

New RBI Fintech Sandbox

Reserve Bank of India (“RBI”) has updated Enabling Framework for Regulatory Sandbox (“Updated Regulations”) post its experiences gained over last few years and the feedback received from the stakeholders.

Introduction

The Regulatory Sandbox (“RS”) allows to conduct testing of new products or services in a controlled environment examining risk and benefits associated with the new products or services.

- Products| Services or Technology not accepted for RS: Credit Registry | Credit Information | Crypto-currency-assets services-trading etc. | ICO | Chain marketing services | Any services/products banned by government.
- Indicative relaxations from regulatory requirements: Liquidity requirements | Board composition | Management experience | Financial soundness | Track record | Statutory restrictions.
- Mandatorily compliance: Customer privacy & data protection | Secure storage | Local data storage | Transaction security | KYC-AML-CFT

RS Stages

- Preliminary Screening & Shortlisting: The applications meeting eligibility criteria and RS objectives are shortlisted. They need to present their product/service/technology post that they are shortlisted for testing phase.
- Testing Phase: Post formulation of test design the entities conduct testing and reports their findings.
- Evaluation Phase: The final outcomes of testing is evaluated on the expected parameters. Once it is approved, the entity is admitted into RS.

Amendments and Analysis

Sl. NO	Clauses	Updated Regulations	LK Analysis
1	Regulatory Sandbox Cohorts	New: Theme Neutral and cohort period increased to up to 9 months. Previous: Theme based and for 7 months.	Making it theme neutral allows Fintech start-ups to apply with their product at any point of time.
2	Fit and proper Criteria for selection in RS	New: May get into in – principle partnership arrangement with stakeholders. If the product have no new innovation and is similar to the product that is already tested then such product will be disqualified	Allowing partnership arrangement with stakeholders broadens the aspect for investments in Fintech.
3	Fit & Proper criteria for selection in RS	New: Included technology with product and services. Previous: Only included product and services.	Now, FinTech can be registered if they have any new technology.
4	Extending or Exiting the RS	Added grounds for disqualification: <ul style="list-style-type: none"> • false, misleading or inaccurate information, or concealed material facts in its application to RS. • breach of data security/failure to address technical defects, if any failure to develop or implement safeguards, the entity goes into liquidation or has regulatory license cancelled. • entity is unable to start testing or get into the required partnership 	Non-finding of technical solutions has been added as disqualification ground.
5	Statutory and Legal Issues	Added obligation of compliance with Digital Personal Data Protection Act (“DPDP Act”).	Interplay of RBI requirements & DPDP Act.

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