



Project Regulation Working Group

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Payment Regulation Trends in India

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India Regulations

RBI makes mobile wallet interoperability mandatory from FY23

- RBI has issued this notice to explain the regulations introduced during the April 7 Monetary Policy Committee meeting. Customers of full KYC-compliant PPIs (prepaid payment instruments) issued by non-bank PPI issuers can withdraw a maximum of INR 2,000 per transaction and INR 10,000 per month per PPI.
- PPI issuers offering these facilities will have to ensure proper customer redressal mechanisms.
- The three significant measures taken by the Reserve Bank of India are, increasing Account Balance Limit from INR 1 lac to INR 2 lacs, permitting Cash Withdrawal from full KYC PPIs of non-bank PPI issuers and mandating interoperability of Full KYC PPIs through UPI and authorised Card Networks.

India Regulations

Card on File Tokenization

- The central bank said the device-based tokenisation framework advised vide circulars of January 2019 and August 2021 has been extended to Card-on-File Tokenisation (CoFT) services as well.
- This means that card issuers have been permitted to offer card tokenisation services as Token Service Providers (TSPs).
- The tokenisation of card data shall be done with explicit customer consent, requiring Additional Factor of Authentication (AFA).
- The central bank said the facility of tokenisation shall be offered by TSPs only for the cards issued by/affiliated to them.
- Meanwhile, the ability to tokenise and de-tokenise card data shall be with the same TSP.
- The above enhancements are expected to reinforce the safety and security of card data while continuing the convenience in card transactions, the RBI said.
- Earlier, the facility of tokenisation by card networks to token requestor was limited to only mobile phones and tablets of interested card holders. But the central bank included consumer devices laptops, desktops, wearables (wrist watches, bands, etc), Internet of Things (IoT) devices, etc, to extend the scope of tokenisation.

India Regulations

Recurrent Subscriptions

- The norms require customers to re-authenticate any standing instructions for recurring payments such as subscriptions and bill payments up to Rs 5,000. After a two-factor authentication, customers will be charged and an e-mandate will be set up for subsequent payments
- For recurring payments above Rs 5,000, customers will be required to give their consent and go through a two-factor authentication process for every payment.
- The RBI first came out with these norms in 2019 in an attempt to protect consumers against unrequired recurring payments being set up on their cards. This was done following multiple instances of auto-debit transactions being executed without the customer's initiation or consent.
- Banks and other stakeholders were asked by the RBI to implement the framework by March 31, 2021. The deadline was extended to September 30, 2021, after banks failed to fully implement the guidelines.

India Regulations

Account Aggregator

- India's big banks have taken the open banking plunge, launching an Account Aggregator (AA) data sharing system. Public Launch: September, 2021
- HDFC, Kotak, ICICI, Axis, SBI, IndusInd, IDFC and Federal have launched the system, which gives their customers the option to share their financial data with other firms through an API-based repository.
- Years in the making, AA will be open to firms that secure licenses from the Reserve Bank of India.
- The system connects account aggregators, financial information providers and financial information users.
- What it is?
 1. An individual's or entity's data is usually fragmented and spread across silos in data warehouses of financial institutions, government bodies and various other business entities.
 2. There are no frameworks for seamless, safe and swift data sharing between financial information providers (FIPs) and financial information users (FIUs) with the permission of the user whose data is being shared.
 3. At the same time, there is a lack of solutions and services to aggregate and integrate user data for a seamless, wide-ranging view of data in real time.

India Regulations

Account Aggregator

4. Consequently, there is still resistance to accessing and sharing of data and a vast amount of fragmented information is not effectively optimised to provide comprehensive service delivery to users.

5. European regulators tried to address this need for a framework that allows efficient and secure navigation and usage of customer's financial data by mandating the implementation of Open API frameworks within financial institution's user applications. However, this approach had limitations in terms of the type of financial data which could be shared and the framework for managing user consent for data sharing.

6. Indian regulators have envisioned a similar ecosystem of account aggregators (AAs) to broaden the scope of financial data sharing and make it more secure and user friendly.

India Regulations

Crypto Bill

- Draft bill will be presented in the winter session of parliament. It reads as follows
- On Tuesday, a parliamentary bulletin listing upcoming legislation included one paragraph on "The Cryptocurrency and Regulation of Official Digital Currency Bill, 2021".
- "To create a facilitative framework for creation of the official digital currency to be issued by the Reserve Bank of India," it read. "The Bill also seeks to prohibit all private cryptocurrencies in India, however, it allows for certain exceptions to promote the underlying technology of cryptocurrency and its uses."