accounts within 12 months from issuance not to be time bound but based on the value and additional features availed by the customers.
- Leverage electronic benefit transfer (EBT) and direct benefit transfer (DBT) processing through PPIs as an efficient and economical solution.

ii. Part of the Stakeholders' Consultation Process initiated by Department of Economic Affairs, Ministry of Finance on FinTech related issues

- *Invited for a Fintech stakeholder consultation by the Steering Committee headed by Shri Subhash Chandra Garg, Secretary, Department of Economic Affairs, MoF*



- *Discussed, presented and submitted the issued and the recommendations faced by Lending, Insurance, Investment and Payments subsectors in Fintech*

The Ministry of Finance constituted a steering committee on FinTech related issues under the chairmanship of Shri Subhash Chandra Garg, Secretary, Department of Economic Affairs, Ministry of Finance to understand views and concerns of the stakeholders in FinTech industry. Dr. Subho Ray from IMAI was one of the invitees to the consultation meeting and represented the views/ concerns of members in the FinTech space. He also shared some sector specific issues on lending, insurance, investment and payments. Besides the Secretary, Department of Economic Affairs who was heading this steering committee; Secretary, Ministry of Electronics and Information Technology (MeitY); Secretary, Department of Financial Services; CEO of the Unique Identification Authority of India (UIDAI); and Deputy Governor of Reserve Bank of India were also a part of this committee.

Following are some of the important recommendations given on behalf of the industry:

LENDING

- Non-face to face customer on-boarding;
- Increase in limits permitted under OTP based e-KYC on-boarding;
- Inclusion of credit card in accounts opened, using OTP based e-KYC;
- e-Mandate for faster loan disbursements;
- Regulated FinTech entities to be recognized as global AUA;
- Creation of infrastructure and awareness; and

- Data protection, collection and accessibility considering changing relationships between traditional players and its consumers.

INSURANCE

- Supportive regulations for alignment to digital processes; editorial restrictions; restrictions on advertising & commercials; restrictions on performing outsourcing services; stoppage of business due to expiry of license and delay in renewal;
- Reform in FDI limit for insurance distributors;
- Limitation to selling only insurance products;
- Push for protection products; and
- De-tariffing of the motor insurance (TP) premiums and commissions.

ASSET MANAGEMENT

- e-KYC (Aadhaar KYC) limitation;
- e-Sign for Non-commercial transactions (NCTs); and
- GST on distributor commissions.

PAYMENTS

- New regulatory approach - from 'disclosure' to 'light-touch regulation and supervision' to 'full-fledged regulation and supervision';
- Level playing field for banks and non-bank payments providers;
- Alignment of KYC standards;
- Non-face to face customer on-boarding;
- Maintain balance between enforcing traceability with friction;
- Promoting the use of digital payments;
- Categorization of prepaid payment issuers into global KUAs; and
- Subsidies to be extended to non-banking entities live with BHIM-UPI.

Discussions and suggestions on virtual currencies, regulatory sandbox for FinTech innovations and

formation of a financial services authority; its scope and working principles were made.

iii. Submitted Feedback and Suggestions to Reserve Bank of India on Authorization of New Retail Payment Systems

- Submitted feedback to Shri P Vasudevan, Chief General Manager, Department of Payments and Settlement Systems, RBI
- Suggested that the Retail Payment Systems should be Opened to all Entities with Clear Entry Norms or Eligibility Criterion

In January 2019 the Reserve Bank of India sought comments from stakeholders on Authorization of New Retail Payment Systems specifically on issues which range around concerns of concentration; need for competition; and the resultant impact on economic efficiency and financial stability. The industry recommendations were submitted to Shri P Vasudevan, Chief General Manager, Department of Payments and Settlement Systems, Reserve Bank of India on the same. A few of them around which representations were given are as follows:

- Multiple and varied retail payment systems being concentrated in a single entity versus diversification across multiple operators;
- Payment systems managed by a single versus multiple systems with similar product features offered by different operators;
- Availability of a window for licensing operators of a payment system on-tap & progression of PSPs in the value chain;
- Continuous on-tap licensing to be opened across all payment entities to promote competition and accelerate growth of digital payments;
- Options for all payment entities to move up or down the value chain of financial services, for example progression of a PPI issuer to full-fledged scheduled commercial bank, based on fulfilment of basic eligibility criteria and technological capabilities;
- Review of the criteria for licensing, to facilitate innovation and competition and to broad-base potential applicants; and
- Access and participation in the current Retail Payments Organisation amongst many other suggestions.

iv. Representation to Reserve Bank of India on Storage of Payment System Data in India



- *In Person-Representation to Shri Ganesh Kumar, Executive Director, Reserve Bank of India*
- *Presented the diverse views of the members on the data localisation issue*

Reserve Bank of India had released the storage of payment system data guidelines in the month of April 2018. According to the guidelines, the RBI had directed that:

- All payment system providers have to ensure that the data relating to payment systems operated by them are stored in a system, only in India;
- The data to be stored only in India includes 'full end-to-end transaction details/ information collected/ carried/ processed as part of the message/ payment instruction';
- For a foreign leg of a transaction (if any), the data could also be stored in the foreign country if required;
- Payment system providers were required to comply with the notification within a period of 6 months, and needed to report compliance to the RBI by October 15, 2018; and
- System providers were also to submit a system audit report on compliance of the directive to the RBI by December 31, 2018.

There were diverse views and the concerns on the subject of data storage only in India by the industry participants, as listed below:

1. Fully in Favour: Some of our members were supportive of the RBI notification on storage of data only in India and the timelines prescribed for compliance.
2. Partially in Favour with certain relaxations: A section of our members were in favour of storage on data in India, but have certain concerns on the data storage only in India. These members sense that the storage of data 'only in India' will not be in the best interest of the payment ecosystem as this will give way to a lot of issues as payment systems nowadays are fully connected globally to achieve greater operational efficiency and safeguard transactions against frauds, systemic risks or a single point of failure. Patterns of fraudulent activity which are collected from all over the world and analysed in a centralized location help to improve fraud-prevention technology through big data analytics, which ultimately benefits Indian citizen
3. Not in Favour: Some of our members were appreciative of the intent of the regulator with respect to data protection, privacy and access but they sense that this move of data localisation will not be the ideal solution to achieve the objective of the regulator. They suggest that there are alternative solutions which can meet the RBI requirements of unfettered access.

Accordingly, PCI secretariat had met Shri Ganesh Kumar, Executive Director, Reserve Bank of India along with some key members to present the above views.

v. Meeting with Financial Co-ordination Group (FCORD) of Indian Intelligence Bureau on Cyber-Crimes in the Financial Sector

- *Discussion with Indian Intelligence Bureau of India on the Cyber-Crimes in the Financial Sector*
- *Submission on Number and Types of Frauds Post Applicability of Revised PPI Guidelines*

PCI along with its members had a meeting with FCORD of Indian Intelligence Bureau to discuss about the cyber-crimes in the financial sector.

Below are some of the topics discussed at the meeting:

- Features of centralised application system for phone frauds;
- Participation of all stakeholders in the application;
- Flow of information;

- Participation of PPIs in FCORD’s central repository;
- Broadcasting of numbers of those having more than three wallet accounts to all PPIs.
- Creation of a negative list and sharing the same across all participants to meet honourable HM’s vision of “one number, one fraud only”;
- Discussion on whether mandatory KYC arrested the quantum of phone frauds; and
- New modus operandi in phone frauds.

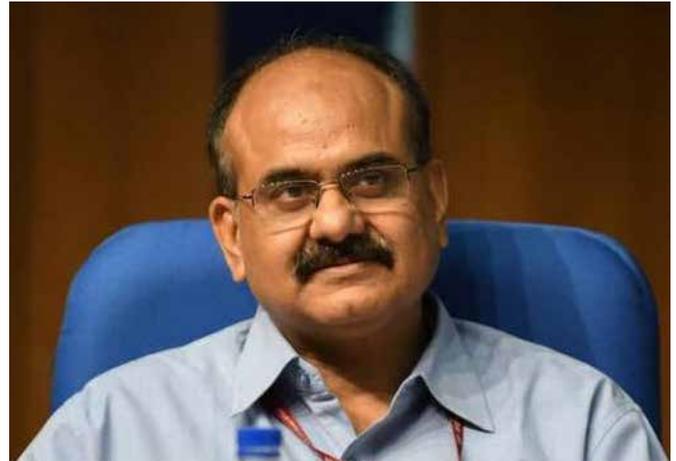
PCI submitted its suggestions on various concerns, one of them was to assess the number and types of frauds post the applicability of revised PPI guidelines, especially frauds using OTP based e-KYC.

vi. Representations to various Regulatory Authorities for Digital KYC Solutions



- *Workshop on Alternative Digital KYC Solutions led by Key Leaders like Dilip Asbe, Managing Director, NPCI and Naveen Surya, Chairman, FCC followed by the preparation of white paper on the same*
- *Demonstration of Digital KYC solutions to Shri Vivek Srivastava, General Manager, Department of Banking Regulation, RBI*
- *Meeting with Shri Ajay Bhushan Pandey, Secretary, Department of Revenue, Ministry of Finance to Request for Opening-up of e-KYC and digital KYC for non-banks*
- *Written Representation to Shri Gopalakrishnan S., Joint Secretary, Ministry of Electronics & Information Technology*

PCI & FCC had organized a workshop and formed a working group on Digital KYC to work on the alternative



digital KYC solutions for on boarding of a customer in addition to Aadhaar. The working group is led by key leaders like Dilip Asbe, Managing Director, NPCI and Naveen Surya, Chairman, FCC. The working group was further divided into 4 focused sub groups being Industry User Group, Industry Legal & Risk Management Group, Industry Technical Group and Solution Partners Group.

The working group along with our knowledge partners, PricewaterhouseCoopers (PwC) prepared a white paper on alternate KYC solution which was presented to RBI, Ministry of Finance and MeitY. This paper outlined the evolution of the KYC regulatory framework in India in the pre-Aadhaar, post-Aadhaar era and the current scenario, and articulates the industry’s efforts towards, collectively, developing an alternative framework for KYC verification (in addition to the existing paper-based and offline Aadhaar process).

The paper also included critical aspects such as:

- Potential digital solutions for face-to-face and remote KYC verification;
- Risks pertaining to the identified solutions;
- Safeguards to address the risks;



- Economic viability of the alternative solutions;
- Recommendations on key features or principles that should be intrinsic to any KYC solution;
- Requisite amendments to the extant regulatory framework, in line with the needs of the industry and other alternative solutions which may be considered by the authorities, as a long-term solution to address the KYC needs of the industry.

The Council met Shri Vivek Srivastava, General Manager, Department of Banking Regulation, RBI to discuss about the industry view on current KYC framework & practical on ground challenges faced by the industry and to discuss about possible alternative digital KYC solutions. This was followed by a demo made by members of FCC and PCI to multi-departmental committee at RBI on Video Based KYC.

The Council also met Shri Ajay Bhushan Pandey, Secretary, Department of Revenue, Ministry of Finance to request opening up of e-KYC through Aadhaar for non-banking regulated entities and also enabling use of digital KYC solutions other than Aadhaar like camera-based authentication for on boarding customers. Further a written representation was made to Shri Gopalakrishnan S., Joint Secretary, and Ministry of Electronics & Information Technology in the matter.

vii. Representation to Department of Financial Services, Ministry of Finance for Discussing the Role of Non-Banks in Pradhan Mantri Jan Dhan Yojana (PMJDY)

- Discussed the Role of Non-Banks in PMJDY with Shri Debashish Panda, Additional Secretary, Department of Financial Services, MOF
- Requested for the Support of Government to be Granted to Non-Banks



Members of PCI met with Shri Debashish Panda, Additional Secretary, Department of Financial Services for discussing the role of non-banks in PMJDY in order to achieve the agenda of Government of India which is to ensure access to financial services, in an affordable manner. PCI requested for the support of government to be granted to non-banks and ensured to contribute to this initiative by bringing together views of companies in the payments and settlement systems including prepaid payment issuers, card networks, payments banks, international remittance facilitators and others.

viii. Part of FICCI's Discussion on FinTech Landscape

- Part of the FICCI committee which submitted the representation to Shri Ratan Watal, Principal Advisor, NITI Aayog Highlighting the Importance of Aadhaar
- Presented Industry's Perspective on Digital Payments at the Seminar Organized by FICCI

FCC actively participated in Federation of Indian Chambers of Commerce and Industry (FICCI)'s FinTech Committee on highlighting the importance of Aadhaar and the impact of the judgement on the FinTech and Financial Services Industry. The Committee is being headed by Shri Sudhakar Ramasubramanian, Managing Director & CEO, Aditya Birla Idea Payments Bank. The Committee submitted a representation to Shri Ratan Watal, Principal Advisor, NITI Aayog, highlighting the importance of Aadhaar based e-KYC and possible solutions moving forward.

PCI was also the part of the seminar organized by FICCI on "Digital Payments - Trends, Issues & Opportunities". Mr. Gaurav Chopra, Executive Director, PCI was part of the panel discussion on Industry Perspective on Digital Payments - Issues and Opportunities along with Mr. Kiran Shetty, CEO, SWIFT India, Mr. Amitabh Tewary, Vice President - Market Development, South Asia, MasterCard and Mr. Sanjeev Moghe, Executive Vice President & Head - Cards & Merchant Acquiring Business, Axis Bank. The panel discussed and shared the concerns with Shri Ratan Watal on the pressing issues for the Digital payments industry.

ix. Participated in Niti Aayog's FinTech Conclave for Deliberations and Suggestions on Indian FinTech Ecosystem

- Suggestions on Digital On-boarding of Customers/ Merchants/ MSMEs to Accelerate Financial Inclusion
- Highlighted the Role and Ways of Financial Literacy and Consumer Education for Growth of FinTech

To shape India’s continued ascendancy in FinTech; build the narrative for future strategy and policy efforts; and to deliberate steps for comprehensive financial inclusion, NITI Aayog organised a day-long FinTech conclave. The conclave was inaugurated by Governor, Reserve Bank of India and was attended by senior government officials, including Secretary, Department of Economic Affairs, Secretary, Department of Financial Services, Chairman, Securities and Exchange Board of India, Secretary, Ministry of Electronics and Information Technology, Secretary, Department of Revenue, Secretary, Ministry of MSME, Deputy Governors of RBI, among others.

Besides representatives from the financial and FinTech industry, start-ups, investors, state governments, MSMEs and relevant experts were also the participants. The day-long event witnessed detailed deliberations on the Indian FinTech ecosystem as well as steps required to to achieve the potential that the sector offers towards growth, employment and inclusion. FCC gave Niti Aayog, the status of industry then and suggested few ways and means around the following key topics:

- (a) How can Digital onboarding of customers/merchants accelerate financial inclusion?
- (b) Requirements for building financial products for millennial India?
- (c) Role of financial literacy and consumer education in growth of FinTech
- (d) How can investments in FinTech industry be fast tracked?
- (e) How can financial inclusion of MSMEs be accelerated?

SECTORAL REPRESENTATIONS

i. Multiple Submissions and Meetings for Prepaid Payment Instruments (PPI) Issuers

- Meeting with Shri B P Kanungo, Deputy Governor at RBI to Open-up Interoperability for PPIs
- Meeting with Shri Subhash Chandra Garg, Secretary, Department of Economic Affairs; Shri. Rupinder Singh, Deputy Director General, UIDAI; and Smt. Nanda Dave, Former Chief General Manager, Department of Payment and Settlement Systems, RBI to Share the Concerns on the Classification of Prepaid Payments Issuers as Local Authentication User Agency



- Meeting with Shri Ganesh Kumar, Executive Director, Reserve Bank of India to Request for an Extension of Timeline for Conversion into Full KYC Accounts from Minimum KYC and representation submitted to Shri Shaktikanta Das, Governor, Reserve Bank of India



- Meeting with Shri P. Vasudevan, Chief General Manager, Department of Payments and Settlement Systems, Reserve Bank of India for Discussing on Various Digital KYC Methods

A. Opening-Up Interoperability for PPIs

PCI met Shri B P Kanungo, Deputy Governor at RBI to open up interoperability for PPIs both through UPI and cards in one single phase. Following the push by PCI at various discussions and meetings with the regulator and government, Reserve Bank of India (RBI) released the long awaited guidelines for the prepaid payments instruments (PPI) interoperability in the month of October, 2018. Thereafter, PCI had organized workshops with card networks, namely National

Payments Corporation of India (NPCI), VISA and MasterCard in Mumbai.

The players discussed on the below mentioned issues:

- Framework for interoperability for UPI & cards;
- Membership;
- Certification; and
- Integration.

B. Representation for classification of Prepaid Payments Issuers as Local Authentication User Agency (AUA), Pending Licenses of PPIs and Adoption of Virtual ID for OTP based Authentication e-KYC

Post the new PPI master directions, the PPI industry had taken consistent efforts in doing KYC which included verification through OTP at the time of on-boarding. Several PPI issuers applied to UIDAI for AUA/ KUA licenses and witnessed applications pending for over 9 months. The PPI entities which did not receive licenses were left in a precarious situation with no option to do KYC as the KYC master directions mandated the use of Aadhaar e-KYC for verification.

Against the impending delay in the issuance of the license and lack of clarity on the timelines, the industry sought help from RBI and the government to intervene and expedite the issuance process. Simultaneously, the industry was steadily preparing itself on tech readiness for scaling Aadhaar based KYC so that they could launch it as soon as the license issuance resumed. Most of the issuers had built their systems and processes to support Aadhaar based KYC for customers. However, these systems were reliant on getting the license from UIDAI. The industry was thus behind in efforts that were targeted towards obtaining requisite license from the UIDAI.

Thus, PCI secretariat along with some of the key members had met with Shri Rupinder Singh, Deputy Director General, UIDAI, Smt. Nanda Dave, Former Chief General Manager, Department of Payment and Settlement Systems, RBI and Shri Subhash Chandra Garg, Secretary, Department of Economic Affairs to share the concerns on the classification of prepaid payments issuers as local authentication user agency, pending licenses of PPIs and adoption of virtual ID for OTP based authentication.

Following representations were made by the industry to UIDAI:

- Provide customer an option to choose between

Aadhaar number or Virtual ID for OTP based authentication;

- Enable access to all customers details through e-KYC; and
- Provide approval of pending AUA/KUA applications

It was reiterated to them that PPIs are treated as Regulated Entities by RBI and subject to regulations such as KYC Master Directions, PMLA etc. and like banking entities, PPIs should also be provided access to all the details of the customer such as Name, Date of Birth, Picture, Address apart from the UIDAI token and the masked Aadhaar Number, in case of customer authentication using a VID. This request was duly accepted by the UIDAI.

C. Request for Extension of Timeline for Mandatory Conversion of Minimum KYC PPIs into Full KYC Accounts

On September 26, 2018, the Honorable Supreme Court of India pronounced its judgment on the constitutional validity of the Aadhaar Act. Vide the judgment, among other decisions, the court struck down part of Section 57 of the Aadhaar Act, 2016 and Rule 9 (sub-rule (4)) which permitted the use of Aadhaar and made it mandatory for customer due diligence and verification, respectively. In light of this decision, there was much uncertainty in the industry on the permissible procedures for carrying out customer due diligence and KYC.

In order to represent the issues, PCI had submitted representations to Reserve Bank of India stating the concerns faced while on-boarding of customers for the concerns faced and requesting for extension of the existing timelines of conversion of PPIs to full KYC accounts.

For the same, PCI secretariat also met Shri Ganesh Kumar, Executive Director, Reserve Bank of India along with some of the senior members to discuss the issue and request for an extension. PCI also submitted written representation to Shri Shaktikanta Das, Governor, Reserve Bank of India on the matter.

As a result of our requests and representations, the Reserve Bank of India had extended deadline by six months for compliance with Know Your Customer norms for prepaid payment instrument (PPI) issuers. It was thus, a major relief for the PPI industry given the difficulties they were facing in undertaking Aadhaar e-KYC along with the time to put in place alternative systems for completing the KYC process.

D. Request for Enabling e-KYC through Aadhaar for Non-Banking PPIs and Representation to Authorities for other Digital KYC Methods

PCI secretariat along with the executive council members met Shri P. Vasudevan, Chief General Manager, Department of Payments and Settlement Systems, Reserve Bank of India for a brief introduction about PCI and to discuss ways to collaborate and support RBI in growing digital payments. The members requested and submitted a representation on enabling Digital KYC methods like camera-based KYC for authentication in absence of Aadhaar e-KYC for PPIs. The Council also met Shri Ajay Bhushan Pandey, Secretary, Department of Revenue to request for opening up of e-KYC through Aadhaar for non-banking entities along with enabling use of Digital KYC solutions. The PCI further made a written representation to Shri Gopalakrishnan S., Joint Secretary, Ministry of Electronics & Information Technology in order to push the same.

ii. Feedback submitted to Financial Intelligence Unit (FIU) on behalf of Prepaid Card Payment System Operators

- *Feedback to FIU on the factors for identification of Red Flag Indicators for detection and reporting of suspicious transactions using PPIs.*

PCI had submitted its feedback to FIU on the report of Red Flag Indicators for Pre-Paid Card Payment System Operators. The report covered the factors for identification of Red Flag Indicators for detection and reporting of suspicious transactions using PPIs. The purpose of the report was to create a common and shared understanding aligned with globally harmonized norms & practices amongst the stakeholders of the PPIs, regulators and FIU about the implementation of suspicious transaction detection and reporting systems; provide guidance to assess the risk of products, services; provide a list of commonly used alert indicators for detection of suspicious transactions; and provide guidance for effective alert management and preparation of STRs.

iii. Writ Petition in the Honourable Supreme Court against the RBI Circular on Prohibition on Dealing in Virtual Currencies

- *Represented the cryptocurrency industry in more than 5 Hearings in Supreme Court*

- *Senior Advocate Gopal Subramaniam appeared on our behalf at the Last Hearing*
- *Positive developments expected at the next Hearing Listed on July 23, 2019*

Joining the fight against the Reserve Bank of India’s decision to not allow banks to provide services to crypto-currency trading platforms, IAMA on behalf of its Block-chain and Crypto-currency Committee (BACC) under FCC, filed a writ petition in the Supreme Court to make efforts in getting stay on the regulator’s order. The writ petition stated that the RBI circular on ‘Prohibition on dealing in Virtual Currencies (VCs)’ dated April 6, 2018, and related RBI and bank action are having a detrimental effect on the exchanges business.

Basis the Court’s order, a representation was made to the regulator, wherein the best practices were detailed along with the benefits of crypto-assets and block-chain technology, explaining why the circular would have a chilling effect on the industry and suggested measures that could be taken by the RBI which would meet its stated objectives and yet promote development and innovation in the country.



BACC submitted that crypto-assets can bring several benefits to the country, and that block-chain technology cannot be properly implemented in their absence. This is demonstrated by the fact that reputed industry block-chain initiatives like ‘Bank-chain’ (which includes as its members the State Bank of India, HDFC Bank and NPCI) and the Enterprise Ethereum Alliance (which includes as its members the Government of Andhra Pradesh, Microsoft, Infosys, Intel, Credit Suisse and Deloitte)

also use crypto-assets for their use-cases and would be adversely impacted by the circular.

The detailed representation included:

- Legal character of crypto-assets;
- Benefits of crypto-assets and block-chain technology;
- how bitcoins and virtual currencies can fulfil the digital India vision and allay all fears regarding the adoption of the technology;
- International approach; and
- Proposed balanced approach by the RBI.

Justice Nariman, who leads the Supreme Court Bench hearing this case, is conversant with the matter and appreciates that the matter needs to be heard and decided. As Senior Advocate, Mr. Gopal Subramaniam appeared for us in the last hearing, it may further demonstrate that the matter is of high importance. The case is now listed for hearing on July 23, 2019.

iv. Representation to Reserve Bank of India on Inward and Outward Remittances

- *Requested Relaxations/ Improvements in the Existing Regulations on the Inward and outward Remittances to Smt. Nimmi Kaul, General Manager, Department of Foreign Exchange, Reserve Bank of India*

PCI secretariat along with its executive council members met Smt. Nimmi Kaul, General Manager, Department of Foreign Exchange (FED) at RBI to share a brief introduction about PCI, its objectives, governance and initiatives. At the meeting, members shared certain concerns on the inward and outward remittances and requested some relaxations/ improvements in the existing regulations. A formal representation to this effect was later submitted to the FED which included:

- Revisions in the domestic payment systems with NPCI's Immediate Payments System (IMPS), National Electronic Funds Transfer System (NEFT) and Real Time Gross Settlement System (RTGS);
- Enabling of remittances for 'family maintenance' purposes; and
- Providing of API connectivity for AD-I banks to check LRS limit & update remittance amounts under LRS – real-time.

v. Stakeholders' Meeting to discuss the Concerns related to GST Input Credit

- *Meetings with Card Networks for discussing solutions for Acquirers enabling them to Take Input GST credit on digital payment transactions*

PCI conducted several one-to-one stakeholder's meet in order to discuss and move forward in the direction to address the concern related to GST on interchange which was being paid by acquirers to the Government but were not able to claim the input credit on the same,

While filing the GST return the card issuing banks did not mention the GSTN of each respective acquiring bank against the amount of GST paid by them towards interchange charges. They used to pay the GST amount in the B2C category where individual GSTN was not required.

Accordingly, the acquiring banks were not in possession of any tax invoice/ document where the amount of GST charged by the card issuing banks was clearly mentioned for them to be able to avail input credit. The only requirement was a report/ invoice generated detailing the amount of interchange and the GST on the same which would have enabled the acquiring banks to take input as per the provisions of GST law. The issue was discussed in the one-to-one meeting with the card networks i.e. Visa and MasterCard in order to resolve the same. On basis discussion of the problem amongst the card networks and acquirers, the affected industry was able to resolve the matter effectively and efficiently.

vi. Representation on behalf of Payment Banks to Reserve Bank of India to permit e-KYC authentication using Aadhar

- *Written Representation to Shri N. S. Vishwanathan, Deputy Governor, Reserve Bank of India, Shri Sudarshan Sen, Executive Director, Reserve Bank of India and Shri S K Kar, Chief General Manager, Department of Banking Regulation, Reserve Bank of India to Ease the On-boarding Process of the Customers for Payments Bank*

Payments Council of India on behalf of the Payments Banks represented to Reserve Bank of India to ease the on-boarding process for the customers for Payments Bank.

After the Aadhaar Judgment, PCI through a written representation to RBI, shared multiple benefits of Aadhaar and requested for eKYC authentication to be permitted for banks, including payments banks based on

customer consent. eKYC based authentication be made mandatory for all existing accounts already opened and new accounts solicited by Banks was also part of the representation.



vii. Joint Meeting of Merchant aggregator and Acquirers with Travel & Gaming industry players

- *Discussion on concerns related to processing of digital payments*

PCI conducted joint meeting of the Merchant aggregators and Acquirers with Gaming and Travel industry players to discuss the existing concerns faced by the both the industries and the possible collaborations. Below are some of the concerns shared and worked upon:

- Different Net Banking requirements for all banks
- High Failure rates of online payment transaction & international card transactions
- Blanket approval for processing online transactions on gaming websites
- Different Refund tracking mechanism for customers
- Challenges on Merchant transactions on UPI

2. Market Growth & Expansion

i. Digital Money – 2018



The 11th annual conference of Digital Money was organized by PCI on October 9, 2018 at Taj Lands' End, Mumbai. The event gathered largest players in the FinTech and digital payments, enablers and supportive financial institutions in India focusing on the multi-channel approach & other emerging trends instigating unified and seamless customer experience in regard to Digital Payments. The Digital Money conference was a full day event involving plenary sessions lead by industry

stalwarts. The event illuminated key aspects of the financial services and payments ecosystem.

The conference included discussions over topics like prepaid payment instruments, digital payments, merchants' acquisition in India, the role of data and KYC in the payments industry etc. The other topics of discussion were challenges faced in cross border remittances, UPI and its future and the roadmap ahead





to 30 billion digital payments. Few of the key speakers who participated in panel discussions were Ganesh Kumar, Executive Director, Reserve Bank of India; Dilip Asbe, CEO, National Payments Corporation of India; Neeraj Kumar Gupta, Former Secretary, Department of Investment and Public Asset Management, Ministry of Finance; G Padmanabhan, Non-Executive Chairman, Bank of India; T R Ramachandran, Group Country Manager, India & South Asia, Visa; Ritesh Pai, Chief Digital Officer, Yes Bank; Kiran Vasireddy, Chief Operating Officer, Paytm; H. Srikrishnan, Managing Director & CEO, Jio Payments Bank.

ii. Roundtable Discussion on ‘Building a Progressive Payments and Settlement Systems in India’

A closed-door industry CXO roundtable discussion on ‘Building a Progressive Payments and Settlements Systems in India’ with Shri Ganesh Kumar, Executive Director, RBI was conducted by PCI. More than 50 CXO’s from the payments industry were a part of this industry-regulator interaction.

iii. FinTechX, 2018

The 3rd annual conference of FinTechX was organized on June 8, 2018 at Taj Lands End, Mumbai. The conference was conceptualized to bring the industry players together to discuss the innovations & dissect the implications of technologies which are the reasons behind the paradigm shift in the financial services.

The conference included discussions over topics like FinTech intermediation in micro insurance & investment, growth of block-chain technology, increase in digital lending for financial inclusion, journey of customer’s digital on-boarding, digital consumer experience, regulation & technology required for growth of FinTech industry in future as well as regional & national opportunities for FinTech industry & how is Government of India working towards it.

The conference threw light on various technical & business aspects of the FinTech industry like penetration





Sudhakar Ramasubramanian, Managing Director & CEO, Aditya Birla Idea Payments Bank; Anup Bagchi, Executive Director, ICICI Bank; and Naveen Kukreja, Co-Founder & CEO, Paisabazaar.

of FinTech in diverse regions, the technology & business innovation that will be useful for further growth of the sector. Various practices & their implementation were acknowledged as substantial areas in the evolution of financial technological services in India. The conference therefore provided a platform for exchange of information, ideas between people having diverse expertise in the various fields like Insurance-Tech, Lending, Banking Technology & Digital Payments.

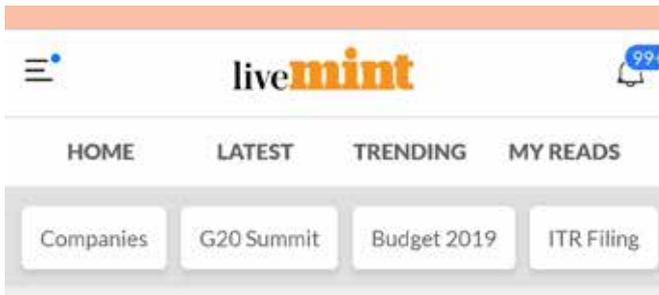
Few important speakers of the event were Shri Kaustubh Dhavse, Joint Secretary & Officer on Special Duty (OSD) to Chief Minister, Government of Maharashtra;



3. Media Outreach

Payments Council of India & Fintech Convergence Council has expressed its views on several occasions and on numerous platforms to voice the opinion and represent the interest of the FinTech industry.

Some of the areas on which PCI & FCC has expressed its views were:



Debit and credit card transactions also reached a new record, both in terms of value and volume. Photo: iStock

Mobile wallet transactions hit new peak in October: RBI

2 min read . Updated: 06 Dec 2018, 07:39 PM IST

Komal Gupta

Around 368.45 million transactions worth ₹18,786 crore recorded in October, against 324.16 million transactions amounting to ₹15,102 crore in September



PCI appoints new chairman Vishwas Patel & co-chairman Loney Antony

Vishwas has been associated with PCI ever since its inception in 2013 and was serving as its Co-Chairman of Payments Council of India.

By Vishal Dutta, ET Bureau | Jul 03, 2018, 10:35 PM IST

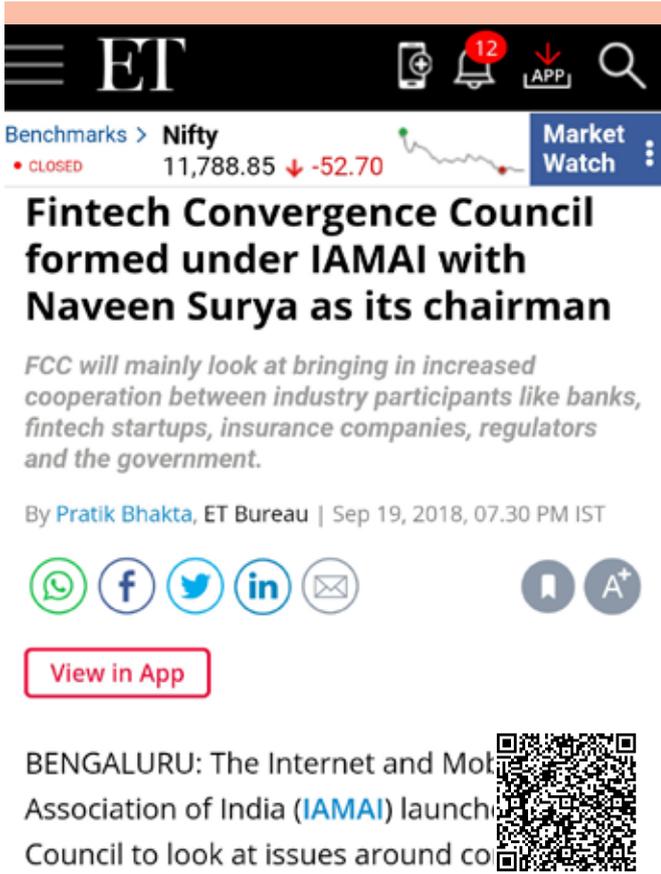
Payments Council of India (PCI), the apex body representing the companies in the payments and settlement system, in its latest Annual General Meeting, has announced the appointment of Vishwas Patel, Director, Infibeam Avenues NSE 0.00% Limited, as its new Chairman.

Vishwas has been associated with PCI ever since its inception in 2013 and was serving as its Co-Chairman of Payments Council of India. He takes over from Naveen Surya; who has been elevated to the post of Chairman Emeritus. PCI has also announced the appointment of Loney Antony, Managing Director, Hitachi NSE 2.47% Payment Services as its new Co-Chairman.

In his capacity as the Chairman of PCI, Vishwas will drive the agenda of creating a sustainable environment conducive to the development of digital payments industry in India. He along with Loney and Naveen will strive towards achieving the government’s target of growing the volume of digital transactions to 30 billion for the financial year 2018-19. The newly appointed leadership team will lay considerable focus on ironing out the micro issues faced by the industry such as Implementation of Interoperability of Prepaid Payments Instruments, reimbursement issues related to Debit Card MDR for transactions upto Rs. 2000 and simplification of outward remittance regulations among others.

“With their trust, I will work tirelessly on PCI’s behalf to help address challenges and to secure lasting and meaningful solutions to the issues faced by our payments industry has huge potential in our country. Simultaneously my considerable effort





ET [Market Watch] [Nifty: 11,788.85 ↓ -52.70]

Fintech Convergence Council formed under IAMAI with Naveen Surya as its chairman

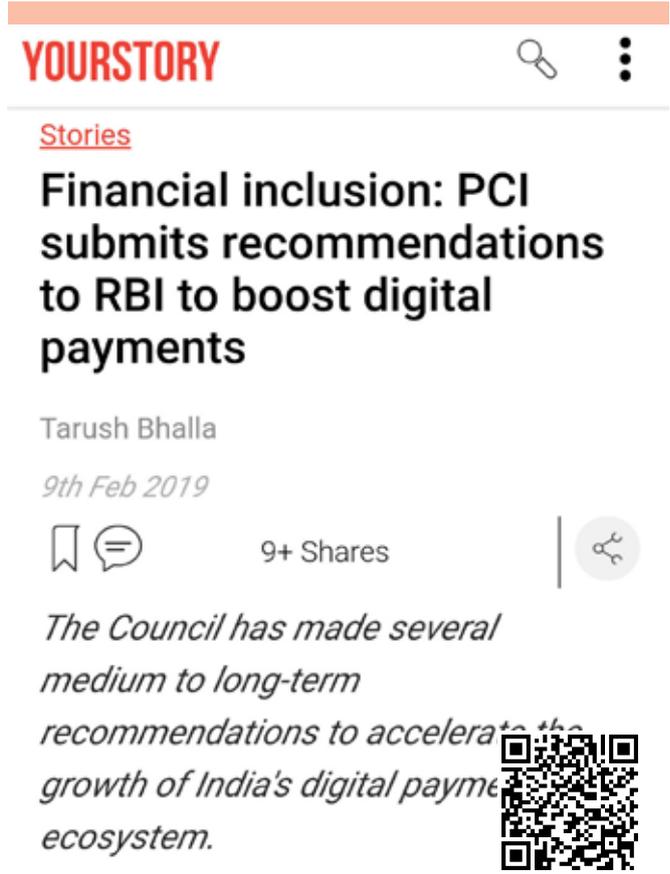
FCC will mainly look at bringing in increased cooperation between industry participants like banks, fintech startups, insurance companies, regulators and the government.

By Pratik Bhakta, ET Bureau | Sep 19, 2018, 07.30 PM IST

[Social Media Icons: WhatsApp, Facebook, Twitter, LinkedIn, Email]

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BENGALURU: The Internet and Mobile Association of India (IAMAI) launched a Fintech Convergence Council to look at issues around co

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Stories

Financial inclusion: PCI submits recommendations to RBI to boost digital payments

Tarush Bhalla
9th Feb 2019

[Bookmark] [Comment] 9+ Shares [Share]

The Council has made several medium to long-term recommendations to accelerate the growth of India's digital payments ecosystem.




BusinessLine [Sensex: 39,394.64 ↓ -191.77 [-0.48%]] [Nifty: 11,788.85 ↓ -52.70 [-0.45%]]

Money & Banking

Payments industry seeks stable regulatory framework

October 10, 2018 | Published on October 10, 2018

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Business Today [Home] [Economy] [Tech] [Corporate]

HOME | BIZ WRAP | ECONOMY AND POLITICS | STORY

Fintech companies hope to revive Aadhaar verification; seek govt help

BusinessToday.In | New Delhi, Wednesday, December 19, 2018 | 13:58 IST

The industry is reaching out to the ministry to request them to account in all regulated entities within the purview of the amendment.

[Social Media Icons: Facebook, Twitter, LinkedIn, YouTube, WhatsApp]



4. Governance

PCI and FCC are led by the following industry leaders representing the areas of payments and FinTech.

i. Executive Council - Payments Council of India



Vishwas Patel
Chairman, PCI & Director
Infibeam Avenues



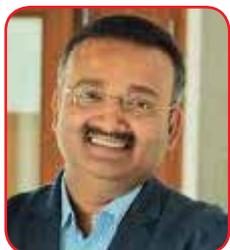
Loney Antony
Co-Chairman, PCI &
Vice Chairman
Hitachi Payments



Naveen Surya
Chairman Emeritus,
PCI & Chairman, FCC



Mahendra Nerurkar
Chief Executive Officer
Amazon Pay



Abhishek Sinha
Co-founder & CEO
Eko India Financial Services



Anish Sarkar
Chief Executive Officer -
India, Sodexo SVC



Deepak Chandnani
Chief Executive Office
South Asia & ME, Worldline



Dewang Neralla
Chief Executive Officer
Atom Technologies



Manish Patel
Founder & CEO
Mswipe Technologies



Suresh Sethi
Managing Director & CEO
India Payments Bank



H. SriKrishnan
Managing Director & CEO
Jio Payments Bank



Sohini Rajola
Managing Director &
Regional VP - India and
South Asia, Western Union



Nath Parameshwaran
Head - Corporate Affairs
PayPal



Srinivasu MN
Co-Founder & MD
Billdesk



Porush Singh
Country Corporate Officer,
India and Division President,
South Asia, MasterCard

ii. Executive Council – FinTech Convergence Council**Naveen Surya**

Chairman, Fintech Convergence Council & Chairman Emeritus, PCI

**Yashish Dahiya**

Vice Chairman, Fintech Convergence Council & Co - Founder & CEO, PolicyBazaar

**Alok Mittal**

Co - Founder & CEO Indifi Technologies

**Rajat Gandhi**

Founder & CEO Faircent

**Srinivas Jain**

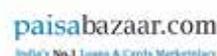
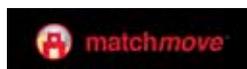
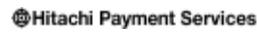
Executive Director & CMO SBI Funds Management

**Mukesh Kalra**

Founder & CEO ET Money

5. Members







About us

Payments Council of India

PCI is formed under Internet and Mobile Association of India (IAMAI). PCI represents various players in payments and settlement ecosystem, addresses and resolves various industry level issues and barriers which require discussion and action. The Council works with all its members to identify and build opportunities and to promote the growth of payments industry. The vision of PCI is to proactively encourage 'growth of payment and settlement systems entities' for ushering in a less-cash society in India which is also the vision shared by the Reserve Bank of India and Government of India. Some of the sectors represented by PCI are Prepaid Payment Issuers, Merchant Aggregators & Acquirers (Payment Processors), Payments Banks, International Remittance Facilitators, Bharat Bill Payment System Operating Units, Card Networks and UPI Facilitators.

FinTech Convergence Council

FCC is formed under Internet and Mobile Association of India (IAMAI). FCC represents the FinTech industry and traditional companies in the BFSI space. The purpose of the Council is to encourage collaboration, seek complementarities and build synergy between leading BFSI companies and the emerging FinTech start-ups. The Council has worked towards interpreting the regulatory and legal framework, aggregating the concerns and feedback of the various players within the larger FinTech community, communicating it to regulators and lawmakers, and organizing events and gatherings for the industry participants to meet, share ideas and work together in the interest of creating a safer, more open and more collaborative operating environment through a transparent forum.

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