प्रेस प्रकाशनी **PRESS RELEASE**

भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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August 10, 2023

Statement on Developmental and Regulatory Policies

This Statement sets out various developmental and regulatory policy measures relating to (i) Financial Markets; (ii) Regulation and Supervision; (iii) Payment Systems; and (iv) FinTech.

I. Financial Markets

1. Review of Regulatory framework for Financial Benchmark Administrators

In June 2019, the Reserve Bank issued a regulatory framework on administration of 'significant benchmarks' by benchmark administrators in the financial markets regulated by the Reserve Bank such as the USD/INR Reference Rate, Overnight MIBOR, and valuations of government securities administered by the Financial Benchmarks India Private Limited (FBIL). Considering the evolution of the domestic financial markets since then and global best practices, the regulations for financial benchmarks have been reviewed and it has been decided to put in place a comprehensive, risk-based framework covering administration of all benchmarks related to foreign exchange, interest rates, money markets and government securities such as benchmarks on certificate of deposits (CDs) rates, repo rates, and FX Options Volatility Matrix as well as other benchmarks on government securities. Revised Directions which are being issued separately, envisage regulatory prescriptions for benchmark administrators, encompassing, *inter alia*, governance and oversight arrangements, conflict of interest, controls, and transparency. These Directions will provide greater assurance about the accuracy and integrity of benchmarks.

II. Regulation and Supervision

2. Review of Regulatory Framework for NBFC – Infrastructure Debt Funds (IDF-NBFCs)

Infrastructure Debt Fund was created as a separate category of NBFCs in 2011. To enable the IDFs to play a greater role in financing of the infrastructure sector and to move towards the regulatory objective of harmonisation of regulations applicable to various categories of NBFCs, a review of the extant regulatory framework for IDFs has been undertaken in consultation with the Government of India. The revised framework envisages – (i) withdrawal of the requirement of a sponsor for the IDFs; (ii) permission to finance Toll Operate Transfer projects (ToT) as direct lenders, (iii) access to ECBs; and (iv) making tri-partite agreement optional for PPP projects. Detailed guidelines shall be issued shortly.

3. Responsible Conduct in Lending: Greater transparency in Interest Rate Reset of Equated Monthly Instalments (EMI) based Floating Interest Loans

The supervisory reviews undertaken by the Reserve Bank and the feedback and references from members of public have revealed several instances of unreasonable elongation of tenor of floating rate loans by lenders without proper consent and communication to the borrowers. To address the issue, it is proposed to put in place a proper conduct framework to be implemented by all REs to address the issues faced by the borrowers. The framework envisages that lenders should clearly communicate with the borrowers for resetting the tenor and/or EMI, provide options of switching to fixed rate loans or foreclosure of loans, transparent disclosure of various charges incidental to the exercise of these options, and proper communication of key information to the borrowers. The detailed guidelines in this regard shall be issued shortly.

4. Consolidation and harmonisation of instructions for Supervisory data submission

The Reserve Bank of India has, from time to time, issued several guidelines and instructions to its supervised entities (SEs) viz. SCBs, NBFCs, UCBs, AIFIs etc.

for submission of supervisory returns. Certain issues are being faced by SEs while complying with these instructions due to changes in technology platforms, modes of submission, and variations in the return submission timeframes.

In order to consolidate and harmonise the instructions for submission of applicable Supervisory Returns, provide greater clarity and reduce the compliance burden, it is proposed to consolidate all the existing instructions on submission of data into a single Master Direction which will be a single point of reference for all SEs.

III. Payment Systems

5. Conversational payments in UPI

UPI, with its ease of usage, safety and security, and real-time feature, has transformed the digital payment ecosystem in India. Addition of many new features over time have enabled UPI to facilitate diverse payment needs of the economy. As Artificial Intelligence (AI) is becoming increasingly integrated into the digital economy, conversational instructions hold immense potential in enhancing ease of use, and consequently reach, of the UPI system. It is, therefore, proposed to launch an innovative payment mode viz., “Conversational Payments” on UPI, that will enable users to engage in a conversation with an AI-powered system to initiate and complete transactions in a safe and secure environment. This channel will be made available in both smartphones and feature phones-based UPI channels, thereby helping in the deepening of digital penetration in the country. The facility will, initially, be available in Hindi and English and will subsequently be made available in more Indian languages. Instructions to NPCI will be issued shortly.

6. Offline payments in UPI

To increase the speed of small value transactions on UPI, an on-device wallet called “UPI-Lite” was launched in September 2022 to optimise processing resources for banks, thereby reducing transaction failures. The product has gained traction and currently processes more than ten million transactions a month. To promote the use of UPI-Lite, it is proposed to facilitate offline transaction using Near Field

Communication (NFC) technology. This feature will not only enable retail digital payments in situations where internet / telecom connectivity is weak or not available, it will also ensure speed, with minimal transaction declines. Instructions to NPCI will be issued shortly.

7. Enhancing transactions limits for small value digital payments

A limit of ₹200 per transaction and an overall limit of ₹2000 per payment instrument has been prescribed by the Reserve Bank for small value digital payments in offline mode including for National Common Mobility Card (NCMC) and UPI Lite. By removing the need for two-factor authentication for small value transactions, these channels enable faster, reliable, and contactless mode of payments for everyday small value payments, transit payments etc. Since then, there have been demands for enhancing these limits. To encourage wider adoption of this mode of payments and bring in more use cases into this mode, it is now proposed to increase the per transaction limit to ₹500. The overall limit is, however, retained at ₹2000 to contain the risks associated with relaxation of two-factor authentication. Instructions in this regard will be issued shortly.

IV. FinTech

8. Public Tech Platform for Frictionless Credit

With rapid progress in digitalization, India has embraced the concept of digital public infrastructure which encourages FinTech companies and start-ups to create and provide innovative solutions in payments, credit, and other financial activities. For digital credit delivery, the data required for credit appraisal are available with different entities like Central and State governments, account aggregators, banks, credit information companies, digital identity authorities, etc. However, they are in separate systems, creating hindrance in frictionless and timely delivery of rule-based lending.

To address this situation, a pilot project for digitalisation of Kisan Credit Card (KCC) loans of less than ₹1.60 lakh was started in September 2022. The pilot tested end-to-end digitalisation of the lending process in a paperless and hassle-free manner. The KCC pilot is currently underway in select districts of Madhya Pradesh, Tamil Nadu, Karnataka, UP, Maharashtra and the initial results are encouraging. The pilot also enables doorstep disbursement of loans in assisted or self-service mode without any paperwork. A similar pilot is being carried out for dairy loans based on milk pouring data with Amul in Gujarat.

Based on the learnings from the above pilots and expand the scope to all types of digital loans, a digital Public Tech Platform is being developed by the Reserve Bank Innovation Hub (RBIH). The Platform would enable delivery of frictionless credit by facilitating seamless flow of required digital information to lenders. The end-to-end digital platform will have an open architecture, open Application Programming Interfaces (APIs) and standards, to which all financial sector players can connect seamlessly in a 'plug and play' model.

The Platform is intended to be rolled out as a pilot project in a calibrated fashion, both in terms of access to information providers and use cases. It shall bring about efficiency in the lending process in terms of reduction of costs, quicker disbursement, and scalability.

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Press Release: 2023-2024/724