Fin(Wrap)

ISSUE: 012 SEPTEMBER 2023

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Message from CEO

Hello and welcome to the 12th edition of FinWrap!

I want to start off this month's newsletter by talking about a highlight preceding the recently concluded G20 summit. In August, under India's Presidency, G20 Digital Economy Ministers - a multilateral grouping of twenty jurisdictions - recognised the importance of Digital Public Infrastructure (DPI) and provided a working description for it.

This is particularly special because India pioneered the development and adoption of DPI, and in little over a decade, demonstrated to the international community the ways in which it can be used to drive financial innovation and increase access to finance for the underserved.

Our DPI ecosystem is made up of open source, interconnected blocks on which fintechs and other financial institutions have built groundbreaking products that resulted in significant improvements with regard to financial inclusion. I'm truly proud of the example we have set for the rest of the world, and I'm looking forward to the ways in which our DPI will continue to enable innovation that serves our population.

On that note, I'm pleased to bring you this edition of FinWrap - which completes one year of publication! I do hope you enjoy reading our newsletter; do write in with your thoughts!

Regards,
Rajesh Bansal
Chief Executive Officer
Reserve Bank Innovation Hub

India Fintech News

Global Economy: Challenges, Opportunities and Way Forward

In his closing remarks at the seminar organised as part of the International Financial Architecture (IFA) and Framework Working Groups (FWG) workstreams under India's G20 Presidency, Reserve Bank of India (RBI) Governor Shri Shaktikanta Das covered a range of critical topics. He began by acknowledging the valuable insights provided by three panel discussions: Financing Development and Global Public Goods, Tackling Global Debt Vulnerabilities, and Key Risks to the Global Economy, as these issues are at the forefront of India's G20 Presidency priorities.

The overarching theme of India's G20 Presidency, 'Vasudhaiva Kutumbakam – One Earth-One Family-One Future', underscores the importance of global cooperation in addressing common challenges. Global Public Goods (GPGs) are highlighted as crucial for shaping development and securing human welfare across borders and generations.

He then elaborated on India's experience with Digital Public Infrastructure (DPI), exemplified by the Unified Payments Interface (UPI), and how it demonstrates the potential for digital infrastructure to contribute to GPG when scaled beyond national borders. He emphasised that both the public and private sectors can play essential roles in financing GPGs. His speech also highlighted the key risks to global growth, including inflation, financial stability, and climate change, the need to provide financing for a smooth green transition, transparent disclosure norms, and a taxonomy of green activities.

Shri Das concluded his speech by emphasising the importance of multilateralism and collaborative efforts to address these structural challenges, ultimately striving for a better world through transformative changes and the adoption of successful models like the UPI.

Launch of Public Tech Platform for Frictionless Credit

As part of the Statement on Developmental and Regulatory Policies released on August 10, 2023, Reserve Bank of India (RBI) has announced the development of a Public Tech Platform for Frictionless Credit. The Platform is being developed by Reserve Bank Innovation Hub (RBIH).

The Public Tech 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. The pilot commenced on 17th August 2023.

India passes landmark Privacy Legislation: Impact on Financial Institutions

The Digital Personal Data Protection (DPDP) Act, 2023 was recently passed by the Indian Parliament. The Act is poised to bring significant changes to the financial sector, requiring a reevaluation of traditional business practices to safeguard citizens' personal data.

The Act's scope covers a broad range of personal data held by banks and financial institutions, encompassing data collected digitally or subsequently digitised. This extends its applicability to all financial services using digital interfaces or digitised customer records.

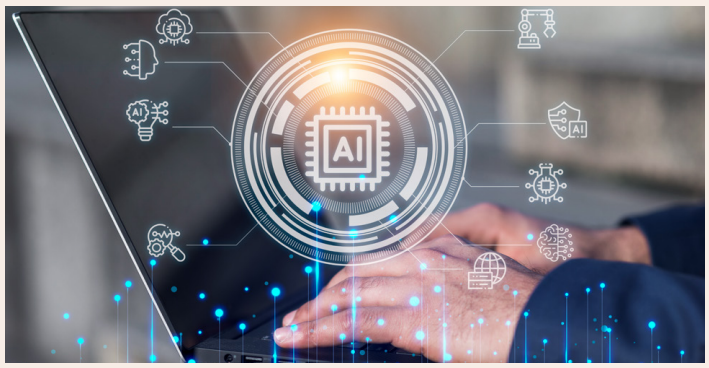
Financial institutions are obligated to inform customers about data collection, their rights under the Act, contact points, and complaint procedures. Notices must be provided in constitutionally recognised Indian languages.

Institutions must also maintain records of notices, consents, and customer responses. Data can only be processed for the specified purpose for which consent was granted, preventing unauthorised use. They would also need to put in place a comprehensive consent architecture such that consumers can withdraw their consent at any point in time. Financial institutions must delete personal data when consent is withdrawn or when it's reasonable to assume that the specified purpose is no longer relevant.

The DPDP Act addresses cross-border data sharing, allowing transfers only to specific countries, or when safeguarding measures are met. It also acknowledges sectoral regulations, like RBI's data localisation requirements. Furthermore, based on data volume, sensitivity, and impact on sovereignty, financial institutions may be designated as significant data fiduciaries. This designation entails additional responsibilities, such as appointing a resident data protection officer and conducting regular assessments. Detailed guidelines on the phased implementation of this Act are now awaited.

Fintech News

Deloitte launches AI incubator in India



Deloitte has introduced the Global Generative AI Market Incubator to foster innovation in generative AI and support global businesses. This initiative aligns with the rising demand for generative AI and aims to cultivate tech innovation and talent in India. Deloitte's AI incubator will tap into the expertise of its professionals, including data scientists and engineers, to expedite project delivery and create immediate value.

The launch of this incubator also aligns with the Indian government's agenda to promote tech talent and AI-driven opportunities. Deloitte intends to collaborate with academic institutions and industry bodies to develop a skilled generative AI workforce, enabling them to serve global clients from India.

The Global Generative AI Market Incubator positions Deloitte India as a player on the global stage, opening up new growth prospects and cross-functional learning opportunities while reaffirming their commitment to investing in India's technological future.

Tech in Focus

Privacy Enhancing Technologies in Financial Sector

Earlier this month, India joined the list of select geographies that have a well-defined data protection regime. The passing of the Digital Personal Data Protection Act (2023) would necessitate the adoption of technology and process controls that augment existing data protection practices. In an age defined by data, Privacy Enhancing Technologies (PETs) are emerging as critical tools for safeguarding sensitive information and fostering trust, particularly in the financial sector. Globally, the application of PETs is reshaping the landscape of financial services, ensuring the privacy and security of individuals' financial data while upholding regulatory compliance.

PETs encompass a diverse set of technical solutions, many of which rely on advanced cryptographic techniques and data manipulation methods. Legacy PETs often use **Data Encryption** to protect data during storage and transmission, ensuring that unauthorised access results in unreadable data without the proper decryption key. **Tokenization** replaces sensitive data with tokens, ensuring that the original data is never exposed. Legacy PETs have played a pivotal role in bolstering secure payment systems in India. The prime illustration is UPI.

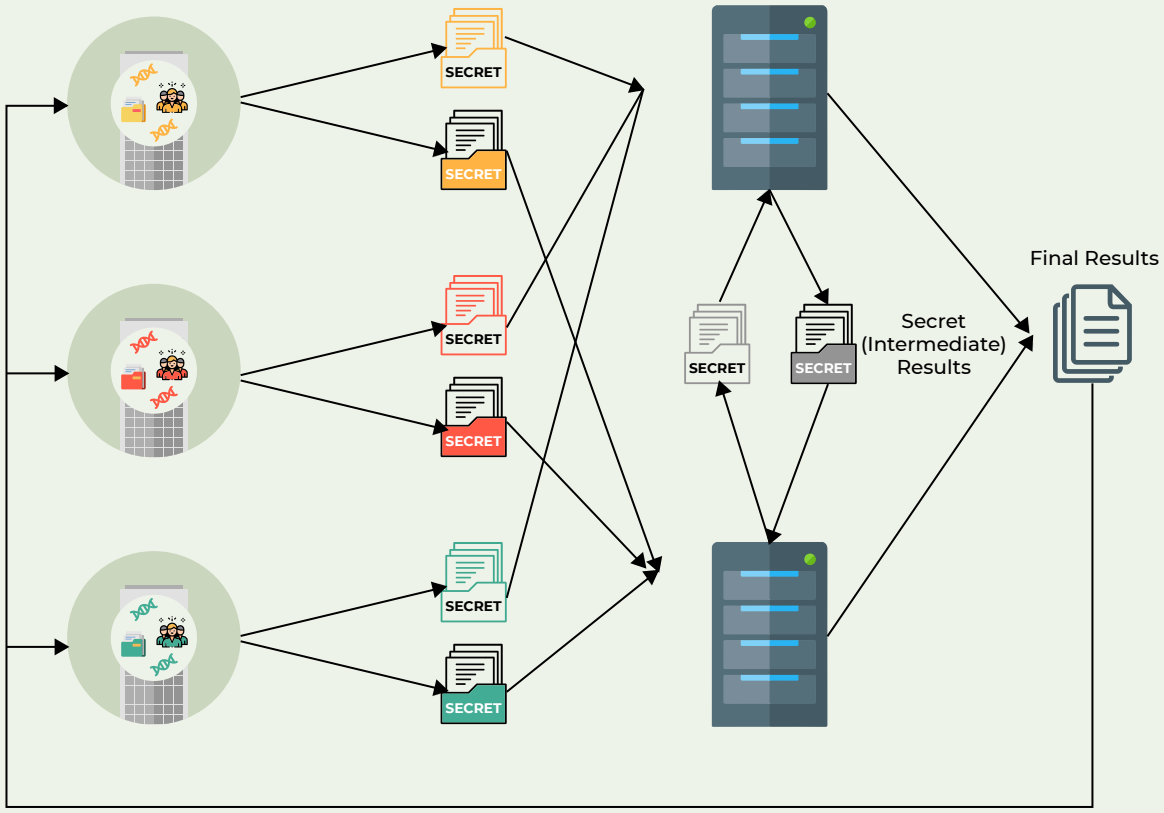
UPI transactions, backed by PETs, are characterised by robust encryption and anonymisation of user data. This ensures that sensitive financial information remains confidential, engendering confidence in digital payment platforms.

India is also witnessing the rise of decentralised finance (DeFi), a domain heavily reliant on blockchain technology and PETs for secure and private transactions. DeFi platforms allow users to have full control over their financial assets while keeping their identities confidential. With the increasing use of biometrics for authentication, PETs ensure the privacy of biometric data. Facial recognition systems in ATMs, for instance, use PETs to transform facial features into unrecognisable patterns, ensuring that biometric data cannot be misused.

Among the recently developed PETs, **Differential Privacy** techniques add controlled noise to data, making it statistically difficult to discern specific individual information while still enabling useful data analysis. **Homomorphic Encryption** enables data to be processed in an encrypted form, preserving privacy during computations and revealing only the results. and **Secure Multi-Party Computation (SMPC)** enables multiple parties to jointly compute a function over their inputs while keeping those inputs private.

Secure Multi-Party Computation (SMPC)

Participants Secret Sharing Computing Parties



Source: [Privacy-Preserving Artificial Intelligence Techniques in Biomedicine]

One of the key concerns associated with PETs is that they can be complex to implement and maintain, often requiring specialised expertise and investments in technology and personnel. The introduction of PETs may lead to performance degradation due to increased processing time and latency. In some cases, PETs can significantly reduce the utility of data for analysis, complicating the extraction of meaningful insights. Furthermore, integrating PETs into existing systems and workflows can be challenging, particularly with legacy systems and third-party services. Lastly, continually evolving data privacy regulations may require continuous adaptation of PETs to remain compliant.

An inclusive cybersecurity approach that combines PETs with other security measures is often the most effective way to mitigate risks while harnessing the benefits of enhanced privacy and security in the financial sector.

RBIH Updates

Launch of RBIH FinXcelerator Programme

FinXcelerator — RBIH's Fintech Accelerator Programme in collaboration with PIEDS: Pilani Innovation & Entrepreneurship Development Society, BITS Pilani Birla Institute of Technology and Science, Pilani and ICICI Bank was officially launched earlier this month. The launch was preceded by a panel discussion on 'The Future of Fintech', where esteemed panellists, Mr. Rakesh Ranjan, Mr. Ishan Bansal, Mr.Vikram Gupta, Mr. Joseph Joshy, and Mr. Hitesh Sachdev, delved into the exciting realm of innovations in the financial landscape from a multi-stakeholder perspective. The discussions were insightful, the connections meaningful, and the enthusiasm infectious. As we reflect on the thought-provoking panel discussion and engaging interactions, we're truly humbled by the vibrant fintech community that came together.

Delegate visit from National Bank of Rwanda

We had the privilege of hosting delegates from the National Bank of Rwanda (NBR) at our Headquarters. The visit proved to be a great opportunity for knowledge exchange, innovation exploration, and strengthening ties between our institutions. Through insightful discussions and engaging sessions, we delved into each other's innovative projects, sharing valuable insights that have the potential to shape the future of financial technology. We are excited about the possibilities that lie ahead and look forward to more such international collaborations that drive innovation and progress.

Swanari Dialogues

We prioritise frictionless finance for every Indian woman through our Swanari programme. In line with this spirit, we at RBIH hosted our second Swanari Dialogues in August 2023, where discussions tackled real-world challenges head-on, focusing on the persistent issue of credit linkages for women-led businesses. We thank Catalyst for Women Entrepreneurship for their network support. Participants delved into these obstacles, spotlighting intricate barriers that can hinder the growth of emerging women's enterprises. In response, we're actively seeking gender-intentional lending solutions for micro and medium women entrepreneurs through Swanari TechSprint 2023.

In case of any queries or feedback, write to: communications@rbihub.in

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