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**LAWKNIT ANALYSIS: RBI'S STATEMENT ON DEVELOPMENTAL AND REGULATORY POLICIES**


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Reserve Bank of India (RBI) has released 'Statement on Developmental and Regulatory Policies' on June 8, 2023 ("**Statement on Regulatory Policies**")<sup>1</sup>, thereby listing various developmental and regulatory policy measures relating to Financial Markets, Regulation, and Payment Systems. The RBI's Statement on Regulatory Policies provides insight into the upcoming changes in the regulatory space.

The insights from the Statement on Regulatory Policies relevant to Fintech companies are as follows:

**1. Default Loss Guarantee Arrangement in Digital Lending**

*"RBI has decided to put in place a regulatory framework for permitting First Loss Default Guarantee (FLDG) arrangements in Digital Lending for which RBI will issue the detailed guidelines. This has been done with objective of maintaining a balance between innovation and prudent risk management."*

**LawKNIT Analysis:** RBI has issued the Default Loss Guarantee Guidelines on 8<sup>th</sup> June 2023. As per DLG guidelines: the RE and LSP to enter into contractual arrangement specifying the extent, form, tenure, invocation etc of DLG. The cap on upfront and implied DLG is 5%.

Link: [Reserve Bank of India - Notifications \(rbi.org.in\)](https://www.rbi.org.in/PressReleases/Pages/Default-Loss-Guarantee-Guidelines.aspx)

**2. Expanding the Scope and Reach of e-RUPI vouchers to Pre-Paid Instruments ("PPI")**

*"RBI has proposed to (a) permit non-bank Prepaid Payment Instrument (PPI) issuers to issue e-RUPI vouchers, and (b) enable issuance of e-RUPI vouchers on behalf of individuals.*

*At present e-RUPI are issued only by banks only on behalf of Central and State Governments and to a limited extent on behalf of corporates. RBI will also modify other aspects like reloading of vouchers, authentication process, issuance limits, etc., to facilitate use of e-RUPI vouchers."*

**LawKNIT Comments:** e-RUPI is a digital pre-paid voucher which a beneficiary gets on his phone in the form of an SMS or QR code and he/she can redeem it at any center that accepts it. e-RUPI is one time contactless, cashless, person and purpose specific voucher-based mode of payment helps users redeem the voucher without a bank account, card, digital payments app, or internet banking access. This proposal will facilitate the usage of e-RUPI in new purposes like issuance of gift vouchers, individual gifting, food vouchers, purpose specific vouchers etc.

**3. Rationalisation of Licensing framework for Authorised Persons (APs) under Foreign Exchange Management Act (FEMA), 1999**

*"RBI has decided to rationalise and simplify the licensing framework for APs under FEMA which was last reviewed in 2006. This will be done with the objective to achieve operational efficiency in the delivery of foreign exchange facilities to common persons, tourists and businesses, while maintaining appropriate safeguards. In this regard, RBI will issued a draft of the revised authorization framework for inviting public feedback."*

**LawKNIT Analysis:** AP under FEMA is a person who is authorized by RBI to deal in foreign exchange. FEMA provides for categories of APs and their permitted activities. The simplification of the licensing framework for APs may lead to increase the scope for entities looking forward to

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<sup>1</sup> [Reserve Bank of India - Press Releases \(rbi.org.in\)](https://www.rbi.org.in/PressReleases/Pages/Statement-on-Developmental-and-Regulatory-Policies.aspx)



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becoming AP and the permitted activities of APs. It would also be an opportunity for the online platforms operating in forex segment.

**4. Streamlining Bharat Bill Payment System (BBPS) processes and membership criteria**

*“RBI will issue revised guidelines for streamlining BBPS processes and membership criteria to enhance efficiency of the system and also to encourage greater participation, the process flow of transactions and streamlining the membership criteria for onboarding operating units in BBPS.”*

**LawKNIT Comments:** BBPS is an integrated bill payment system in India offering interoperable and accessible bill payment service to customers through a network of agents of registered member, enabling multiple payment modes, and providing instant confirmation of payment. The streamlining of operating units (BBPOU) onboarding criteria may open up space for entities acting as agents to take up BBPOU membership.

**5. Internationalizing Issuance and Acceptance of RuPay Cards**

*“In order to expand the reach and acceptance of RuPay cards globally, RBI has decided to allow issuance of RuPay Prepaid Forex cards by banks in India for use at ATMs, PoS machines and online merchants overseas. Further, RuPay Debit, Credit, and Prepaid Cards will be enabled for issuance in foreign jurisdictions, which can be used internationally, including in India. RBI will issue necessary instructions in this regard.”*

**LawKNIT Comments:** Prepaid forex card locks in exchange rates and protects users from rate volatility and fluctuations. These cards also do not incur additional foreign exchange mark-up fees if used within the same currency jurisdiction for which card has been loaded. The issuance of RuPay Prepaid Forex cards will increase the payment options for Indian travelers abroad. This move will aid the Indian RuPay cards to get global reach.

**In case of any queries/clarifications, please feel free to reach out to Mr. Arunabh Choudhary at [arunabh@lawknit.co](mailto:arunabh@lawknit.co)**

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