

April, 2024

## INTRODUCTION

Reserve Bank of India (“RBI”) in its recent Statement on Developmental and Regulatory Policies proposed certain measures relating to the payment system and fintech.



# LK ANALYSIS-FINTECH FRIDAY FINTECH UPDATES- RBI STATEMENT ON DEVELOPMENTAL AND REGULATORY POLICIES



RBI proposed the following:

- Non-bank payment system operators will be allowed to offer Central Bank Digital Currency aka e-Rupee (“CBDC”) wallet for CBDC-Retail.
- Cash deposit facility will be made operational with the use of the UPI.
- Prepaid Payment Instrument (“PPI”) wallet can be linked with the UPI, thus payment held in the PPI wallet can be transferred by using any UPI App.

## PROPOSED DEVELOPMENTS

	Existing Position	Proposed Changes
 CBDC Retail	<ul style="list-style-type: none"><li>• Presently, only banks are permitted to offer CBDC Retail and Wholesale.</li><li>• It is offered only in select locations to closer user groups of customers and merchants.</li></ul>	<ul style="list-style-type: none"><li>• RBI proposes to allow non-bank payment system operators to offer the CBDC for retail segment through their wallet payment system.</li><li>• It can be used for peer to peer (“P2P”) and peer to merchant (“P2M”) transactions.</li></ul>
 Cash Deposit Facility via UPI	<ul style="list-style-type: none"><li>• Presently, cash deposit facility is available only through use of debit cards.</li><li>• Use of UPI is already allowed for the card less cash withdrawal from Automated Teller Machines (“ATM”).</li></ul>	<p>Cash deposits through ATMs will be allowed by using UPI, in addition to the debit cards.</p>

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UPI access  
for PPIs  
through  
third-party  
applications

- Currently, wallet to wallet transfer is permitted in the PPI wallet payment system.
- The only permitted route is the transaction by using PPI issuer App.

- Users will be allowed to link their PPI wallet with the third-party UPI Apps.
- PPI holders will be able to make UPI payments similar to bank account holders.
- Permitted route for payment will include any other UPI app apart from the PPI issuer App.

## LAWKNIT ANALYSIS

- Enabling non-bank payment system operators to provide CBDC for the retail sector would enhance the appeal of CBDC among users and increase user confidence in it.
- Cash deposit process by using UPI is highly expected to be similar to the withdrawal facility through UPI wherein UPI Apps are required to verify the user by obtaining the user consent via asking UPI PIN at the time of request for the deposit of money.
- Linkage of the PPI wallet with the UPI will increase the scope of usage of PPI wallet by enabling the users to use their PPI wallet in a similar manner as their bank accounts which may have great impact on PPI market.

## RBI Comments Alert

RBI has issued (i) the draft Regulation of Payment Aggregators – physical Point of Sale and (ii) amendment to existing directions of Payment Aggregators (collectively “draft **Payment Aggregator Directions**”).

RBI has invited the comments on draft Payment Aggregator Directions to be sent on or before May 31, 2024.



In case of any queries/clarifications, please feel free to reach out to Mr. Arunabh Choudhary at [arunabh@lawknit.co](mailto:arunabh@lawknit.co); Mr. Amol Apte at [amol.apte@lawknit.co](mailto:amol.apte@lawknit.co); Ms. Tanvi Muraleedharan at [tanvi.muraleedharan@lawknit.co](mailto:tanvi.muraleedharan@lawknit.co).

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