Fin(Wrap)

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India Fintech News

Fintech News

Tech in Focus

RBIH Updates

Message from CEO

In this edition of FinWrap, I am delighted to bring to your attention a groundbreaking initiative developed by RBIH under RBI's guidance, the Public Tech Platform for Frictionless Credit (PTPFC).

At its very core, PTPFC represents a significant step in our ongoing mission to foster financial innovation and inclusivity. This transformative initiative is set to revolutionize access to credit, reshaping our financial landscape.

This edition of FinWrap also highlights key insights from India's G20 Presidency and the Global Fintech Fest (GFF) 2023. It is remarkable to witness how PTPFC is now a driving force in India's fintech narrative, making a significant impact not only within our borders but also on the global stage.

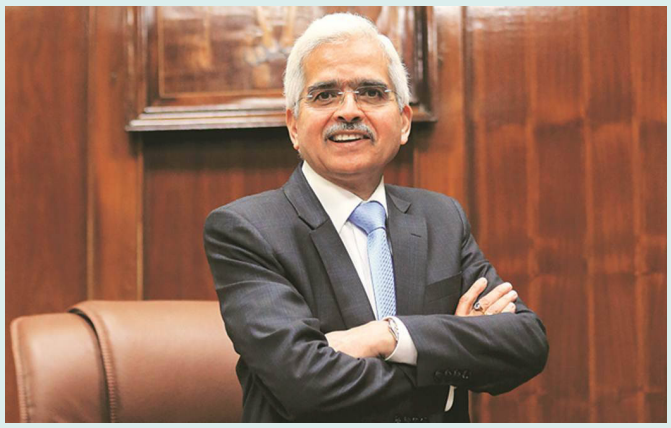
Your unwavering support has been instrumental in driving our journey of innovation and transformation. Together, we are setting the stage for a future where frictionless access to credit becomes a reality for all, creating opportunities and improving the lives of countless individuals.

Thank you for being a part of this incredible journey.

Warm regards,
Rajesh Bansal
Chief Executive Officer
Reserve Bank Innovation Hub

India Fintech News

Fintech and the Changing Financial Landscape



In his keynote address delivered at the Global Fintech Fest (GFF) in Mumbai, Shri Shaktikanta Das, Governor, Reserve Bank of India (RBI) commended the organisers for bringing together different stakeholders of the Indian fintech ecosystem. He highlighted the importance of innovation in the fintech industry and emphasised that events like these facilitate knowledge sharing and innovation. Shri Das' speech outlined the profound shift in the traditional financial services landscape with the advent of fintechs.

The global fintech sector, currently generating $245 billion in annual revenue, is projected to reach $1.5 trillion by 2030. The Indian fintech industry is expected to contribute around $200 billion to this projection, highlighting its increasing significance.

He discussed the role of Digital Public Infrastructure (DPI) with a focus on India's innovative approach, including the Unified Payments Interface (UPI) for its phenomenal role in the Fintech revolution in India, promoting financial inclusion and driving innovation. While discussing on-going initiatives, spoke about the Central Bank Digital Currency (CBDC) and the Public Tech Platform for Frictionless Credit (PTPFC), in particular. He emphasised on the importance of customer-centricity, governance, and self-regulation in the fintech ecosystem. The need for responsible digital innovations, effective governance structures, and the establishment of a self-regulatory organisation by fintech players was also reiterated.

In his concluding remarks he reaffirmed the RBI's stance to drive regulatory and policy measures to promote a vibrant and responsive fintech ecosystem in India.

Key highlights from India's G20 Presidency

India's G20 presidency culminated in a befitting finale at the G20 Summit in New Delhi. Visitors were able to experience the digital innovations first-hand at the innovation showcase. Some of these innovations in the Indian financial sector displayed were: RBI's e-Rupee (Central Bank Digital Currency), Public Tech Platform for Frictionless Credit (PTPFC) and the UPI-enabled cashless kiosks.

The lead up to the G20 Summit also saw key meetings across different stakeholders in the financial ecosystem. The G20 Digital Economy Ministers reached a groundbreaking consensus on how to effectively shape Digital Public Infrastructure (DPI) of the future.

India has entered into eight Memorandums of Understanding (MoUs) with countries such as Armenia, Sierra Leone, Suriname, Antigua, Barbados, Trinidad and Tobago, Papua New Guinea, and Mauritius, offering them the India Stack and DPI at no cost and with open-source access. These nations now have the opportunity to adopt and utilise these resources within their borders, further developing their unique innovation ecosystems.

Shri Rajeev Chandrasekhar, Union Minister of State in the Ministry of Skill Development and Entrepreneurship; and Electronics & Information Technology highlighted that India is now a case study, as a nation that employed and deployed technological tools for progress and growth. Countries that have lagged behind increasingly see this as a way to follow India's lead in DPIs, an open-source digital infrastructure, and using it to create the same impact that India has.

The G20 Sustainable Finance Working Group Meeting finalised the G20 Sustainable Finance Report, 2023 which has recommendations in the following areas.

1. Mechanisms for Mobilisation of timely and adequate resources for climate finance

2. Policy measures and financial instruments for catalysing the rapid development and deployment of green and low-carbon technologies

3. Scaling-up the adoption of social impact investment instruments

4. Improving nature-related data and reporting

5. G20 technical assistance action plan

6. Overcoming data-related barriers to climate investments.

Global Fintech Fest (GFF) 2023: Key Highlights

The 4th edition of the Global Fintech Fest (GFF) unfolded over three days, from September 5 to 7, 2023, at the Jio World Centre in Mumbai. Collaboratively organised with National Payments Corporation of India (NPCI), Payments Council of India, and Fintech Convergence Council (FCC), the GFF served as a reunion for fintech leaders, fostering collaborations and shaping the industry's future.

Some of the key highlights from this year's edition were:

Smt. Nirmala Sitharaman, Union Finance and Corporate Affairs Minister gave the inaugural address for the event. She spoke about key achievements under India's G20 Presidency including the frameworks for handling issues relating to crypto-assets. The Union Finance Minister also released a report titled 'The Second Wave: Resilient, Inclusive, Exponential Fintechs'.

UIDAI demonstrated AI-driven facial authentication technology for Aadhaar in collaboration with Airtel Payments Bank, aiming to improve resident authentication. Under the theme "Reimagine Aadhaar Together," UIDAI underscored the pursuit of seamless identity services through innovation, outlining plans for a sandbox and innovation lab in Bengaluru to facilitate research and collaboration within the ecosystem.

SBI launched the 'Nation First Transit Card,' a RuPay NCMC Prepaid Card designed for convenient digital fare payments and retail transactions.

The NPCI unveiled five new solutions built on the UPI platform. The solutions included a UPI Credit Line, UPI Lite X for offline NFC transfers, QR and NFC technology for payments, multi-language voice-enabled UPI payments, and BiPay Connect, facilitating conversational bill payments via voice and collection centers.

Highlights of the closing address by RBI Governor Shri Shaktikanta Das included next steps for RBI's CBDC project, words of praise for the Public Tech Platform for Frictionless Credit (being developed jointly by the Fintech Department of RBI and the Reserve Bank Innovation Hub) and the nudge for fintech to set up a Self Regulatory Organisation (SRO) in the near future.

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Project Sela: Accessible and Secure CBDC platform by BIS Innovation Hub

Project Sela is a joint experiment between the BIS Innovation Hub Hong Kong Centre, the Bank of Israel (BoI) and the Hong Kong Monetary Authority (HKMA).

The design of a functional rCBDC platform poses significant challenges for central banks. While the central bank holds a pivotal role in ensuring the core functions of the system, including sound money, liquidity, and security, the evolving and diverse nature of retail payments necessitates the involvement of a vibrant community of intermediaries. This approach fosters competition, innovation, and broad access to payment services.

As central banks embark on this exploration, crucial questions arise regarding the most efficient division of tasks between the private and public sectors in delivering the rCBDC platform and services.

In response to these inquiries, Project Sela emerges as an initiative that aims to test the feasibility of an accessible and cyber-secure rCBDC proof of concept. The project operates under the assumption that competition, innovation, access, and cybersecurity are essential properties of an rCBDC payments platform. It further posits that these properties can be effectively achieved through a public-private partnership that supports a dynamic ecosystem of private sector intermediaries.

The chosen architecture for Sela involves the central bank managing the retail ledger and providing rCBDC accounts for end users. Simultaneously, private intermediaries take charge of all customer-facing rCBDC services and obligations. Through this collaborative approach, Project Sela seeks to provide insights into the viability of an rCBDC system that balances accessibility, competition, innovation, and cybersecurity in a rapidly evolving digital financial landscape.

Tech in Focus

Regulatory Technology (RegTech) For Financial Sector

Regulatory Technology, commonly known as Regtech, has emerged as a transformative force within the financial sector, offering innovative solutions to navigate the complex landscape of regulatory compliance. At its core, Regtech utilises advanced technologies to streamline and enhance the efficiency of regulatory processes, providing financial institutions with tools to manage compliance, mitigate risks, and bolster overall governance.

Building Blocks of Regtech:
Central to Regtech is the extensive use of data analytics. Financial institutions deal with vast amounts of data, and advanced analytics help in extracting meaningful insights, identifying patterns, and ensuring compliance with regulatory requirements. Automation is a key building block of Regtech, reducing manual intervention in compliance processes. Automated workflows, reporting, and monitoring systems streamline tasks, minimise errors, and enhance the speed of compliance operations. AI and ML algorithms play a pivotal role in automating tasks that were traditionally time-consuming and prone to errors. These technologies enable predictive analytics, anomaly detection, and continuous monitoring to ensure real-time compliance. The decentralised and immutable nature of blockchain technology provides a secure and transparent way to record and verify transactions. Regtech can also leverage blockchain for enhanced data integrity, reducing the risk of fraud and ensuring compliance with regulatory standards.

Applications of Regtech:
Regulatory reporting is often a complex and time-sensitive task. Regtech solutions can be used to automate the generation and submission of regulatory reports, ensuring accuracy and timeliness in compliance documentation. Regtech solutions employ AI and data analytics to enhance AML and KYC processes. Automated identity verification, transaction monitoring, and risk profiling streamline compliance with anti-money laundering regulations. Regtech tools also assist in real-time risk assessment by continuously monitoring market conditions, analysing data for potential risks, and providing timely insights to mitigate risks effectively. With the rising threat of cybercrimes, Regtech solutions employ advanced cybersecurity measures, including encryption, threat detection, and incident response systems, to safeguard financial institutions and customer data.

Challenges in Regtech Adoption:
Integrating new Regtech solutions with existing systems can be challenging. Financial institutions often grapple with legacy infrastructure, making seamless integration a key challenge. Since Regtech relies heavily on data, striking a balance between effective use of data and ensuring privacy is a continuous challenge. Striking a balance between effective use of data and ensuring privacy is a continuous challenge. Further, the regulatory landscape is dynamic, with frequent updates and changes. Regtech solutions must adapt quickly to evolving regulations, posing a challenge in staying ahead of compliance requirements. Also, while Regtech promises long-term cost savings, the initial investment in technology and implementation can be substantial. Smaller financial institutions may find it challenging to allocate resources for comprehensive Regtech adoption.

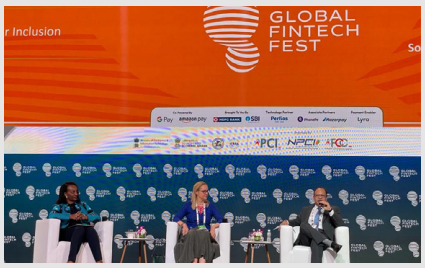
Regtech stands as a powerful ally for financial institutions seeking to navigate the intricate world of regulatory compliance. With its innovative building blocks and diverse applications, Regtech offers a pathway to efficiency, accuracy, and enhanced governance. However, overcoming integration challenges, addressing data privacy concerns, navigating regulatory uncertainties, and managing implementation costs remain critical hurdles in unleashing the full potential of Regtech.

RBIH Updates

RBIH @ Global Fintech Fest 2023

It was an honour to present our 'Frictionless Credit' journeys at the Reserve Bank of India (RBI) Innovation Pavilion to dignitaries including Smt. Nirmala Sitharaman, Union Finance and Corporate Affairs Minister, Shri Shaktikanta Das, Governor, RBI, Shri T Rabi Sankar, Deputy Governor, RBI and Shri Nandan Nilekani, Co-founder and Chairman, Infosys and senior officials of the Government of India during the Global Fintech Fest 2023. Their invaluable insights reinforced our efforts to work for an inclusive and tech-driven economy.

We had an incredible 3 days at the Global Fintech Fest, packed with insights, innovation, and collaboration! Our first session on 'Driving Financial Innovation through Partnership and Emerging Tech' explored the future of finance through a dynamic trialogue with industry leaders such as Mr. Rajesh Bansal, CEO, Reserve Bank Innovation Hub, Prof. Dr. Joachim Wuermeling, Member of the Executive Board, Deutsche Bundesbank, and Mr. Eduardo Enrique Torres Llosa Villacorta, General Manager, Banco Central de Reserva del Perú - BCRP.



Our fireside chat explored the importance of innovation in promoting financial inclusion with thought-provoking insights from experts including our CEO, Mr. Bansal, Ms. Cecilia Skingsley, Head, Bank for International Settlements – BIS Innovation Hub, and Ms. Soraya M. Hakuziyaremye, Board Vice Chairperson and Deputy Governor, National Bank of Rwanda (NBR).

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the Gender Gap in Finance receiving global perspectives from Ms. Shinjini Kumar, Co-Founder, SALT - mysaltapp, Mr. Xavier Faz, Lead, Financial Services for Equality and Growth, CGAP, Ms. Shilpa Rao, Lead – Gender and Finance, Reserve Bank Innovation Hub and Ms. Chetna Gala Sinha, Founder and President, Mann Deshi Foundation and Mann Deshi Mahila Sahakari Bank Limited. The panel explored global perspectives and experiences on addressing inequality in access, usage and quality of financial services between men and women and how collaboration between multiple stakeholders could go a long way in bridging these gaps.

Rendezvous with VCs and RBIH

In collaboration with the Indian Venture and Alternate Capital Association (IVCA), the session conducted at our office was presided over by our CEO, Mr. Rajesh Bansal, and expertly moderated by Mr. Ashish Fafadia, Partner at Blume Ventures, ignited a thought-provoking discussion on the current fintech ecosystem. VCs passionately represented their portfolio companies, providing invaluable insights. The meeting also delved into promising collaborative opportunities between the VC community and RBIH, aimed at nurturing innovation within the fintech ecosystem. The shared enthusiasm for these engagements is palpable, and we are eager to continue such enriching discussions.

RBiH

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

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