

## Message from the CEO

In the world of finance, it is a given that inclusivity is synonymous with growth and development, and over the last few decades, India has made some noteworthy progress. Today, as we strive to lead the world into an era of tech-driven finance, it falls upon us to ensure that nobody is left behind. While there is no dearth of innovations in building financial products and services, the real challenge lies in enabling access to every citizen across the length and breadth of the country.

In this context, I am proud to say that we have set up a Gender Expert Committee at RBIH, comprising leaders and experts who will lead the country's growth story, just as they strengthen the economy through inclusion. I am hopeful of the impact they can create, and I welcome you to be a part of this journey.



— Rajesh Bansal, CEO-RBIH

## Digital Banking Units (DBUs) Launched



India took a big stride in its journey to financial inclusion when Prime Minister Narendra Modi launched **Digital Banking Units (DBUs)** as a follow-up to an announcement made in the Union Budget of 2022-23. 75 DBUs have been set up in 75 districts – commemorating 75 years of India's independence – in a record time of six months. With digital banking emerging as the preferred channel, the DBUs are designed to act as an enabler by providing services in a paperless, efficient, safe, and secure environment. The establishment of DBUs is an extension of RBI's initiatives in digital banking aimed at provisioning services in savings, credit, investment, insurance, and certain identified government-sponsored schemes. These digital-first centres can further be leveraged by fintech firms and digital business facilitators to reach a wider customer base while expanding the initiative's footprint.

## Interoperable Regulatory Sandbox



Following up on their respective regulatory sandbox cohorts, Indian financial sector regulators – namely RBI, SEBI, IRDA, PFRA and IFSCA – along with representation from the Ministry of Finance and Ministry of Electronics and Information Technology (MeiTY), Government of India have announced standard operating procedures (SOPs) for India's first Interoperable Regulatory Sandbox (IoRS). The IoRS is a mechanism that facilitates testing of innovative hybrid financial products and services which fall within the ambit of more than one regulator, and also enables faster go-to-market timelines. RBI's Fintech Department is slated to act as the nodal agency and also provide necessary secretarial support for this initiative. As per IoRS, Principal Regulator for an applicant will be the one under whose regulatory framework the dominant feature of the product/service falls under, while the regulator under whose remit the other features fall shall be the Associate Regulator. Read more about the IoRS [here](#).

## CBDC: The Future of Money is here

Central Banks across the globe have been closely watching developments in the crypto asset space. While most banks issued precautionary advisories to the general public on inherent risks in the unregulated space, they had also begun to show interest in the concept of a Central Bank Digital Currency (CBDC). In this context, RBI has recently taken two important steps: (a) **CBDC concept note** was released for public consultation, and (b) Pilot project with selected public sector banks for executing transactions using CBDCs.

The concept note defines CBDC as the legal tender issued by a Central Bank in a digital form, exchangeable at par with the existing currency and a safe store of value. It further justifies the adoption of CBDCs on account of a multitude of reasons including reduced operational costs, enhanced opportunities in financial inclusion, innovations in cross-border payment space, efficiency in settlement systems, and more. The note further delves into potential design features, implications on various policy issues, and possible requirements of a technology platform for such a futuristic intervention.

## Regulation in 'Big Tech'



In its annual report for 2021-22 released in May this year, RBI called out the need to explore policy frameworks for regulating 'Big Tech' firms in the financial sector. While no clear guidelines had been released hitherto, RBI's October bulletin carried an [article](#) on what could be the proposed way forward in this domain. Some of the risks particular to Big Tech firms are:

- Complex governance structures** limiting scope for effective oversight and design of entity-based regulations.
- Impact on risk and maturity transformation functions** through direct exposure to provision of financial services. At times, this may also translate or lead to shadow banking activities, thereby undermining financial stability.
- Potential market dominance** by creating innovative product offerings from easily-acquired cross-functional databases.

The article also brings to the fore different measures being implemented by regulators across the globe to rein in the currently-unregulated expansion of technology firms into financial services. This is expected to be a key area of policy intervention by the RBI and a space to watch keenly in the near future.

## Tech in Focus - RBIH Interoperable DLT POC

Financial entities across the globe have been working on adopting emerging technologies like Distributed Ledger Technology (DLT) to improve upon existing banking processes whilst enabling a seamless banking experience for their customers. In this context, RBIH undertook extensive research and carried out stakeholder consultations to identify gaps in DLT implementation. One of the biggest concerns was interoperability among DLT networks since separate networks do not work together.

In a big leap towards building a solution, RBIH conducted a successful Proof-of-Concept (POC) exercise with 11 banks, 3 industry partners, and 2 fintech startups. The POC was undertaken on the 'Inland Letter of Credit' (LC) as a use-case. An LC is a financial instrument issued by a bank called 'Issuing Bank' that guarantees the buyer's payment to the seller. In a situation where the buyer is not able to make the payment, the 'Issuing Bank' covers the full amount or the amount left on behalf of the buyer. In its existing form, the process is paper and labour-intensive, prone to frauds, dependent on outdated IT systems, and subject to stringent regulations.

The proposed DLT-led solution expedites the issuance process, while minimising risk and effort involved in LC for trade transactions. Through the interoperable DLT platform, a transaction can happen in real-time, be confirmed simultaneously to each participant, and replace physical exchanges of multiple documents over a number of days.



- Application prepares a relay query to fetch remote data to supply as argument to a local chaincode invocation
- Local relay determines how to route the request
- Local relay sends the request to remote network's relay
- Remote relay, through a driver, passes query and verification policy and determines how to collect data and proof

- Driver sends chaincode query to selected peers
- Remote network peers perform access control checks before executing query and signing the result
- Driver collects attested results and packages a response
- Remote relay sends the response to the local relay

- Local relay queues response to the selected application
- Application submits data and proof within a chaincode invocation
- Peers verify proof before processing the data

Read more about the POC [here](#).

## RBIH Bulletin

### RBIH X IPPB: New-age fintech innovation meets pan-India network!

Over the last thirty years, India has seen remarkable economic growth. Further, the country has also witnessed rapid advancement and adoption of mobile technology at low data usage costs in the past decade. However, there still remain large sections of the population, as well as micro and small businesses, that have limited access to essential financial services and expertise. It is in this context that financial inclusion becomes critical. Universal access to finance is quintessential in building a strong economy. To this end, [RBIH has joined hands](#) with India Post Payments Bank (IPPB) to leverage the latter's deep rural reach and bring digitised services to the customer's doorstep. IPPB shall also be an active participant and partner with RBIH on initiatives of national importance.

[Learn More →](#)

### Establishment of RBIH's Gender Expert Committee

RBIH constituted a Gender Expert Committee (GEC), as part of the larger Diversity, Equity and Inclusion (DEI) programme. The expert committee – comprising government representatives, leaders from private institutions, and renowned professionals – will play an instrumental role in leveraging technology to bring forth women-centric products and services. The RBIH GEC will meet on a regular basis, to understand the barriers and aspirations of women users of financial services, and work with the ecosystem to pivot towards "gender-intelligent banking".

### Latest on Swanari

In line with our vision for financial inclusion, RBIH hosted a virtual Techsprint earlier this year that focused on building solutions that enabled financial access for women in India. The hackathon covered a wide range of solutions including customer experience, credit, access to low literacy citizens, and more. The event saw participation from across the country – the best of which were shortlisted and awarded. Last month, we hosted the winners at our Bengaluru headquarters, where we held mentoring sessions with our Tech and Business teams, with the objective of seeing the plans to fruition.

In case of any queries or feedback, write to: [communications@rbihub.in](mailto:communications@rbihub.in)

<https://rbihub.in>

Reserve Bank Innovation Hub (RBIH)

@rbinnovationhub

@rbinnovationhub

A wholly-owned subsidiary of the Reserve Bank of India

#### Registered Office:

Reserve Bank Innovation Hub: Keonics-K wing, 4th Floor, 27th Main, Sector 1, 7th Cross Road, HSR Layout, Bengaluru – 560102  
Corporate Identity Number (CIN): U72900TG2021NPL149978  
GSTIN: 29AAKCR9018A120  
PAN: AAKCR9018A

To unsubscribe please send an email with subject "UNSUBSCRIBE" to [unsubscribe.rbihub@rbihub.in](mailto:unsubscribe.rbihub@rbihub.in)

**Disclaimer:** This email and any files and documents attached and transmitted with this email are confidential and privileged information and it is intended exclusively for the use of the individual or entity to which it is addressed. If you are not the intended recipient or if this e-mail has been addressed to you in error, please notify the sender immediately by e-mail and destroy all copies of this e-mail and its attachments. If you are not intended recipient, you are hereby notified that any use, dissemination, modifying, copying, downloading or storage of this e-mail or its attachments is strictly prohibited. Any views or opinions presented in this e-mail are solely those of the sender/author and do not necessarily represent those of the Reserve Bank Innovation Hub.

**Warning:** Although the Reserve Bank Innovation Hub has taken adequate precautions to ensure no viruses are present in this e-mail, Reserve Bank Innovation Hub cannot accept responsibility for any loss or damage arising from the use of this e-mail or attachments.

**NOTE:** This is a system generated mail so please do not reply to this mail.

© 2022 Reserve Bank Innovation Hub | Disclaimer