

EMPOWERING THE FINTECH ECOSYSTEM



ANNUAL
REPORT
2019/20

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Message from Vishwas Patel

Chairman, PCI

Dear Fellow Members,

It's been about two years since I accepted responsibility as the Chairman of Payments Council of India. It was indeed an exciting journey for me to lead this esteemed payments industry body and work towards achieving RBI's grand vision of 'Empowering every Indian with access to a bouquet of e-payment options that is safe, secure, convenient, quick and affordable!'

The digital payments have witnessed a CAGR of 61% and 19% in terms of volume and value, respectively over the past 5 years, demonstrating a steep shift towards digital payments, as per RBI publication on "Assessment of the progress of digitisation from cash to electronic". The rapid growth in the FY 19-20 has been fostered by the some of the key initiatives by the Reserve Bank of India & Government of India such as permitting non-banking entities to use Aadhaar, mandating FASTags, opening up e-mandate for recurring transactions via debit cards, introduction of a new type of semi-closed Prepaid Payment Instrument (PPI), allowing Digital KYC, introduction of UPI 2.0, and many more.

PCI currently represents around 90% of the digital payments industry, comprising more than 100 distinguished members with the focus being on



Message from **Naveen Surya** Chairman, FCC

Dear Friends,

It's been an excellent journey for me to lead the FinTech Convergence Council (FCC) as its Chairman from the year 2018. It wouldn't have been possible without the support from our esteemed Advisory Board, Executive Council members and member companies.

India is amongst the fastest growing FinTech markets in the world. At 87%, the country has emerged as the leader in FinTech adoption, as per findings from the Global FinTech Adoption Index 2019 by EY. With favourable regulatory policies and government-led initiatives, India is a fertile ground for FinTech revolution for more than 2000 start-ups.

At FCC, we represent more than 70 + members in the FinTech sector and we strive at being the platform for the financial services ecosystem to deliberate, integrate and lead the development of FinTech. During the year, we have made several representations and had meetings with government authorities to work towards the growth of FinTech. The council was active in submitting industry feedbacks to the regulators like, for example, to the Reserve Bank of India (RBI) and Securities Exchange Board of India (SEBI) on a framework issued for



regulatory sandbox of FinTech. The council had also met Shri K Rajaraman, Additional Secretary - Investments, Department of Economic Affairs (DEA) to share the current state of FinTech industry and took his advice on the current challenges faced by the industry. We made various representations and had multiple meetings with RBI for allowing the use of alternate modes of Digital KYC to conduct customer identification in the absence of Aadhar based eKYC for regulated nonbanking entities. A white paper on Digital KYC solutions was also prepared and submitted to various departments. A demo of possible digital KYC solutions was also presented to RBI. As a result of our continuous efforts, RBI permitted Video based Customer Identification Process (V-CIP) as a consent based alternate method of establishing the customer's identity, for customer on-boarding. This would not have been possible without guidance and support from Mr. Dilip Asbe.

It was a huge relief to the Blockchain and Cryptocurrency committee (BACC) when Supreme Court had ruled in favour in the Cryptocurrency case on the grounds of disproportionality. Nearly after 2 years, the exchanges can now work with regulated entities for facilitating banking transactions. The committee is now working

on developing a Self-Regulatory Organization (SRO) and focusing to work with policy makers in creating a conducive policy framework for cryptocurrencies in India and promote innovations in the sector.

We were also working on organising, India's biggest event for the FinTech ecosystem - India FinTech Festival (IFF) jointly with Mumbai FinTech Hub (Government of Maharashtra), Ministry of Electronics and Information Technology (MeitY) & National Payments Corporation of India (NPCI) on March 4 & 5, 2020; however, it unfortunately had to be postponed due to the COVID-19 scenario.

I would like to thank the entire FCC fraternity for their continuous support. In the upcoming year, we will continue to work for the growth of the FinTech ecosystem, identify and build opportunities for convergence between players and also organise IFF in the best suited time of the year.

Best,

Naveen

1. Public Policy and Promotion of FinTech

INDUSTRY REPRESENTATIONS

i. PCI Chairman selected to be a member of the RBI Committee on QR code

Background and Context:

The Reserve Bank of India formed a committee for Analysis of QR code. Mr. Vishwas Patel, in his capacity as the chairman of Payments Council of India (PCI) was invited to be part of the RBI committee on QR code. He accepted to be a part of the committee, chaired by Prof. D B Pathak, Professor Emeritus, IIT Bombay. The terms of reference of the committee are:

- Examine and review the current system of QR codes in India for facilitating Digital Payments
- Analyse the benefits arising out of common QR code
- Assess the scope for improvement in the existing QR codes and suggest measures towards the adoption of Bharat QR as a convergent QR which could be future proof as well; and
- Any other issue, germane to this area of reference.

The composition of the committee is:

Chairman:

- Prof D B Pathak, Professor Emeritus, IIT, Mumbai

Members:

- Umesh Kumar Nandwani, Director- STQC, MeitY
- Sunil Mehra, Chief Executive, Indian Banks' Association
- Dr. A S Ramasastry, Director, IBRBT
- Dilip Asbe, CEO, NPCI
- Vishwas Patel, Chairman, PCI

Action:

The committee had called for a meeting to share suggestion for creating and improving QR code interoperability for payment transactions. PCI presented the following steps for moving towards a converged QR before the committee:

1. Promote and mandate open loop Bharat QR instead of Close loop QR networks
2. All issuer apps –Bank & Non-Bank to be enabled for BQR with timelines
3. Enable PPIs and Net banking on to Bharat QR
4. Enable third party UPI Service Providers to authenticate card transactions
5. Define a common merchant due diligence process
6. Define common standards for payment app providers, where they can dynamically populate Merchant details and amount
7. Define common standards for PoS/Cash Registers for populating dynamic bill amount associated with assigned QR codes
8. Create a standardized single settlement process between the stakeholders across instruments
9. Create a common merchant app across all instruments
10. Extend uniform MDR across instruments

Outcome:

The committee is working on finalising the report basis the feedback and submissions of various stakeholders and will be releasing the same in F.Y. 20-21.

ii. Opening up use of Video based Digital KYC for customer identification

Background and Context:

In the absence of any changes in the sectoral regulations post-SC judgement, several industry players had to resort to paper-based KYC verification. Reverting to such procedure was at the expense of customer convenience, turnaround time and cost-optimisation.

its vast experience in the payments industry, in order to foster the culture of responsible payment systems throughout the industry.

Action:

The promoted entity by PCI, say SRO entity, can be setup under Section 8 of the Companies Act, 2013 as a not-for-profit entity or may be created as the Trust / society as deemed suitable by the respective promoters where initial corpus may be funded by the promoter entities followed by the maintenance of self-sustainability by SRO itself on its own. PCI has submitted an initial framework to RBI which is currently under evaluation.

v. Proposed to set up 'Payments Risk Bureau' – An independent, centralized and comprehensive repository for payments fraud

Background and Context:

Over the last five years, in India, digital payments have grown tremendously, both, in volume and value. Digital payments, like any other financial transaction, are vulnerable to several threats. Such threats can be illustrated as phishing, information theft, unauthorised or fraudulent transactions, merchant fraud, malware or virus attacks etc. With the continuous advancements in technology, the threats and risks associated with online transactions are also evolving, similarly.

Presently, stakeholders in the digital payments ecosystem manage their risks individually, using their own internal risk management systems and policies. However, in the context of the larger ecosystem, such an approach results in similar fraudulent transactions occurring with different service providers at different points of time, due to unawareness of such threats and lack of exchange of information among the service providers.

Action:

PCI endeavoured to develop a framework for establishment and governance of an independent institution 'Payments Risk Bureau' to help various stakeholders across sectors minimise risks of threats and frauds. This draft framework was presented and discussed with all the concerned stakeholders, such as

PCI members, banks, network associations and policy makers (RBI, Government) for their formal and informal feedback, and finalised based on the feedback received.

Meanwhile, RBI proposed to create a Central Payment Fraud Registry to monitor digital payments related frauds on a real-time basis and provide customers with periodic aggregated data of risks associated with individual payments operators in a bid to improve customer confidence in these channels. To avoid duplication of work, PCI submitted its initial framework on Payments Risk Bureau to RBI for review and supporting the Central Payments Fraud Registry.

vi. Submission to Invest India on Recommendations to promote ease of doing business and international collaboration

Background and Context:

The Inter-Ministerial Steering Committee (IMSC) on FinTech, housed under the Department of Economic Affairs (DEA), Ministry of Finance, was mandated to take stock of developments in the FinTech space globally and in India, study the regulatory climate in various geographies, identify application areas and use cases in Governance and financial services, suggest institutional regulatory upgrades enabling Fintech innovations.

Action:

In this regard, Invest India had called for a list of recommendations to promote ease of doing business and international collaboration, basis which, PCI & FCC submitted the following recommendations:

- Transparent, simple processes for investments in insurance sector
- Reform KYC process in the light of the recent Supreme Court judgement on Aadhaar
- Merchant Discount Rate (MDR) to be decided by market forces
- Regulatory support for digital companies
- Need for increase in FDI limits to 74% from current 49% in insurance sector
- Facilitative tax policy to promote P2P Lending sector

vii. Recommendations in the Pre-Budget Sessions

Background and Context:

PCI was called to represent the payments industry and share recommendation for the union budget in a pre-budget consultation meeting.

Action:

PCI secretariat represented to Smt. Nirmala Sitharaman, Honourable Finance Minister, Shri Anurag Thakur, Minister of State and Shri Subhash Chandra Garg, Secretary Finance, Ministry of Finance on behalf of the Payments and FinTech Industry in the pre-budget meeting for stakeholders' consultation by the Ministry of Finance. Some of the recommendations were:

- Lower regulatory barriers to entry for new businesses by narrowly defining payment systems and regulating technology service providers differently from payment systems.
- Adopt industry-led standards for non-systemically important payment systems that do not pose a threat to the financial market infrastructure to ease costs and increase flexibility in operations for new businesses.

- Allow Merchant Discount Rate to be decided by market forces.
- Implement security by design principles that adhere to global norms for information and network security protocols to ensure robust cyber security in critical national financial infrastructure.
- Encourage the adoption of digital payments by introducing tangible benefits including tax incentives and dis-incentivise cash transactions to reduce India's dependence on cash.
- Create better customer protection frameworks that will lead to better customer trust in innovative finance products by promoting multi-lingual financial literacy and a robust grievance redressal machinery.
- Lending to Payments Banks individual customers and MSMEs be allowed.
- A special budget be allocated for CKYC initiative and absolve banks from paying to upload or update records. Banks and other financial institutions be incentivised to contribute to the CKYC database.

viii. Recommendations to RBI on the framework on New Umbrella Entity (NUE)

Background & Context:

The RBI had released a draft framework for authorisation of a pan-India New Umbrella Entity (NUE) for Retail Payment Systems.

Action:

PCI submitted its suggestion to RBI on the framework. This framework would be a step towards opening the mandate of issuing and operating of new retail payment channels to private sector players and would give a huge boost to the payments ecosystem. Some of the suggestions made were Foreign entity may not own more than 25% of the shareholding but be able to participate as a promoter, Promoter / promoter group shareholding shall be diluted to a minimum of 25% 'upto 10 years' from the current specified 'after 5 years' of the commencement of business of the NUE, etc.



ix. Recommendations to RBI & SEBI on Draft Enabling Framework for Regulatory Sandbox

Background and Context:

PCI & FCC submitted recommendations to the Reserve Bank of India (RBI) and Securities Exchange Board of India (SEBI) on behalf of the FinTech Industry, on a framework issued for regulatory sandbox of FinTech. This was submitted post release of “Draft Enabling Framework for Regulatory Sandbox” by RBI dated April 18, 2019.

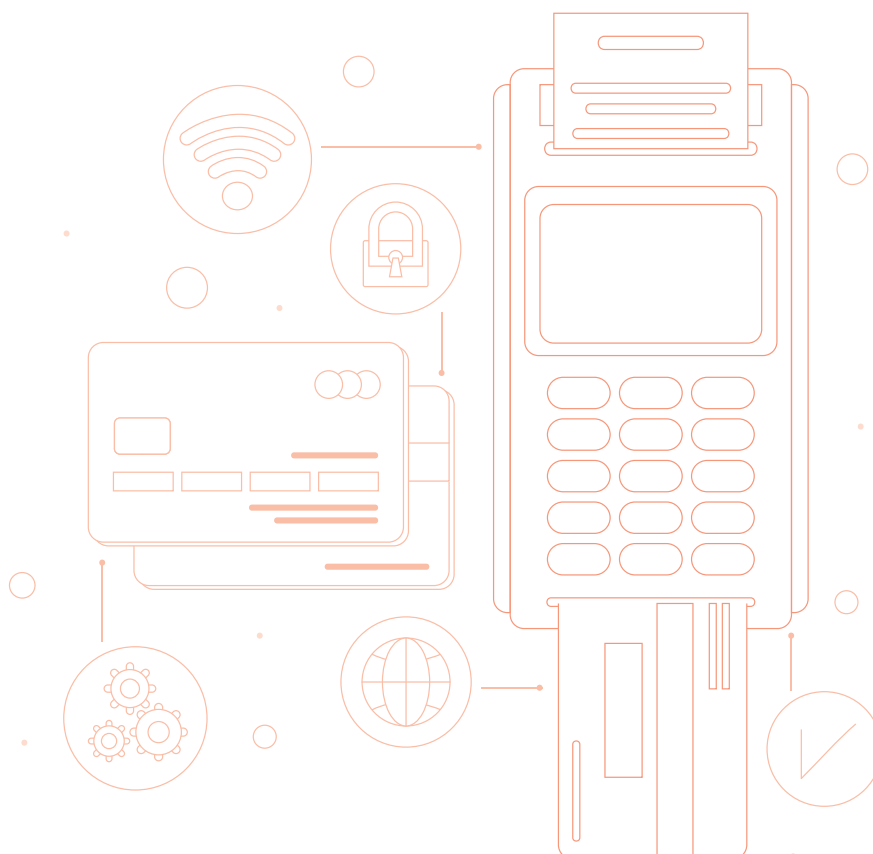
Action:

Following were the additional recommendations / suggestions made to RBI & SEBI:

- Framework for Inter-Operability with Other Industry and Regulatory Sandboxes
- Digitization of Access to Sandbox and User Journeys
- Concerns with Respect to Data
- Important Role of Industry Bodies
- Collaboration Framework with FinTech Ecosystem
- City as a Sandbox
- Reference Application/ Evaluation Checklist
- Monitoring/ Process after Exit

Outcome:

RBI acknowledged our feedback and accommodated some of them in the final sandbox guidelines



SECTORAL REPRESENTATIONS

i. Representations on ZERO MDR notification by the Government

“10A. Notwithstanding anything contained in this Act, no bank or system provider shall impose, whether directly or indirectly, any charge upon a person making or receiving a payment by using the electronic modes of payment prescribed under section 269SU of the Income-tax Act, 1961.”

- After section 269ST of the Income-tax Act, the following section shall be inserted with effect from the November 1, 2019, namely:



Background and Context:

In the Union Budget announced on July 5, 2019, the Honourable Finance Minister had proposed that “..... the business establishments with annual turnover more than 50 crore shall offer such low cost digital modes of payment to their customers and no charges or Merchant Discount Rate shall be imposed on customers as well as merchants. RBI and Banks will absorb these costs from the savings that will accrue to them on account of handling less cash as people move to these digital modes of payment...”.

Accordingly, the following amendments were done through the Finance Bill:

- In the Payment and Settlement Systems Act, 2007, after section 10, the following section shall be inserted with effect from November 1, 2019, namely:

“269SU. Every person, carrying on business, shall provide facility for accepting payment through prescribed electronic modes, in addition to the facility for other electronic modes of payment, if any, being provided by such person, if his total sales, turnover or gross receipts, as the case may be, in business exceeds fifty crore rupees during the immediately preceding previous year.”

To facilitate the implementation of this announcement, the Department of Revenue (DoR) notified RuPay and UPI as the prescribed mode of payment for undertaking digital transactions without any MDR. Accordingly, all companies with a turnover of Rs. 50 crore or more shall be mandated by DoR to provide the facility of payment through RuPay Debit card and UPI QR code to their customers. All banks will also start a campaign to popularise RuPay Debit card and UPI.

Action:

MDR income being critical for the survival of non-bank Payment Service Providers (PSPs), PCI met Smt. Nirmala Sitharaman, Honourable Finance Minister, Shri Pramod Kumar Mishra, Principal Secretary to the Prime Minister of India, Government of India, Shri Atanu Chakraborty, Secretary, Economic Affairs & Shri K Rajaraman, Additional Secretary, Investment Division, Department of Economic Affairs (DEA), Ministry of Finance, Shri S. Ganesh Kumar, Executive Director, Reserve Bank of India, Shri Rajiv Kumar, Vice-Chairman, Niti Aayog etc. to explain the unviable zero MDR and how it will adversely impact the digital payments ecosystem.

It was requested to hold on to the implementation of the announcement to notify RuPay and UPI as the prescribed mode of payment and to review and reverse the amendments made to the Payments and Settlement Act with respect to the prohibition of charges (MDR) for using prescribed electronic modes of payments. PCI recommended that MDR should be left to be decided by the market forces. PCI continues to fight this issue with the government.

ii. Representations to RBI on Guidelines on Regulation of Payment Aggregators and Payment Gateways



Background and Context:

RBI had released a Discussion Paper on September 17, 2019, encompassing different options for regulating Payment Gateway Service Providers (PGs) and Payment Aggregators (PAs). The paper covered various facets of the activities of Payment Gateways and Payment Aggregators and presented different options towards their regulations.

Based on the understanding of the current ecosystem, certain regulatory options and approaches were suggested in the discussion paper for regulating the activities of Payment Aggregators and Payment Gateways.

- **Option 1:** Continue with the extant instructions with minor changes in respect of definition of 'T' (defined as the day of intimation regarding the completion of transaction in the current Intermediary Guidelines) and clarify the applicability of the guidelines.
- **Option 2:** Limited Regulation: The Payment Gateways and Payment Aggregators shall follow the norms and guidelines in respect of minimum net-worth, merchant on-boarding, timelines for settlement of funds, maintenance of escrow account, IT security, etc., and shall be required to submit certain returns to RBI. The Payment Gateways and Payment Aggregators to be licensed / registered in a phased manner, over a period of time. Only off-site monitoring would be resorted to.
- **Option 3:** Full and Direct Regulation: Payment Gateways and Payment Aggregators shall be authorised under the Payment and Settlement Systems Act, 2007 (PSSA) and be subjected to extant provisions pertaining to capitalisation, governance, customer grievance redressal, KYC/ AML, reporting to RBI, monitoring by RBI, etc. as detailed in the Discussion Paper.

Action:

PCI sought feedback from the members on the discussion paper and shared with Shri P. Vasudevan, Chief General Manager, Department of Payment and Settlement Systems, RBI. The feedback consisted of various points like Role of PGs/ PAs, Proposed shift from nodal to escrow, Merchant on-boarding and due diligence, Definition of 'T' etc and on all the 3 mentioned options above.

Post the submission of the feedback on the discussion paper and taking into account the important functions

of these intermediaries in the online payments space as also keeping in view their role vis-à-vis handling funds. RBI released the Guidelines on Regulation of Payment Aggregators and Payment Gateways on March 17, 2020 where it decided to:

- Regulate in entirety the activities of PAs
- Provide baseline technology-related recommendations to PGs

PCI, on behalf of the industry, suggested a few changes on the guidelines, which will help sustain the RBI's vision for driving a less cash economy the representation to RBI. Following were some of the changes suggested:

- Extend the timelines for applicability
- Reconsider the KYC obligations for the PAs
- Allow more than 1 escrow bank partners

PCI is continuously interacting with RBI on seeking clarifications on the guidelines.

iii. Supreme Court ruled in favour of IAMAI in Cryptocurrency case

Background and Context:

The Reserve Bank of India's "Statement on Developmental and Regulatory Policies" on April 5, 2018, directed all the entities regulated by RBI not to deal with or provide services to any individual or business entities dealing with or settling cryptocurrencies and to exit the relationship, if they already have one, with such individuals/ business entities, dealing with or settling cryptocurrencies. This circular created a hindrance for the exchanges to continue their banking transactions and hence put their business activities to a near standstill and could lead to shutting of their business.

Action:

IAMAI on the behalf of Indian crypto exchanges filed a writ petition (Civil) in Supreme Court against the RBI on May 16, 2018. The association with the help of Learned Counsel Mr. Ashim Sood and instructing firm, Nishith Desai and Associates, argued that trading in cryptocurrencies, in the absence of a law banning those, was a legitimate business activity but the RBI had effectively banned it by blocking access to banking channels.

Outcome:

Nearly after 2 years, on March 4, 2020, in the IAMAI vs RBI case, the Supreme Court announced the decision in favor of IAMAI on the grounds of disproportionality. The judgement highlighted that there is no doubt that RBI has very wide powers not only in view of the statutory scheme, but also in view of the special place and role that it has in the economy of the country. These powers can be exercised both in the form of preventive as well as curative measures. While the court recognized the power of RBI to take a pre-emptive action, it held that the proportionality of such a measure was not there in this case, since there wasn't any damage suffered directly or indirectly, by RBI's regulated entities as a result of VC trading. Therefore, among other reasons, the impugned Circular dated April 6, 2018 was set aside on the ground of proportionality. This is a major relief for the sector, as the exchanges can now work with regulated entities for facilitating banking transactions.

The IAMAI committee is now working on developing a Self-Regulatory Organization (SRO). The focus of the committee is to work with policy makers in creating a conducive policy framework for cryptocurrencies in India and promote innovations in the sector.

iv. Representation to RBI on Inward and Outward remittances

Background and Context:

PCI submitted a representation to Smt. Nimmi Kaul, Chief General Manager (CGM), Foreign Exchange Department (FED), RBI on the key concerns faced by the International remittances industry and shared specific suggestions on both inward and outward remittance regulations. This representation was submitted as a follow up of the meeting with the CGM in March 2018. Below are the suggestions submitted:

- Enhancing IMPS limits for Foreign International Remittances
- Extending the window of National electronic funds transfer system (NEFT) and Real time gross settlement system (RTGS) to 24*7
- Enable remittances for 'Family Maintenance' Purposes
- Provide API connectivity for AD-I banks to check LRS limit & update remittance amounts under LRS - real-time

Outcome:

RBI had subsequently made available (NEFT) and (RTGS) on 24x7 basis. PCI is working with FED on some of the other suggestions.

v. Representation on issues faced by the FinTech subsectors like lending, insurance, investments etc.



Background and Context:

FCC secretariat along with some members met Shri K Rajaraman, Additional Secretary - Investments, Department of Economic Affairs (DEA) on May 3, 2019, shared the current state of FinTech industry and took his advice on the current challenges faced by the industry. Following were the issues discussed at the meeting:

Lending

- Simplifying the KYC process, and making it viable for entities to share data and opening up CKYC for Loans & liabilities
- Enabling tax exemptions (Income Tax + GST) for lending on P2P NBFC platforms
- Eliminating the requirement of deducting TDS for entities borrowing from Financial Institutions other than those registered with RBI

- Opening up API data access to Banking, ITR/GST and utility bills
- Access to credit card issuance to NBFCs
- Data Protection, collection and accessibility considering changing relationships between traditional players and its consumers.

Insurance

- Editorial restrictions
- Restrictions on advertising and commercials
- Restrictions on performing outsourcing services
- Stoppage of business due to expiry of license and delay in renewal
- FDI limit for insurance companies to be treated differently than insurance distributors
- Limitation to selling only insurance products
- Push for Protection products
- De-tariffing of the motor insurance (TP) premiums and commissions

Investments

- eSign for Non-commercial transactions (NCTs)
- GST on distributor commissions

Payments

- Level playing field for bank and non-bank payments providers
- Parity between Cash and Digital Payment Instruments
- Risk/Principle Based Regulations for Payment Systems
- Maintain balance between enforcing traceability with friction
- Promoting the use of Digital Payments

Action & Outcome:

A detailed Submission on these points was made post the meeting for their consideration. The steering committee on FinTech at DEA released a report, which carried some of our feedbacks. FCC is now seeking to meet DEA to discuss and assist in implementation of suggestions in the report.

vi. Allow non-banking entities to use Aadhaar

Background and Context:

On February 28, 2019, the Aadhaar and other Laws (Amendment) Ordinance, 2019 ('Ordinance') was approved by the President. The Ordinance amended the Aadhaar (Targeted Delivery of Financial and other Subsidies, benefits and services) Act, 2016 and Prevention of Money Laundering Act, 2002. The Ordinance provided for voluntary use of Aadhaar number, in physical or electronic form, by way of authentication or offline verification by Banks. The Ordinance did not enable regulated non-bank entities other than banks to use the Aadhaar eKYC framework for authentication. Amendments to the PMLA, brought by the Ordinance, enable the government to permit a reporting entity (other than Banks) to perform Aadhaar-based authentication, if it is satisfied that such reporting entity complies with the standards of privacy and security specified under the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016, and if it is necessary and expedient to do so. Aadhaar is a document available with the largest number of persons in India, and companies will be able to complete KYC for a large base if this is enabled. While Aadhaar offline is available for offline verification process, some of its challenges were that it was cumbersome, it had drop offs, poor photo resolution and access limitation.

Further, the amendment enables the use of Aadhaar offline for customer due diligence, however, does not provide any relief to service providers, in terms of the methods for generation of the respective e-Aadhaar and XML file by customers. It was an unsurmountable task to make the customers, especially in the semi-urban and rural areas, to generate the XML file/ e-Aadhaar from the UIDAI website, without any service provider intervention.

Action:

PCI met several officials at Ministry of Finance including Mr. Ajay Bhushan Pandey, Secretary, Department of Revenue. to represent non-banking entities also be allowed to do e-KYC, subject to fulfilment of prescribed criteria. The request was to pass a **notification in Prevention of Money Laundering Act (PMLA) to allow non-banking entities regulated by RBI to perform Aadhaar-based authentication, if such reporting entity**

complies with the standards of privacy and security specified under the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016, and if it is necessary and expedient to do so.

Outcome:

Department of Revenue(DOR), Ministry of Finance released a circular on Aadhaar authentication services by entities other than banking companies dated May 9, 2019, which enlisted the procedure for obtaining the consent for using Aadhaar based e-authentication services for reporting entities other than banking entities. The procedure states that all applications for the same shall be filed with the appropriate regulator and post examination by the regulator and UIDAI scrutiny, government may grant a consent to the entity to carry out Aadhaar based e-authentication of the customer. PCI continues to represent to RBI and DOR to grant individual licenses to regulated non-banking entities to use Aadhaar based authentication.

vii. Introduction of a new type of semi-closed Prepaid Payment Instrument (PPI)

Background and Context:

Minimum KYC PPIs had been instrumental in driving through a change in customer behavior with respect to small ticket transactions. Since demonetisation, PPIs have witnessed unprecedented growth in volumes, largely by virtue of the simple processes for opening and loading of min. KYC PPIs and ease of use of PPIs particularly for daily expenses such as purchasing groceries and low value fund transfer. This category of PPIs has helped in extending a basic payment functionality to many Indians in a safe and reliable manner.

However The Master Directions on Issuance and Operation of PPIs issued by the Reserve Bank of India (RBI) on October 11, 2017 provided for mandatory conversion of existing semi-closed PPIs issued using minimum details to KYC compliant semi-closed PPIs, within 12 months from date of issuance of such PPIs. In addition to this the use-case permitted to PPIs (with minimum details) was confined to purchase of goods and services and not permitted for funds transfer.

Rules introduced a clause on verification of officially valid documents (“OVDs”) or KYC documents submitted by customers, by an “authorized officer of the reporting entity”.

The clause in the PML Rules was further included in the RBI KYC Master Directions vide an amendment dated July 12, 2018 (“KYC Master Directions”), and as on date the procedure for obtaining customer information (including proof of address and identity), as provided in the RBI KYC Master Directions also requires that the verification of the customer OVDs is conducted by an “authorized officer of the reporting entity”. Neither the PML Rules nor the KYC Master Directions define the term “authorised officer”. In the absence of a definition of the term “authorised officer”, as a matter of industry practice, Prepaid Payment Issues (PPIs), legally interpreted the phrase “authorised officer” to mean a person who is duly authorised by the PPI to obtain the certified copy of the OVD on behalf of the principal. Such an “authorised officer” as per the legal interpretation of the term adopted by the relevant industry players was deemed to include third party agents authorized by the PPI issuers to conduct a verification of the OVDs on their behalf.

Some of the PPI issuers have received notices from DPSS, indicating that the PPI issuers are in violation of procedure for OVD verification, as specified in the PML Rules and the KYC Master Directions (“Notices”). The Notices received by the various PPI issuers state that during the course of a snap scrutiny of the KYC processes adopted by the PPI issuers, it was discovered by DPSS that, the OVD verification process is being conducted by the authorised third party agents on behalf of PPIs and not by the PPI employees directly.

PPI issuers have been focusing on ensuring economic inclusion to all the strata of society, located in all parts of India, without having to distinguish them basis their geographical location. But the present interpretation of the PML Rules and KYC Master Directions requiring employees of the PPI issuer to be physically present at each geographical location where a customer of the PPI issuer is located, is a move that would result in a step back in the progress made on such economic inclusion as well.

Action:

PCI sought a clarification and legal opinion on the subject from the Former Chief Justice of India, Shri Dipak Misra, which was then submitted to RBI for their consideration.

x. Representation to Ministry of Electronics and Information Technology (MeitY) on the recent policy changes affecting the operations of Payment Banks Industry



Background and Context:

The RBI allowed Payments Banks to be set up for further financial inclusion by providing small savings accounts and payments/remittance services to migrant labour force, low income households, small businesses, other unorganised sector entities and other users. As such, these banks were supposed to be nimble structures using technological solutions in aiding the unbanked or the underbanked sections of the society.

However, some of the recent policy changes adversely impacted and jeopardised the operations of Payment Banks. The changes have caused regulatory ambiguities, and the additional levy of charges by UIDAI have put to question the viability of payments banks in India.

Action:

PCI submitted a representation to Shri Gopalakrishnan S., Joint Secretary to Govt. of India, Ministry of Electronics & Information Technology highlighting the key issues along with inputs and suggestions.

major bill payments across categories such as utilities, DTH, telecom post-paid, etc. under the digital fold and currently processes more than 10 million transactions a month. The Nandan Nilekani Committee on 'Deepening Digital Payments' has set a target of 10X growth in the next 3 years for digital payments to all banks and other financial institutions. As per the report, some of the key use cases to be focussed upon are recurring small ticket payments such as transit and recharges. While telecom as a category has been included in the BBPS ambit, prepaid recharges which constitute ~90% of volumes have been currently excluded.

Action:

PCI met RBI and tabled the suggestion of including recharges in the ambit of BBPS categories. A detailed representation on the issue was also submitted. RBI said that it had recently opened up few categories on BBPS and would like to see the uptake of those categories and then adding recharge as one of the categories in BBPS.

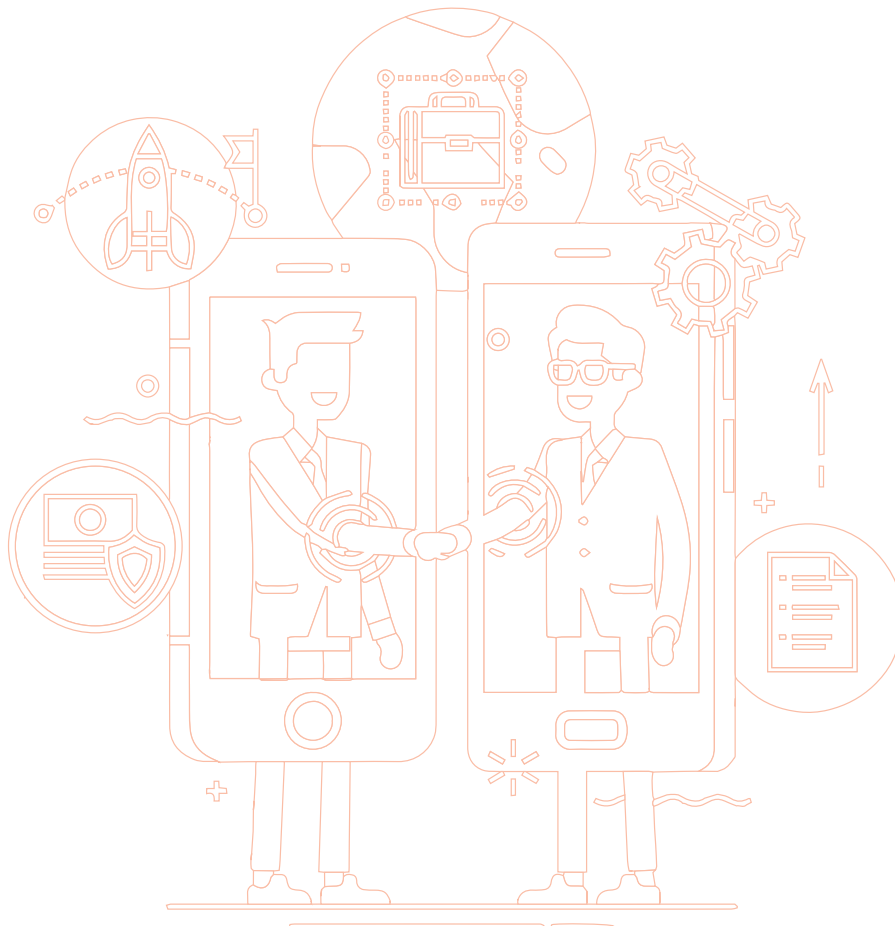
xv. Enhancing the FDI limit for Insurance Intermediaries from 49% to 100%

Background & Context:

The FDI limit for insurance companies should be treated differently than insurance distributors which was clubbed with insurance companies and capped at 49%. FCC Secretariat, during budget representations, proposed a 100 percent FDI for the insurance intermediaries.

Outcome:

In the Union Budget 2019, Smt. Nirmala Sitharaman, the Honourable Finance Minister proposed a 100 percent FDI for the insurance intermediaries, following which Ministry of Finance (Department of Financial Services) also issued a notification G.S.R. 619(E) on September 4, 2019, to allow the same.



Managing Director and RVP - India and South Asia, Western Union, Abhishant Pant, Founder, The FinTech Meetup, Rishi Gupta, Managing Director and CEO, Fino Payments Bank, Jaya Janardanan, Chief Operating Officer, Ujjivan Small Finance Bank, G Padmanabhan, Non-Executive Chairman, Bank of India, Jitendra Gupta, Founder, Citrus Pay and Jupiter Money, Varun Dua,



Managing Director and CEO, ACKO General Insurance and many more.

The conference concluded with a roundtable discussion with Shri P Vasudevan, Chief General Manager, Department of Payments and Settlement Systems, Reserve Bank of India, which saw an attendance of more than 75 CXOs from the Payments industry.

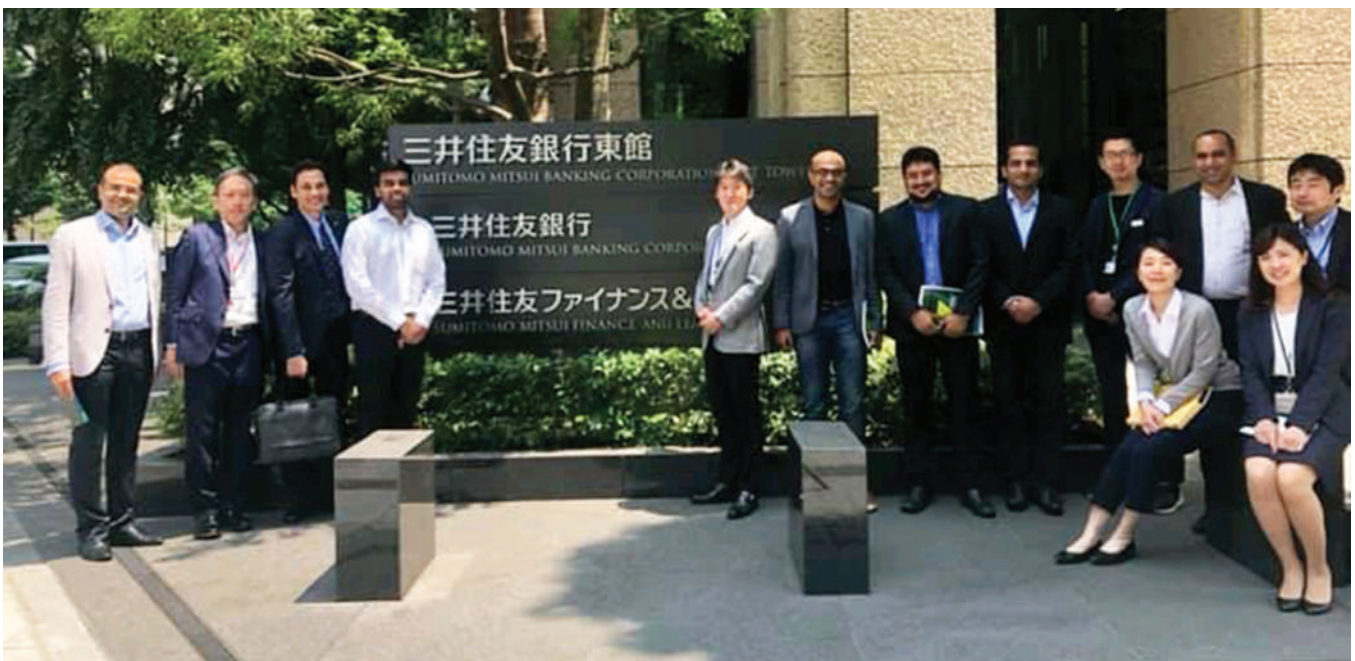
ii. CXO's Learning Trip to Japan

PCI and FCC as a part of the FinTech Mission, organised a CXO's learning trip to Japan from July 28 to August 3, 2019 for helping the ecosystem evolve and correspond to the technological advancements taking place around



the globe. The CXO's along with the secretariat visited the following companies during their visit:

- Soft Bank
- Nomura Holdings
- Mitsui & Co
- Hitachi





viii. Delegation to Singapore FinTech Festival

As a part of the FinTech Mission, PCI and FCC took an Indian Delegation to Singapore FinTech Festival (SFF), scheduled from November 11-15, 2019. The delegation was part of the India Pavilion at the Festival for exhibiting and showcasing their products to over 130+ countries across the globe.



ix. Workshop with NPCI on Developments in Payments System

As a part of the learning initiative, PCI organised a workshop with NPCI, to update members with the latest developments in payments by NPCI. The workshop covered topics like Innovations at NPCI, What's next in cards for RuPay, The 2.0 game gets stronger, Bharat Bill Pay - Bill payments to recurring payments, Payment service empowering the nation, Biometric device for BHIM, Era of digitization of toll collection, Proposition for corporates - eNACH etc. The workshop was well attended and appreciated by the members.



3. Media Outreach

PCI & FCC has expressed its views on several occasions and on numerous platforms to voice the opinion and represent the interest of the FinTech industry.

50% growth required to meet RBI's target of 4x growth in digital payments: Navin Surya

Payments Unplugged with Navin Surya, Chairman at Payments Council of India and FinTech Convergence Council.

Amol Dethle • ETBFSI • October 25, 2019, 08:16 IST

WhatsApp, Twitter, Facebook, LinkedIn, Email

In an exclusive conversation with ETBFSI, Navin Surya, Chairman at Payments Council of India and FinTech Convergence Council shares his understanding of dynamics of payments industry, challenges, road ahead, and where will the growth come from. Edited Excerpts;

Q. How's the current payments space?
 Payments is still a high intensive business and the only gateway to reach the underbanked and drive financial inclusion. We've seen tremendous growth in UPI, PPI, IMPS & Cards. But the customer acquisition cost still remains high, policy framework for PPI interoperability is yet to mature and it remains to be the biggest challenge for players. The deadline has been extended

Fintech sees a blueprint in RBI's 3 year payments vision

PRATIK BHAKTA
 ET Bureau | May 17, 2019, 08.13 AM IST

To smoothen digital payments in rural areas, the central bank will further push for feature phone-based digital payments.

A customer-centric approach to ensure prevention of fraud through **digital channels** puts the onus on banks and digital payments players to ensure stricter security checks and controls, according to the document. The central bank has also stressed on creating consumer awareness. "Giving access to all regulated entities to acquire their own merchants is a positive step, especially towards NBFCs, and is an indication that there could be more access given to these players in the future," said Naveen Surya, chairman of **Fintech Convergence Council**, an industry body for fintech companies. FCC has raised issues in the past about allowing NBFCs to issue their own credit cards.



SC order on cryptocurrency will offer only temporary relief



Manojit Saha

Yuthika Bhargava

NEW DELHI/MUMBAI, MARCH 04, 2020 22:24 IST

UPDATED: MARCH 04, 2020 22:53 IST

Government's draft law proposes to ban private currencies

"... Our main objective is to create a dialogue with policymakers and develop a comprehensive framework for crypto assets in India paving the way for innovation," said, Sohail Merchant, CEO, Pocketbits.in, and member of IAMAI's Blockchain and Cryptocurrency Committee. "As an industry body, we look forward to a more open dialogue with the government." IAMAI was among entities that had approached the Supreme Court in 2018 over the RBI circular prohibiting regulated entities from "providing any service in relation to virtual currencies, including those of transfer or receipt of money in accounts relating to the purchase or virtual currencies."

Welcoming the order, industry body Na



Technology News / Latest Technology News / Internet

Zero MDR to hurt payments industry, will collapse merchant acquisition: Payments Council of India

The Council has recommended that if the government intends to offer digital payments free of cost, it should create a means for bearing the cost of MDR.

Pratik Bhakta | ETtech | July 08, 2019, 19:37 IST



"Digital payments grew from 6% of **Gross domestic product** to 14% and now slipped to 12%. Cash is also 12% of GDP. We have not made any progress on this front and if this trend continues, we will go back to single-digit very soon," he said.

Even Naveen Surya, chairman emeritus of PCI said that a large amount of private investment will be required to boost digital payments adoption beyond the urban areas. That can come to a grinding halt if there is no business model in the payments business.

The Council has also highlighted that multiple committees created on digital payment always suggested a market driven MDR approach rather than a government ma pricing regime.



Fintech startups apply for NBFC licence as lending pays off big

ASHWIN MANIKANDAN & ADITI SHRIVASTAVA
ET Bureau | Jan 31, 2020, 08.10 AM IST



Getty Images

Startups such as RazorPay, Instamojo, Enkash, BharatPe and Paytm partner with some of the largest banks in the country to offer loans to their existing customers.

“We have seen over the last 18 months the RBI cancelled hundreds of licences after a long time,” said Naveen Surya, chairman of the Fintech Convergence Council, an industry body of over 300 fintech companies. “Getting licences may be less of an issue for these fintech companies, but maintaining compliance could pose a challenge,” Surya said. The startups could, however, get approvals faster due to their “enhanced due diligence processes” and a lack of legacy issues, he added.

“In India, everyone can give loans, but the real challenge is in the recovery of these assets,” said a top industry executive highlighting the business side risks for these startups.



FINTECH

Payment execs laud RBI's move on e-mandate for card transactions

Fintech executives are hoping that the 'recurring transactions' mandate can be introduced to other payments methods like UPI, and the maximum cap on these transactions will be increased from Rs 2,000.

By Tarush Bhalla

22nd Aug 2019

The Payments Council of India (PCI), which represents the players in the payments and settlements systems, also welcomed the RBI's move.

Naveen Surya, the Chairman Emeritus, PCI, & Chairman, Fintech Convergence Council, said,

“This RBI directive would drive the growth for subscription-based recurring payments and will reduce failure rates, besides bringing convenience to consumers.”

However, the industry believes the transaction cap of Rs 2,000 is low for many subscription-based payments. **Vishwas Patel, Chairman, PCI, said:**

After receiving several requests from





Home > Economy

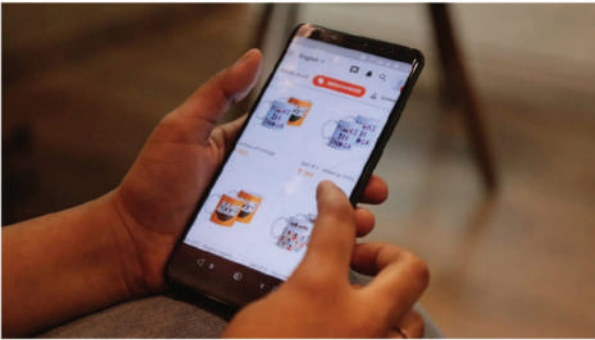
Economy

'Pay safe, stay safe': Modi govt encourages digital payment amid coronavirus scare

The move comes at a time when India has reported 169 coronavirus cases and the government is trying to encourage social distancing to curb its spread.

REMYA NAIR

19 March, 2020 2:57 pm IST



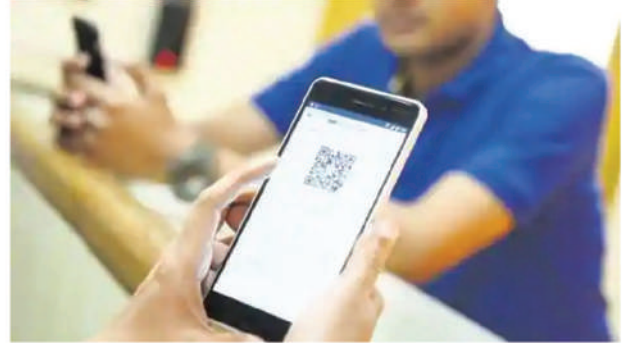
Representational image | Photo: Manisha Mondal | ThePrint

Text Size: **A-** **A+**

New Delhi: The Narendra Modi government and other stakeholders in India's digital payment system have taken to social media to encourage the use of online payments and discourage cash usage to curb the spread of the coronavirus across the country.

NPCI is an umbrella organisation for operating retail payments and settlement systems in India, and handles products like Unified Payments Interface, or UPI — a simplified payments system, Bharat Interface for Money or the Bhim app, card payment system Rupay and real-time money transfer system, IMPS.

Many senior officials of start-ups and like the Payments Council of India a



It is the extension of timeline for PPIs to convert minimum KYC to full Know Your Customer norms prescribed by the authorities. (Hemant Mishra/Mint)

RBI extends deadline for PPIs to become full KYC complaint

1 min read . Updated: 30 Aug 2019, 10:47 PM IST

PTI

- The RBI, however, made it clear that there will be no further extension in the timeline
- The PPI industry processed more than 4 billion transactions in the year ending March 2019

MUMBAI : The Reserve Bank of India (RBI) on Friday extended the timeline for the conversion of minimum detail Prepaid Payment Instruments to KYC-compliant PPIs from 18 months to 24 months, a move welcomed players in the segment.

Mahendra Nerurkar, Co-chair of the PPI committee at PCI and CEO, Amazon pay said with this extension the industry will have a true remote digital solution for KYC for PPIs.

"PPI plays a unique role as it allows cash customers to enter the digital economy through a convenient and trusted payment experience. This instrument cannot be replaced by alternate digital payment methods which are more conducive for native citizens," he said.

It is the extension of timeline for PPI



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



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 Post 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, FCC



Yashish Dahiya
Vice Chairman, FCC &
Co - Founder & Group 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

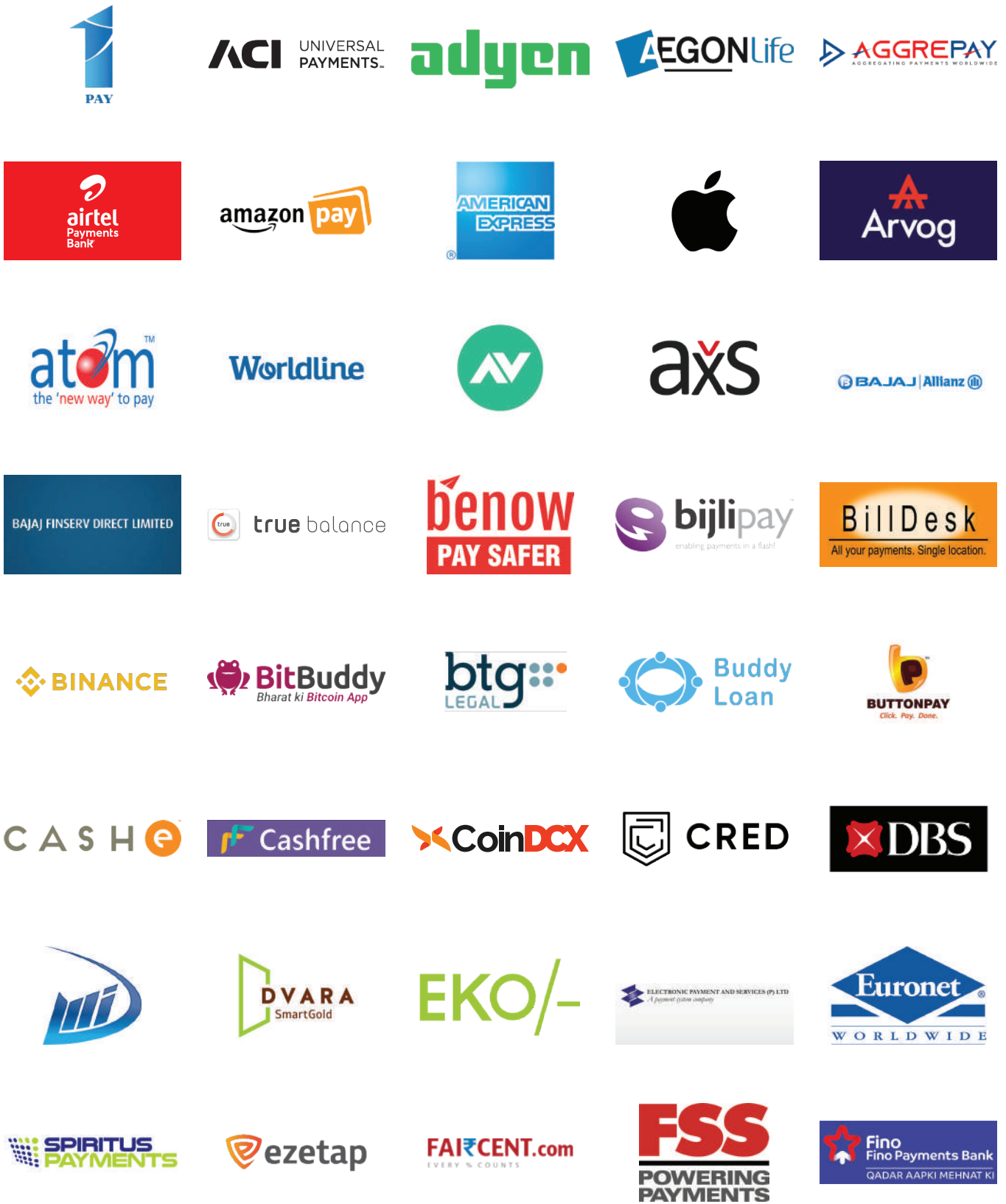


Varun Dua
Managing Director & CEO,
Acko General Insurance



Dilip Asbe
Managing Director &
CEO, National Payments
Corporation Of India (NPCI)

5. Members





MANTRA
Innovation that counts



MobiKwik

MoneyGram

mswipe

NET PAISA
Future of paisa

Niyo

NPCI
NATIONAL PAYMENTS CORPORATION OF INDIA

NSDL Payments Bank

OkCredit

OLAMONEY

onfido

OPEN

paisabazaar.com
India's No.1 Loans and Cards Marketplace



PAY 1
Dukandaron Ka Network

PayNearby

PAYNEXT
DIGITAL PAYMENT EXPERTS

PayPal

PaySe

Payswiff
SUCCESS. CREDITED.

paytm

PayU

PAYWORLD
Making Life Simple

PGENIE

PhiCommerce PayPhi

PhonePe
INDIA'S PAYMENTS APP

Pine Labs

DEFACTO TECHNOLOGIES
The Shortest Path to Synthesis-ready RTL

QuickSun Technologies

quickwork

Wikilver
India's Gift Card Pioneer

RapiPay

Razorpay

ripple

rupeepower



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.

For more information, visit www.paymentscouncil.in

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.

For more information, visit www.fintechcouncil.in

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