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RESERVE BANK OF INDIA

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April 28, 2016

RBI releases Consultation Paper on Peer to Peer Lending

The Reserve Bank of India has today placed on its website the [Consultation Paper on Peer to Peer Lending](#), for seeking comments/views from all interested parties and general public. The suggestions/comments on the Paper may be [emailed](#) or sent by post to the Chief General Manager, Department of Non-Banking Regulation, Reserve Bank of India, Central Office, 2nd Floor, Centre-1, World Trade Centre, Cuffe Parade, Colaba, Mumbai-400005 on or before May 31, 2016.

Peer to Peer Lending

Peer to Peer lending is a form of crowd-funding which can be defined as the use of an online platform that matches lenders with borrowers in order to provide unsecured loans. The borrower can either be an individual or a business requiring a loan. The lender can also be a natural or a legal person. Fee is paid to the platform by both the lender as well as the borrower.

There are many variants of Peer to Peer lending platforms in terms of the nature and extent of services provided by them and global regulatory practices also vary. At present, there is no clear regulatory framework in India governing the functioning of the Peer to Peer lending platforms.

The Consultation paper outlines the pros and cons of regulating the sector and proposes a suitable framework for regulating this activity, which includes minimum capital, permitted activity, governance requirements, fair practices code for customer dealing and data security.

Background

It may be recalled that that in the [First Bi-monthly Monetary Policy Statement - 2016-17](#), it was stated that a Consultation Paper will be put up on the Reserve Bank's website for public comments and based on the feedback, the contours of regulating Peer to Peer Lending will be decided in consultation with the Securities and Exchange Board of India (SEBI).

Press Release : 2015-2016/2520

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