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Message from CEO

Hello and welcome to the latest edition of FinWrap!

Our team remains dedicated to engaging with partners, identifying ground-level challenges, and crafting innovative solutions that redefine finance for various segments of the population. I would like to share that recently, RBIH hosted a stakeholder confirm round table to discuss the topic of "Frictionless Credit Repayments: Banks at the Forefront." The roundtable had representatives from nine commercial banks and the National Payments Corporation of India (NPCI).

In this edition, we cover key insights from the Deputy Governor of RBI, Shri Swaminathan Janakiraman's recently delivered speech on priority sector lending. He emphasised the global shift towards sustainable finance. The Reserve Bank of India (RBI) has also proactively established the Sustainable Finance Group to address climate-related financial risks. On similar grounds, we have covered more about the role of "Tech in Green Finance."

I am thrilled to present our latest FinWrap edition, delving into the most recent developments and trends shaping the world of fintech.

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

India Fintech News

Fostering Economic Growth through Sustainable Finance and Financial Inclusion

RBI Deputy Governor Shri Swaminathan J's speech delivered at the conference on Priority Sector Lending held at College of Agricultural Banking (CAB), Pune underscored the crucial role of sustainable finance and financial inclusion in fostering economic growth. He highlighted the significance of sustainable finance, framing it as funding for projects promoting economic growth, environmental protection, social equity, and responsible governance.

Shri Janakiraman's speech emphasised the global shift towards sustainable finance, with governments, regulatory bodies, and international organisations actively promoting standards and guidelines. In the Indian context, the Reserve Bank of India (RBI) has taken proactive steps, establishing the Sustainable Finance Group to address climate-related financial risks. The speech further detailed RBI initiatives, including a discussion paper on climate risk and a framework for green deposits. The DG connected Priority Sector Lending, a crucial component of financial inclusion, with sustainable finance. He discussed the evolution of Priority Sector Lending in India, emphasising on its role in providing access to formal financial services for marginalised populations. His speech outlined how Priority Sector Lending categories, such as agriculture, MSMEs, and renewable energy, incorporate elements of sustainability.

In conclusion, Shri Janakiraman urged banks to go beyond regulatory compliance and embrace the spirit of the Priority Sector Lending framework. He called for proactive efforts to translate sustainability principles into action, emphasising the transformative impact financial institutions can have on the lives of millions. He closed the speech with a quote from Chanakya, highlighting the cumulative effect of small efforts in creating a prosperous, equitable, and sustainable future for all.

Applications Open For Fifth Cohort of RBI's Regulatory Sandbox

The RBI has declared the commencement of the application process for its regulatory sandbox—an initiative enabling eligible entities to propose innovative products or services within the financial services realm, currently residing in regulatory ambiguity.

These propositions can undergo testing within a closely monitored regulatory framework. This collaborative environment allows both the regulator and participating entities to evaluate the advantages and risks associated with new technologies, assessing their impact on public interest and consumers while ensuring necessary safeguards. Notably, in contrast to prior sandbox cohorts, this round welcomes applications without a specific theme, encouraging innovative products and services across the entire spectrum of financial services.

Key Regulatory Developments

Self-regulatory organisations (SROs) for regulated entites

In its Statement on Regulatory and Developmental Policies released on October 6th, the RBI has disclosed its intention to introduce an 'omnibus framework' for acknowledging self-regulatory organisations (SROs) catering to various Regulated Entities. SROs, as non-governmental entities, play a role in establishing and enforcing standards and rules for their member entities within specific industry sectors.

This involves addressing overarching concerns like customer protection, member training and education, as well as contributing to the overall development of the industry and ecosystem. The RBI envisions this framework to outline general objectives, eligibility criteria, functions, and governance standards that would be universally applicable to all SROs across sectors. Additionally, it may introduce sector-specific conditions when inviting applications for the recognition of such SROs.

Amendments to Master Directions on KYC

On October 17th, the RBI implemented immediate amendments to the Master Directions on KYC, following a recent series of changes in April. The overarching objective of these revisions is to further harmonise India's KYC regulations with the standards outlined by the Financial Action Task Force (FATF). Given the global acceptance of FATF measures, a country's adherence becomes crucial for its international reputation. The timing of these amendments suggests a strategic alignment with India's impending review by FATF, indicating a proactive approach to meeting and possibly exceeding the international standards in combating money laundering and terrorist financing.

Amendments to Master Directions on KYC

The RBI has mandated that all its Regulated Entities, excluding those within the Account Aggregator (AA) ecosystem regulated by Securities and Exchange Board of India (SEBI), Insurance Regulatory and Development Authority (IRDAI), and Pension Fund Regulatory & Development Authority (PFRDA), and classified as Financial Information Users (FIUs), must also function as Financial Information Providers (FIPs).

This requirement applies to entities holding 'specified financial information' falling under the Account Aggregator Master Directions' definition of an FIP.

The RBI's directive is a response to the observation that some onboarded FIUs solely receive financial information through the AA flow without reciprocating by providing financial information themselves.

This move is poised to broaden the FIP pool, extending inclusion to entities like deposit-taking NBFCs and payments banks, many of which currently operate solely as FIUs. The RBI's decision appears to enforce a principle of reciprocity within the data-sharing ecosystem, compelling entities to engage in both receiving and providing financial information. By necessitating the dual role of FIU and FIP, the RBI aims to foster a more comprehensive and interconnected financial information landscape, promoting a balanced and reciprocal approach to data sharing within the regulatory framework.

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BIS Proposes Harmonised Data Standards For Cross Border Payments

The Committee on Payments and Market Infrastructures (CPMI) under the Bank for International Settlements (BIS) has released standardised ISO 20022 data requirements aimed at establishing a consistent minimum set of messaging standards to enhance the efficiency of cross-border payments.

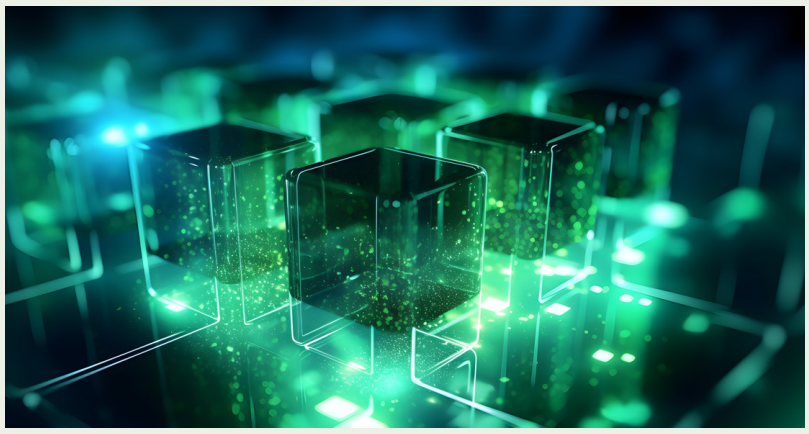
ISO 20022, a global messaging standard for financial information exchange, was collaboratively developed by the CPMI and the private sector Payments Market Practice Group (PMPG) specifically for use in cross-border payment transactions.

Documented in the report titled "Harmonized ISO 20022 data requirements for enhancing cross-border payments – final report to the G20," these data requirements are designed to streamline the end-to-end processing of payments, ultimately contributing to quicker and more reliable transactions. The broader adoption of ISO 20022 across global payment systems presents a significant opportunity to enhance interoperability. However, this potential can only be fully realised if jurisdictions implement the international messaging standard consistently. The CPMI's release of harmonized ISO 20022 data requirements addresses this potential risk, providing a unified foundation for the application of the new messaging standard in cross-border payments.

Tech in Focus

Tech in Green Finance

In the realm of Green Finance, technological advancements are reshaping the landscape, introducing efficiency and transparency. This month we will take a look at some of the technologies driving sustainability in finance.



Blockchain technology is revolutionising green finance through its decentralised and transparent ledger approach.

Its application enables the traceability of funds, assuring investors that their contributions are directed toward environmentally sustainable projects. The tamper-proof nature of blockchain enhances the security and reliability of transactions, fostering trust in the green finance ecosystem.

Decentralized Finance (DeFi) applications that operate on blockchain, seek to eliminate intermediate processes, reducing the environmental impact associated with traditional lending processes. Smart contracts, self-executing contracts powered by blockchain, automate and streamline lending, ensuring transparency and efficiency in the allocation of funds towards green initiatives.

Artificial Intelligence (AI) is another technology that is seeing increasing applications in sustainable investing. AI algorithms can analyse extensive datasets to identify high-impact, eco-friendly investment opportunities. By leveraging machine learning, investors gain valuable insights into market trends, enabling them to align their portfolios with sustainability goals. This data-driven approach not only enhances decision-making but also contributes to the growth of a more environmentally conscious financial market.

Digital identity solutions are pivotal in broadening access to green finance. Secure and accessible digital identities facilitate inclusive participation, ensuring that sustainable financial products reach a diverse global audience. Through advanced encryption and biometric technologies, these solutions enhance security and privacy, laying the groundwork for a more inclusive and sustainable financial ecosystem.

In this technological journey within green finance, innovation converges with environmental responsibility, shaping a future where financial transactions seamlessly integrate with sustainable practices. The challenge faced while applying at scale is that these technologies have a larger carbon footprint when compared with existing technology applications. Governments, markets, and multilateral agencies would benefit from collaborating on these challenges for a sustainable future for humanity.

RBIH Updates

Chief Digital Officers' Forum

Chief Digital Officers (CDOs) have emerged as pioneers of innovation and digital transformation in the Indian financial sector. At the Reserve Bank Innovation Hub, we recently had the privilege of hosting CDOs in the financial capital city of Mumbai for a dynamic discussion focused on tackling fraud in the age of digital banking and fintech. The RBIH CDO Forum is more than just a gathering; it's a platform designed to foster shared values among key stakeholders within the financial services ecosystem. We're committed to nurturing a collaborative environment where expertise and ideas converge to shape the future of finance.

RBIH Fintech Mixer

The Reserve Bank Innovation Hub, in collaboration with Nasscom Center of Excellence, bought together the fintech startup ecosystem in Bengaluru via the first edition of The Fintech Mixer. The event entailed a fireside chat with Mr. Harshil Mathur, Founder & CEO of Razorpay, who shared his entrepreneurial journey candidly with us. The event also witnessed fintech startups pitch the banks and investors in the room, and we look forward to seeing those incredible ideas flourish!

Swanari Techsprint

The second edition of RBIH's Swanari Techsprint recently concluded in October 2023 and helped mobilize a number of technology lending solutions for Women Entrepreneurs from over 75 Fintechs across India. The main objective of this endeavour was to develop and bring out platforms that enabled frictionless credit solutions for micro- to medium-sized women-led enterprises. Our search narrowed down the list of 75 FINTECHs to a smaller cohort of **27 startups** were led through an invigorating 3-day sprint including several activities namely - knowledge sharing panel discussions on the subject, mentorship from industry and gender experts and hand-holding sessions for the jury panel. The cohort was exposed to **over 100 interactions** with more than **55 experts and mentors** in this short span of time. Ten shortlisted startups finally faced jury evaluation. Catch us on 11th December in Bengaluru at the Swanari Techsprint Awards Ceremony!

RBiH

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

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