



# FINTECH NEWSLETTER: UNVEILING INDIA'S LATEST LEGAL SHIFTS AND MARKET WAVES

JULY 01, 2023 - AUGUST 31, 2023

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# INTRODUCTION

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In a momentous stride towards safeguarding digital privacy and data security, India has taken a significant leap by enacting its first comprehensive data protection regime. While the industry prepares to implement the Digital Personal Data Protection Act, 2023, it also grapples with heightened regulatory scrutiny from the perspective of the Prevention of Money Laundering Act, 2002 ("PMLA") owing to a recent judicial pronouncement. In the meanwhile, the FinTech sector seems to have slowed down considerably compared to the first and second

quarter of FY 2023-24. However, the Reserve Bank of India ("RBI") and the Securities and Exchange Board of India ("SEBI") have focused more on enforcement and have picked up pace in rolling out regulatory revisions and updates.

This edition of the newsletter highlights significant shifts in regulations, prevailing industry hurdles, and noteworthy market dynamics within the realm of Indian FinTech, spanning the period from July 01, 2023, to August 31, 2023.



# RECENT LEGAL & REGULATORY DEVELOPMENTS

## RBI issues draft circular on arrangements with card networks

The RBI on July 05, 2023, issued a draft circular on the arrangements that bank and non-bank issuers of debit cards, credit cards and prepaid cards have with card networks such as Rupay, Visa, Mastercard etc. ("**Draft Circular**").<sup>1</sup>

RBI, in the Draft Circular has observed that the choice of card networks is primarily dependent on the arrangements that exist between card issuers and card networks and is usually not conducive to the availability of choice for customers.

In this regard, the RBI has prescribed certain directions to card issuers and card networks such as: (i) prohibition on card issuers from entering into arrangements or agreements with card networks that restrain them from availing services of other card networks; (ii) requirement for card issuers to issue cards across more than one card network; (iii) card issuers providing an option to customers to choose any one of the multiple card networks that the card issuer has partnered with; and (iv) allowing customers to make a choice of card networks either at the time of issuance of the card or at any subsequent time.

RBI has received feedback and comments from relevant stakeholders on the Draft Circular and the same was intended to be made effective from October 01, 2023.<sup>2</sup> However, given that the Draft Circular has not been implemented yet, it is to be seen if it will undergo any changes based on stakeholder comments before it is made operational.

While the Draft Circular and the directions issued by the RBI thereunder are advantageous from the point of view of a customer and would also boost competition among card networks, it may drive up costs for card issuers who will now have to enter into arrangements / agreements with multiple card networks.

## RBI issues instructions on penal charges in loan accounts

The RBI on a review of the practices followed by regulated entities ("**REs**") observed that penal interest / charges are often imposed by REs more as a revenue enhancement tool (to recover more money than the contracted rate of interest) as opposed to them being levied to serve as a deterrent on the borrower from defaulting or serving as

a sense of credit discipline measure. To solve for such practices, the RBI, by way of a circular dated August 18, 2023 ("**Penal Charges Circular**"), has issued the following instructions to REs:

- If penalty is charged for non-compliance of material terms and conditions of loan agreement by the borrower, then the same shall be treated as 'penal charges' and shall not be levied in the form of 'penal interest' that is added to the rate of interest charged on the advances. Additionally, no further interest shall be computed on such penal charges. That said, the normal procedures for compounding of interest in the loan account shall remain unaffected by this measure.
- Any additional component to the rate of interest shall not be introduced by REs.
- A board approved policy on penal charges or similar charges on loans shall be formulated by REs.
- REs shall ensure that the quantum of penal charges is reasonable and commensurate with the non-compliance of material terms and conditions of the loan agreement, without being discriminatory within a particular loan / product category.
- The quantum and reason of penal charges shall be clearly communicated to the borrower in the loan agreement, most important terms and conditions / key fact statement, and shall be displayed on the REs' website under the section on interest rates and service charges.
- In case of loans sanctioned to 'individual borrowers, for purposes other than 'business', the penal charges shall not be higher than such charges applicable to non-individual borrowers for similar non-compliance of material terms and conditions.
- REs shall communicate applicable penal charges to the borrower, whenever reminders for non-compliance of material terms and conditions of loan are sent to such borrowers.
- REs shall ensure compliance to the instructions in both letter and spirit.

To effectuate the above-mentioned instructions, REs have been given time to undertake revisions to their policy framework, till January 01, 2024. REs are required to ensure implementation of the instructions in respect of all the fresh loans availed / renewed from such effective

date, and for existing loans, REs are required to ensure that the new penal charges regime is made applicable on next review or renewal date or 6 (six) months from the effective date of the Penal Charges Circular, whichever is earlier. It is also relevant to note that credit cards, external commercial borrowings, trade credits and structured obligations have been kept outside the ambit of the Penal Charges Circular as they are covered under product specific directions.

### RBI issues a circular on reset of floating interest rate on EMI based personal loans

In light of receipt of several consumer grievances in relation to elongation of loan tenor and / or increase in equated monthly instalment ("EMI") amount of EMI-based floating rate personal loans without proper communication to and / or consent of the borrowers, the RBI, on August 18, 2023, issued a circular to regulate the same ("**Personal Loans Circular**"). By way of the Personal Loans Circular, RBI has advised REs to frame appropriate policy framework meeting the following requirements for implementation and compliance:

- When a loan is being sanctioned, REs are required to clearly communicate to the borrowers about the possible impact of change in benchmark interest rate on the loan leading to changes in EMI and / or tenor or both, and in case of such increase, the same must be conveyed to the borrower immediately.
- When interest rates are being reset, REs are required to provide an option to the borrowers to switch over to a fixed rate as per the REs' board approved policy (which may also set out the number of times a borrower will be allowed to switch during the loan's tenor).
- REs are also required to provide borrowers with an option to choose (i) enhancement in EMI or elongation of tenor or a combination of both; and (ii) to prepay, either in part or in full, at any point during the tenor of the loan.
- REs shall, in the sanction letter and at the time of disclosure when undertaking revision of charges / costs pertaining to switching of loans from floating to fixed rate and other service charges / administrative costs incidental to the borrowers exercising the options presented to them, transparently disclose all such charges.

- REs are required to ensure that the elongation of tenor in case of floating rate loan does not result in negative amortisation.
- REs are required to, on a quarterly basis, share with / make accessible to the borrowers, a statement, which is simple and easily understandable, and which shall at the minimum, set out the (i) principal and interest recovered till date; (ii) EMI amount; (iii) number of EMIs left; and (iv) annualized rate of interest / annual percentage rate for the entire tenor of the loan.

The RBI has clarified that the Personal Loan Circular is also applicable to all equated instalment-based loans of different periodicities and will be effective for existing and new loans from December 31, 2023.

### Regulatory framework for sponsors of mutual funds and self-sponsored AMC's

SEBI has issued a circular dated July 07, 2023, providing a regulatory framework for sponsors of mutual funds ("**Sponsor Framework**").<sup>3</sup>

The SEBI (Mutual Fund) Regulations, 1996 (which was also amended recently to accommodate the Sponsor Framework)<sup>4</sup> defines a "sponsor" to mean a person who acting individually or in concert with another body corporate, establishes a mutual fund.

SEBI, through the Sponsor Framework now allows private equity funds ("**PE**") to sponsor or set up mutual funds. The Sponsor Framework requires that a PE intending to be a sponsor must be a body corporate itself or must be a body corporate set up by a PE, either in India or abroad. Such PE must also have a minimum of 5 (five) years of experience in the capacity of fund / investment manager where it should have managed committed and drawn-down capital of not less than Indian Rupees 5000 (five thousand) Crores.

Where a PE is intended to be a sponsor of a mutual fund, the Sponsor Framework prescribes certain safeguards such as: (i) prohibition on off-market transactions between: (a) the scheme of the mutual fund and the sponsor, (b) schemes / funds managed by the sponsor PE, and (c) investee companies of schemes / funds of the sponsor PE fund where such sponsor has more than 10% (ten per cent) stake or has a board representation rights; (ii) lock-in period of 5 (five) years which is currently applicable for the capital contributed by the sponsors

shall continue in case of transfer of sponsorship to any other entity within the PE fund's group; and (iii) ascertaining the experience, track record and eligibility regarding the fit and proper criteria of any applicant PE through its conduct in the respective home jurisdiction of the PE.

SEBI in the Sponsor Framework states that there has been a significant shift in the nature of roles and responsibilities of Asset Management Companies ("AMCs") in the last few decades and most AMCs are prepared to stand on their own and create trust among their investors. Accordingly, the Sponsor Framework now allows AMCs to become self-sponsored AMCs subject to certain conditions such as (i) the AMCs should have been carrying on business in financial services for a period of not less than 5 (five) years; (ii) the AMCs should have a positive net worth in all immediately preceding 5 (five) years; and (iii) the net profit of AMC in each of the immediately preceding 5 (five) years and the average net annual profit should have been at least Indian Rupees 10 (ten) Crores.

### SEBI issues online dispute resolution framework

SEBI has issued a circular dated July 31, 2023, on online resolution of disputes in the Indian securities market ("**ODR Circular**").<sup>5</sup>

The ODR Circular establishes online dispute resolution ("**ODR**") as the primary mode of dispute resolution in any matter involving the securities market.

The introduction of ODR by SEBI has been widely seen as a net positive by stakeholders and is generally perceived to be a tool which will empower investors. That said, the success of the ODR framework would depend on its effective implementation, it is to be seen how the ODR framework will contribute to systemic efficiency in the Indian securities market.

### SEBI issues SEBI (Facilitation of Grievance Redressal Mechanism) (Amendment) Regulations, 2023

SEBI, on August 18, 2023, issued the SEBI (Facilitation of Grievance Redressal Mechanism) (Amendment)

Regulations, 2023, by way of which the regulator has amended the grievance redressal procedures in various regulations issued by it. Such regulations, *inter alia*, include (i) Securities and Exchange Board of India (KYC (Know Your Client) Registration Agency) Regulations, 2011, SEBI (Alternative Investment Funds) Regulations, 2012, SEBI (Real Estate Investment Trusts) Regulations, 2014, SEBI (Infrastructure Investment Trusts) Regulations, 2014, wherein new provisions in each of such regulations have been added empowering SEBI to set up a body under each of such regulations to handle and monitor the grievance processes, as well as stipulating a timeline of maximum 21 (twenty-one) days within which KYC Registration Agencies / 'Manager' (as applicable under the relevant regulations) are required to resolve grievances; and (ii) SEBI (Investment Advisers Regulations, 2013 and SEBI (Research Analysts) Regulations, 2014, wherein new provisions under each of such regulations have been added requiring the IA/RA (*as applicable*) to resolve grievances within 21 (twenty-one) days of receipt.

## CONSULTATION PAPERS RELEASED BY SEBI IN AUGUST 2023

In the month of August, SEBI released several consultation papers, demonstrating the regulator's intent to bring about a slew of changes in the industry. We have briefly captured few key consultation papers expected to have an impact on the fintech sector in India below:

### SEBI releases Consultation Paper on 'collating and defining use cases of Financial Information Users in the Account Aggregator Framework in Securities Markets'

SEBI on August 01, 2023, released a consultation paper on 'collating and defining use cases of Financial Information Users' in the Account Aggregator Framework in Securities Markets' ("**AA Consultation Paper**"). The need to issue the AA Consultation Paper stemmed from perpetration of fraud due to unsafe practices of sharing confidential information such as user IDs, OTPs, account numbers with third parties, and providing access to third-parties to access to one's financial information.

The AA Consultation Paper illustrates hypothetical use

i. The AA Consultation Paper makes a reference to the definition of financial information user ("**FIU**") stipulated in the RBI Master Direction – NBFC - Account Aggregator (Reserve Bank) Directions, 2016 ("**NBFC-AA MD**") which states that any entity registered with and regulated by a financial sector regulator, can be an FIU.

cases for financial information<sup>ii</sup> for securities market intermediaries / REs. Such use cases *inter alia*, include (i) a registered 'Investment Adviser' seeking information on client's / investor's financial assets via the account aggregator ("AA") framework for devising a financial plan for the client; and (ii) verification of bank account wherever required for on-boarding of a client by an intermediary.

Against this background, the AA Consultation Paper poses the following questions:

- Whether any class / type of intermediaries in the list set out in the AA Consultation Paper, which *inter alia* includes registered alternative investment funds, registered stockbrokers, investment advisers, need to be excluded from functioning as an FIU, and if so, the provision of rationale behind such exclusion.
- What are the potential use-cases for the AA framework for SEBI-regulated entities.
- Whether any additional categories of financial information can be brought within the ambit of the AA framework, and if so, the provision of use-cases rationale behind such inclusion.
- Whether safeguards in the AA framework are required to protect the interests of customers, specifically in terms of additional data security, or to curb potential misuse of the financial information in frauds, misappropriation etc.
- Whether safeguards or measures in the AA framework are required to address concerns of customers, financial information providers, AAs or FIUs, and if so, the rationale behind the same.

SEBI had invited public comments on the AA Consultation Paper, the due date for which was September 15, 2023.<sup>6</sup>

### Consultation Paper on mechanism for fee collection by SEBI registered Investment Advisers and Research Analysts

Further to recommendations made by the working group comprising of representatives of Bombay Stock Exchange ("BSE"), BSE Administration & Supervision Limited ("BASL") and Association of Registered Investment Advisers, and with an intent to ensure that payment of fees is only made to registered investment

advisers ("IAs") and registered research analysts ("RAs"), SEBI on August 25, 2023, issued a consultation paper on the proposal to bring separate mechanism for fee collection by IAs and RAs ("**IA/RA Fees Consultation Paper**").

The IA/RA Fees Consultation Paper has proposed that fees owed to IAs and RAs would only be permitted to be paid on designated platforms which would be specified / administered by a SEBI recognised supervisory body, and for this IAs and RAs would be required to provide details of a designated bank account(s) (which can only be used for collection of fee from investment advisory or research activity) in which such fees can be remitted, and such bank account. The IAs and RAs would also be required to disclose the details of such proposed mechanism to their clients and ensure that the same is captured in their client agreement (if any).

SEBI had invited public comments on the AA Consultation Paper, the due date for which was September 15, 2023.

### Consultation Paper on Association of SEBI Registered Intermediaries / Regulated Entities with Unregistered Entities (including Finfluencers)

SEBI on August 25, 2023, issued a consultation paper on its proposal to restrict the association of SEBI registered entities with unauthorised Financial Influencers ("**Finfluencers**") who for some undisclosed compensation entice their followers to purchase products, services or securities ("**Finfluencer Consultation Paper**").

SEBI in the Finfluencer Consultation Paper notes that Finfluencers are able to influence the financial decisions of their followers. This is deemed to be risky as such Finfluencers are not registered with the relevant financial regulator and may not have the relevant qualification / expertise to offer such advice. Further, given that they are not bound by a code of conduct, they may not disclose potential conflict of interest and directly or indirectly promote products, services or securities, for a referral fee, or non-cash benefits, compensation from the social media platform.

In light of the above background, SEBI, in the Finfluencer Consultation Paper seeks to disrupt the revenue model of Finfluencers and has proposed the following:

ii. The AA Consultation Paper makes reference to categories of 'financial information' set out in NBFC-AA MD, which *inter alia*, includes bank deposits, mutual funds units, and equity shares.

- SEBI registered intermediaries / entities including their agents / representatives shall not directly or indirectly associate with unregistered entities (including unregistered Finfluencers) for promotions or advertisements of its products / services, irrespective of whether it is for a monetary consideration or not.
- Confidential client information shall not be shared by entities registered with / regulated by SEBI or stock exchanges or Association of Mutual Funds in India ("AMFI").
- Finfluencers registered with SEBI or a stock exchange of AMFI, shall display their appropriate registration number, contact details, investor grievance redressal helpline and make appropriate disclosures and disclaimers on their posts, as well as adhere to the relevant code of conduct applicable to them.
- Finfluencers shall also comply with the advertisement guidelines issued by stock exchanges, SEBI, and SEBI recognised supervisory body from time to time.
- No trailing commission shall be paid by SEBI registered REs based on the number of referrals as a referral fee.
- Only limited referrals from retail clients and payment of fee for such limited referrals by stockbrokers shall be allowed.
- REs are recommended to disassociate themselves from Finfluencers using their name / product or service, and take necessary action against them including a case for impersonation and fraud under the Indian Penal Code, 1860.

SEBI had invited public comments on the Finfluencer Consultation Paper, the due date for which was September 15, 2023.

### ASCI issues guidelines for financial influencers

Advertising Standards Council of India ("ASCI") on August 17, 2023, issued an addendum to the 'Guidelines For Influencer Advertising in Digital Media' ("**Influencer Guidelines**"), and prescribed a set of guidelines for Finfluencers and health influencers. In addition to the Influencer Guidelines, Finfluencers who provide advice in relation to 'Banking, Financial Services and Insurance' ("**BFSI**") or promote / comment on merits or demerits in the BFSI space, are required to have necessary qualifications and certifications in order to provide such information and advice to consumers and are also required to display their qualifications upfront in their posts and are required to be registered with appropriate the financial regulators.



# INDUSTRY CHALLENGES

## Delhi High Court's decision on PayPal: increasing uncertainty of fintechs

Paypal Payments Private Limited ("**PayPal**") had filed a petition before Hon'ble Delhi High Court ("**Court**") against the order passed by the Financial Intelligence Unit India ("**FIU-IND**") wherein the FIU-IND had held it to be a 'reporting entity' under PMLA and had imposed monetary penalties for its failure to comply with the reporting obligations under the Prevention of Money Laundering (Maintenance of Records) Rules 2005 ("**PML Rules**").

In this regard, PayPal contended that it is not a 'payment system operator' as defined under the PMLA and consequently, it would be erroneous for FIU-IND to hold it to be a reporting entity under the PMLA. PayPal explained that it is not engaged in rendering services relating to clearing, payment or provision of settlement between a payer, and a beneficiary and it merely provides a technology interface enabling export-related transactions that may be undertaken by an Indian exporter and an overseas buyer. It further contended that in the chain of transaction which ensues between the Indian exporter and an overseas buyer, PayPal is at no stage engaged in the actual handling of funds.

The Court noted that FIU-IND was set up to serve as the focal point for receipt and analysis of Suspicious Transaction Reports (STRs) as well as other information relating to money laundering and other associated predicate offences, the financing of terrorism, for dissemination of analytical results and to ultimately form part of a collaborative system for the benefit of financial action task force compliant nations. The Court noted that the Payment and Settlement Systems Act, 2007 on the other hand is concerned with payment aggregators and intermediaries who are engaged in the direct handling of funds received from customers and the various aspects connected therewith.

The Court concluded that the technology on which the platform of PayPal rests enables the transfer of money between parties at different ends. The Court deemed it apposite to emphasise that bearing in mind the objectives underlying the promulgation of PMLA and the activity that it seeks to regulate and penalise, there is no legal justification to interpret the meaning of the expression 'payment system' to embrace only those entities which are directly engaged in the handling, retention or transfer of funds.

On the issue of imposition of penalty upon PayPal in terms of the impugned order under the PMLA, the Court noted that it is well-settled in law that the imposition of penalty would be justified only if an entity fails to discharge a statutory obligation and provided it is established that it had deliberately chosen to act in defiance of law or was guilty of dishonest conduct. The levy of penalty is imbued with a quasi-criminal characteristic. Thus, the Court held that imposition of penalty is clearly unjustified in the facts of the present case.

The Court's interpretation of 'payment system' under the PMLA as encompassing entities enabling money transfers provides clarity on how regulatory definitions can be adapted to evolving technological models. Fintech companies, especially those operating in payment processing space, will likely pay close attention to this case's outcome. The broad interpretation of 'payment system' under the PMLA could potentially lead to increased regulatory scrutiny for such companies, even if they are primarily acting as intermediaries in fund transfers rather than directly handling funds.

Following the Court's order, PayPal has challenged the order before a division bench of the Court and has refused to register itself as a reporting entity under the PMLA. PayPal has reiterated that its operations in India are restricted to operating as an Online Payment Gateway Service Provider (OPGSP) or payment intermediary, and accordingly, cannot be construed to be within the ambit of 'payment system operator' for the purpose of the PMLA.<sup>7</sup> The Court has sought the Central Government's stance on the appeal. The matter is now sub-judice.<sup>8</sup>

## Impact of the Digital Personal Data Protection Act, 2023

On August 11, 2023, the Central Government published the much-awaited Digital Personal Data Protection Act, 2023 ("**DPDP Act**") in the Official Gazette, thus setting the stage for the first-of-its-kind personal data protection law for India. While the DPDP Act will impact every entity that processes the personal data of Indian citizens, technology companies and consumer-facing companies will perhaps be impacted the most.

On the basis of their workflow and processes, fintech companies may either fall under the ambit of a 'data fiduciary' or a 'data processor' under the DPDP Act, and as such, will have corresponding obligations while

processing personal data. Depending on the nature of services performed by an entity, an entity could be a data processor with respect to certain purposes, and a data fiduciary for others. We have prepared a note capturing the key provisions of the DPDP Act, along with a detailed analysis of the same, which can be accessed [here](#).

Fintech companies, such as know-your-customer (“KYC”) service providers may be considered data processors while processing customer data for a bank but would also have to fulfil the obligations of a data fiduciary while collecting personal data of individuals for its own purposes, such as while processing employee data. Therefore, the challenge of wearing multiple hats and adhering to myriad obligations are likely to pose a major challenge for several fintech companies once the provisions of the DPDP Act come into force.

Further, the DPDP Act will apply in parallel with the sector-specific regulations that fintech companies may be regulated under. This may create additional compliance requirements for fintech companies. For instance, the interplay between the Digital Lending Guidelines issued by the RBI (if applicable) and the provisions of the DPDP Act would need to be considered with respect to the obligations on collection and storage of personal data. While complying with the Master Directions – Know Your Customer Direction 2016, and the PMLA, the provisions of the DPDP Act will also be applicable in conjunction, to the collection and storage of identification documents as well as to the obligation of personal data retention by the fintech companies.



# MARKET UPDATES AND MAJOR DEALS IN INDIA

## UPI to get additional features like tap-and-pay, chatbot pay

The RBI has signed off on implementing card-like features for the United Payments Interface (“UPI”) service developed by the National Payments Corporation of India (“NPCI”). These features will now include ‘tap to pay’ options, increased limits for offline payments without using the UPI personal identification number, as well as enabling the UPI service to make ‘conversational payments’ (available in Hindi, English and subsequently other languages), where customers can attach a payment while chatting with a bot. The RBI Deputy Governor, T. Rabi Sankar, stated that the conversational payment feature is aimed at expanding digital accessibility, by catering to smartphones as well as feature phone-based UPI channels, and the same being available in multiple languages highlights the RBI’s commitment to inclusivity.

Additionally, in order to promote the use of UPI Lite (an on-device wallet introduced by NPCI in September 2022), the RBI has proposed to facilitate offline transactions using near field communication technology. This feature will not only enable retail digital payments in situations where internet or telecom connectivity is weak or unavailable but will also ensure speed and minimal transaction declines.<sup>9</sup>

## Investment firm ‘Rainmatter’ earmarks capital to invest in sectors such as health, education, and climate change

The investment arm of Zerodha (an online stock trading platform), namely ‘Rainmatter’, has allocated a certain amount of their capital, specifically INR 1,000 (one thousand) Crore, to invest in sectors such as health, education, and climate change. This new structure of investment, is being made with the objective to allow entrepreneurs to benefit from investors that bring in long-term patient capital to build sustainable, long-term businesses would bode well for the local startup ecosystem.<sup>10</sup>

## Protean and PayNearby partner for providing credit services on the ONDC network

The public limited non-government company ‘Protean eGov Technologies’, and the fintech company Nearby Technologies Pvt. Ltd., have collaborated to provide credit services on the Open Network for Digital

Commerce (“ONDC”) network, for last-mile borrowers and micro, small and medium enterprises (“MSMEs”). Once launched, the ONDC network will allow for easy discovery of various lending products at affordable pricing.

In addition to the several significant market updates in the sector as captured above, the fintech space has also seen other pertinent developments this month, which include:

### i. Mastercard Enables CVC-less Payments for Tokenized Cards in India

In early August 2023, Mastercard announced the introduction of online transactions without the need of Cardholder Verification Code (“CVC”), for its debit card and credit card holders who have tokenized their cards on merchant platforms. Through this move, Mastercard joins Cashfree Payments and Zomato, which first adopted such CVC-less online transactions. CVC-less online transactions are also beneficial for merchants, since eliminating the need for the CVC can increase authorization rates, reduce checkout abandonment, and enhance the customer payment experience.<sup>11</sup>

### ii. FinTech unicorns on a growth curve

The fintech unicorn startups in India are witnessing a major boom, with ten out of twenty-four fintech unicorns being profitable. The top profitable companies include stock brokerage platform Zerodha, fintech firm Billdesk, UPI giant Paytm, etc.

### iii. All major banks are live for UPI on credit and Rupay credit card: NPCI

The Chief Operating Officer of NPCI, Praveena Rai, has stated that the NPCI has witnessed an encouraging response from consumers and banks for Rupay credit cards, with major financial institutions now offering the service. The NPCI now aims to take the Rupay credit card usage to 100 (one hundred) million cards at least, increasing the penetration of the Rupay credit cards. The popularity of RuPay credit cards has grown significantly over the past three years, with a considerable push from NPCI. This growth has been facilitated by a large number of acceptance terminals on UPI, which is expected to further expand the adoption of RuPay credit cards across the financial ecosystem.<sup>12</sup>

**iv. RBI increases transaction limit to INR 500 for small value digital payments in offline mode:**

The RBI vide a notification dated August 25, 2023, has increased the upper limit for small value digital payments in the offline mode such as for UPI Lite, from INR 200 (two hundred) to INR 500 (five hundred). The overall limit for offline transactions for a payment instrument, however, is still INR 2,000 (two thousand).<sup>13</sup>

**v. Miscellaneous**

In a whirlwind of technological advancements and regulatory shifts, PhonePe, the fintech giant, unveiled its own Point-of-Sale (PoS) device. With this addition, PhonePe joined players like Pine Labs, BharatPe, and Paytm, each contributing their unique offerings to digital commerce.<sup>14</sup>

Meanwhile, Apple banned the predatory quick-loan apps that had been preying on users' digital privacy. The restriction put an end to the threats and harassment aimed at users by such quick-loan apps, in case of payment delays.<sup>15</sup>

HDFC Bank took a pivotal step, unveiling a UPI QR code harmoniously compatible with India's own sovereign overture – the Central Bank Digital Currency ("CBDC"). A pioneer in such integration, HDFC Bank stood as one of the first to unify UPI and CBDC, unfolding greater opportunities in fintech space.<sup>16</sup>

The fintech arena witnessed a staggering decrease in the fund-flows, as revealed by the Tracxn's most recent industry insights. The unfolding score reveals that the ledger, once etched with bold strokes of USD 4.3 billion (four billion and three hundred million), now has reduced, with only USD 1.4 billion (one billion and four hundred million) during the inaugural six months of 2023. This trend is a continuation of the funding slump experienced during the second half of 2022, where the sector saw funding hover around a mere USD 1.5 billion (one billion and five hundred million). Yet, despite the funding downturn, India has managed to retain its position as the third most attractive destination for venture funding, following the United States and the United Kingdom, as highlighted in the Tracxn report.<sup>17</sup>

As the fintech industry continues to evolve, the following fintech deals were concluded during the month of July and August 2023:

**RenewBuy**, an insurance-based company, raised USD 40 (forty) million in the Series D funding round from Japanese insurance major, Dai-ichi Life Holdings, Inc. The company competes with the likes of Policybazaar and InsuranceDekho. The company aims to bring efficiency in the sales process and deliver better pricing to consumers.<sup>18</sup>

**LeRemitt**, a cross-border fintech startup has raised USD 1.25 million (one million and two thousand five hundred thousand) in a seed funding round led by Axilor Ventures. The round also saw participation from Capital A and angel investors such as Ram Govindarajan (Wizfreight) and Sumit Agarwal (Vyapar). The proceeds will be deployed for hiring talent, global expansion, improving product capabilities and strategic partnerships.<sup>19</sup>

**Dvara KGFS**, a Chennai-based NBFC raised USD 10 million (ten million) in a debt funding round from Triple Jump Financial Inclusion Resilience Fund B.V and BlueOrchard Finance Limited. The fresh capital will be used for expansion.<sup>20</sup>

**Utkarsh SFB**, is one of the fastest growing small finance banks in India, with a focus on serving unserved and underserved customer segments. After an overwhelming response to the Initial Public Offer (IPO), the shares of the company listed on the BSE and National Stock Exchange (NSE) on July 21, 2023, at a robust premium of 60% (sixty per cent) over the issue price.<sup>21</sup>

**Plus**, a jewellery savings platform allowing users to save for their jewellery while providing a 10% (ten per cent) annual interest, has raised USD 350,000 (three hundred and fifty thousand) in a seed funding round. This has been acquired from entities such as EvolveX, WeFounderCircle, Venture Catalyst, Jito Angel Network, as well as angel investors such as Vineet Saxena and Sunil Singhvi, among others. Plus plans to use the capital to expand its operations by way of acquiring jeweller partners.<sup>22</sup>

Fintech platform **Bizpay** has raised an undisclosed amount in a seed funding round from Inflection Point Ventures. The platform is an expense management platform that offers a prepaid card solution integrated with a software-as-a-service (SaaS) software, and enables corporates to streamline expense management, gain insights through analytics, and enforce policy compliance. Bizpay is looking to

use 20% (twenty per cent) of the funds for product development, 60% (sixty per cent) for marketing, and 20% (twenty per cent) for other purposes.<sup>23</sup>

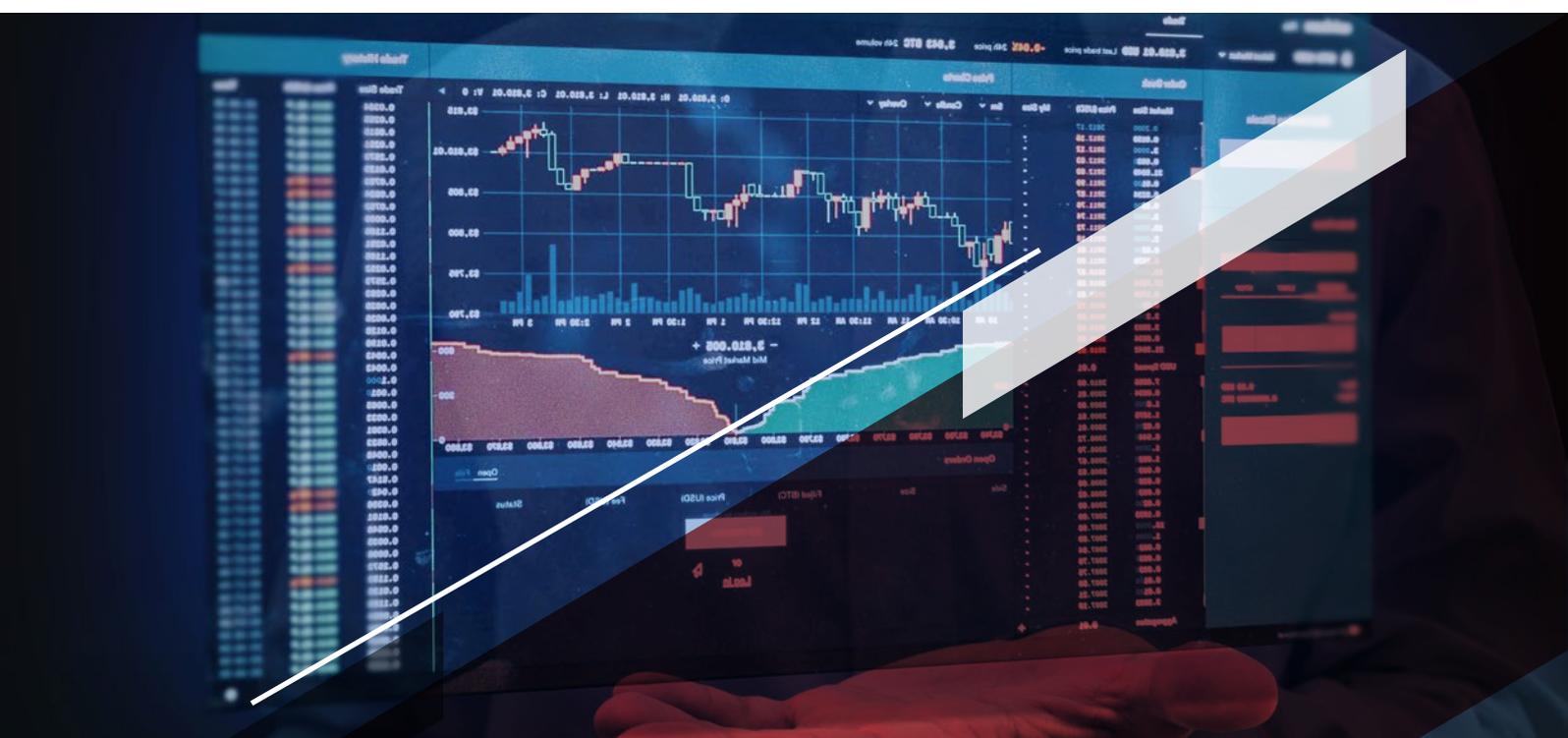
**Credgenics**, a debt collection-focused software-as-a-service fintech startup, has raised a Series B funding of USD 50 million (fifty million), from its existing investors Westbridge Capital, Accel and Tanglin Ventures, as well as from a new investor, Beams Fintech Fund. With this new round of funding, the startup is now valued at USD 340 million (three hundred and forty million). The newly acquired funds will be used for product development, international business expansion and capturing other banking, financial services and insurance industry segments.<sup>24</sup>

**Stable Money** has raised USD 5 million (five million) in a seed funding round, led by Matrix Partners India and Lightspeed, with participation from Titan Capital, Mar Shot Ventures and other angel investors. Stable Money is a fintech platform that aims to provide users with reliable fixed-income investment opportunities such as fixed deposits, debt mutual funds and bonds, along with a range of low-risk asset classes. The round also saw participation from several other investors, including Kunal Bahl and Rohit Bansal (co-founders of Snapdeal), Sriharsha Majety (co-founder and CEO of Swiggy), Sandeep Tyagi (chairman of Estee Advisors), Abhishek Goyal (co-founder of Tracxn), Madhusudan (co-founder of M2P Fintech), Ramakant Sharma (founder of Livspace), and Revant Bhate (CEO of Mosaic Wellness). The fintech platform

seeks to use the funds for strengthening senior leadership, product development and building its technological stack.

**CredRight** has raised USD 9.7 million (nine million and seven hundred thousand) in a mix of equity and debt funding rounds. The equity capital funding was led by the Michael and Susan Dell Foundation with participation from existing investors such as YourNest, Spearhead Capital, 9Unicorns and AccionVenture Lab. The debt capital funding was provided by Blacksoil, Caspian Debt, RevX Capital and Westen Capital. CredRight is a fintech startup that provides institutional debt capital to MSMEs in tier 3 and 4 cities in India.<sup>25</sup> The startup plans to use the funding to expand into newer locations and strengthen its technology stack.

**GradRight**, a fintech platform that provides secure financing assistance to students aspiring to study overseas, has secured a Series A funding round of USD 6.05 million (six million and fifty thousand) from venture capital firm IvyCap Ventures. Additionally, Tej Kapoor, the managing partner of IvyCap Ventures, will be joining GradRight's board of directors post the transaction. GradRight aims to use the funding to construct an Artificial Intelligence (AI)-driven network involving universities and financial institutions to enhance the accessibility and affordability of international higher education for lower and middle-income students worldwide.<sup>26</sup>



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