



**FINTECH  
NEWSLETTER:  
RECENT LEGAL  
DEVELOPMENTS  
AND MARKET  
UPDATES IN INDIA**

October 16 – December 31, 2020

Authors: Avimukt Dar | Suneeth Katarki | Namita Viswanath  
Shreya Suri | Shobhika Upadhyay | Nilima Pant | Shantanu Mukul

# INTRODUCTION

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The Indian fintech market has continued to grow and evolve, with the Covid-19 pandemic accelerating digitisation amongst consumers, micro, small and medium enterprises ("MSMEs"), banks and other financial institutions, including in rural and remote parts of India. First-time user cohorts who were constrained to transact digitally during government-imposed lockdowns early last year, have taken to using digital payment options in a big way, post the lockdown relaxations. In fact, more than two billion transactions were recorded in October, 2020 just through the Unified Payments Interface ("UPI").<sup>1</sup> Certain consumer behavioural changes with the recent pandemic, such as growth in the e-commerce sector, teleconsultations, online streaming and distance learning, are likely to continue fuelling the expansion of digital payments adoption in India in the long run.

In addition to the overall goal of a cashless economy through adoption of digital payment methods, there has been an increased focus on aspects such as contactless payments, interoperability in payment systems, tokenization, development of cross-border digital payments infrastructure, global outreach of India's domestic payment systems, consumer protection, increased role of artificial intelligence and machine learning, and data governance.

This newsletter highlights the key developments in the Indian fintech space from October 16, 2020 to December 31, 2020.

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1. <https://economictimes.indiatimes.com/tech/technology/upi-breaches-2-billion-transactions-mark-in-october/articleshow/78980584.cms>



# RECENT LEGAL DEVELOPMENTS

## RBI's Regulatory Sandbox

Testing of products in Reserve Bank of India's ("RBI") regulatory sandbox ("RS") announced last year, has started with two entities having initiated product testing from November 16, 2020, and with four more entities having started their test phase in December, 2020. The products in the first cohort include: (i) 'eRupaya', a set of near-field communication-("NFC") based prepaid cards and point-of-sale ("POS") devices to facilitate offline person-to-merchant ("P2M") transactions and offline digital products in remote locations; (ii) 'PaySe', an offline digital cash product to help digitise payments in rural areas through an ecosystem of self-help groups; (iii) 'CityCash', a set of NFC-based prepaid cards and POS devices to facilitate offline P2M transactions, including for purchase of bus tickets; (iv) 'ToneTag', an offline phone-based UPI payment solution for P2M transactions based on Interactive Voice Response between devices; (v) a voice-based UPI payment solution by Ubona Technologies to facilitate offline person-to-person ("P2P") and P2M transactions; and (vi) a product by Eroute Technologies to facilitate offline P2P or P2M transactions using SIM Tool Kit menu-based user interface.<sup>2</sup>

Through a notification dated December 16, 2020, the RBI has announced the opening of the second cohort under the RS with 'cross-border payments' as its theme, in order to spur technology-led innovations in the cross-border payments landscape with a low cost, fast, secure, convenient and transparent system. The RBI has also notified 'MSME lending' as the theme for the third cohort under the RS, details of which will be announced in due course.<sup>3</sup>

The RBI has further relaxed the eligibility criteria under the Enabling Framework for Regulatory Sandbox,<sup>4</sup> by reducing the net worth requirement from the existing INR 25 lakh to INR 10 lakh, as well as allowing partnership firms and limited liability partnerships to participate in the RS. Interested applicants can apply for the second cohort under the RS from December 21, 2020 to February 15, 2021.

## SEBI amends eligibility norms to enable fintech companies to sponsor AMCs

The Securities and Exchange Board of India ("SEBI"), in its board meeting on December 16, 2020, decided to relax the eligibility criteria applicable for sponsoring a mutual fund ("MF"). This will enable venture-backed fintech companies and other technology start-ups, which are not yet profitable, to sponsor and launch a mutual fund.<sup>6</sup> To this extent, MF sponsors were earlier required to have a profitability-based track record and a minimum net-worth of INR 50 crores. Following SEBI's recent decision, sponsors that do not fulfil the profitability criteria at the time of making the application, will also be considered eligible to sponsor a mutual fund, however, subject to having a net worth of not less than INR 100 crores for the purpose of contributing towards the net worth of the Asset Management Company ("AMC"), which has to be maintained till the time the AMC makes a profit for 5 consecutive years.

## Discussion paper on scale-based regulatory framework for NBFCs

Taking note of the changing risk profile of non-banking financial companies ("NBFCs") as a result of their contribution and increased interconnectedness as a supplemental channel of credit intermediation alongside banks, the RBI is currently reviewing the regulatory framework for the NBFC sector. The RBI has pointed to a scale-based regulatory approach linked to the systematic risk contribution of NBFCs, as the way forward, and a discussion paper has been issued by the RBI for stakeholder consultation, inviting comments by February 22, 2021.<sup>7</sup>

## Reserve Bank Innovation Hub

Pursuant to the Monetary Statement on Development and Regulatory policies dated August 06, 2020, the RBI had announced the setting up of the Reserve Bank Innovation Hub ("RBIH") to promote financial innovation and inclusion.

2. <https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR638EE786E4BD1BA41398F49E1E5A3AAE9CA.PDF>; <https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR829C10F132493024BD197A74FC56357AE3C.PDF>

3. <https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR78734D60FBDEC4B4664B01BD258A1B38BCF.PDF>

4. <https://rbidocs.rbi.org.in/rdocs/PublicationReport/PdFs/REGULATORYSANDBOX2333CA3224ED4B7991A2B55DBEFDA745.PDF>

5. [https://www.sebi.gov.in/media/press-releases/dec-2020/sebi-board-meeting\\_48451.html](https://www.sebi.gov.in/media/press-releases/dec-2020/sebi-board-meeting_48451.html)

6. [https://www.business-standard.com/article/markets/sebi-tweaks-eligibility-norms-paves-way-for-fintech-firms-to-set-up-amcs-120121601052\\_1.html](https://www.business-standard.com/article/markets/sebi-tweaks-eligibility-norms-paves-way-for-fintech-firms-to-set-up-amcs-120121601052_1.html)

7. <https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR72151BDEC79C76948C68A6DE914991CC848.PDF>

Through a press release dated November 17, 2020,<sup>8</sup> the RBI has constituted a Governing Council to guide and manage the RBIH led by a Chairperson. The RBI has clarified that the RBIH will collaborate with financial sector institutions, the technology industry and academic institutions, to collaborate for exchange of ideas and development of prototypes.

### Guidelines on volume cap for TPAPs in UPI

In view of the recent growth in UPI transactions and to address concentration risk, the National Payments Corporation of India ("**NPCI**") on November 05, 2020<sup>9</sup> directed Payment System Providers ("**PSPs**") and Third Party Application Providers ("**TPAPs**") in the UPI ecosystem to ensure that the total volume of transactions initiated through the TPAP must not exceed 30% of total volume of transactions processed in UPI during the preceding three months (on a rolling basis), with effect from January 01, 2021. The NPCI clarified that existing TPAPs exceeding the cap of 30% will have two years from January 2021 to comply with this requirement in a phased manner.

### Cooling period for unsuccessful payment application

In the context of the requirement to obtain a prior authorisation to commence or operate a payment system under Section 4 of the Payment and Settlement Systems Act, 2007 (the "**PSS Act**"), and to inculcate discipline as well as for effective utilisation of regulatory resources, the RBI, through a notification dated December 04, 2020, has introduced the concept of a year's cooling period. During this period, entities will be prohibited from submitting applications for operating any payment system under the PSS Act in the following situations: (i) wherein the certificate of authorisation ("**CoA**") of authorised payment system operators ("**PSOs**") is revoked or not renewed for any reason; or (ii) where the CoA is voluntarily surrendered for any reason; or (iii) where the application for authorisation of a payment system has been rejected by the RBI; or (iv) for new

entities that are set-up by promoters involved in any of the above categories.

The 'cooling period' of one year will commence from the date of revocation, non-renewal, acceptance of voluntary surrender, or rejection of application, as the case may be.

### Amendment to Master Direction on KYC – Centralised KYC Registry

Through a notification dated December 18, 2020,<sup>11</sup> the RBI has amended the Master Direction – Know Your Customer (KYC) Direction, 2016 ("**Master Direction**"), extending the requirement on Regulated Entities ("**REs**") to upload accounts details of Legal Entities ("**LEs**"), opened on or after April 01, 2021, on the Central KYC Registry ("**CKYCR**"). Earlier, this requirement on REs with respect to uploading data onto the CKYCR was only with regard to *individual* customer accounts opened on or after January 01, 2017. The RBI has further directed REs to ensure that (i) the KYC records, in case of accounts of LEs opened prior to April 01, 2021 or in case of accounts of individual customers opened prior to January 01, 2017, are uploaded onto the CKYCR during the process of periodic updation as specified in the Master Direction, or earlier as and when the updated KYC information is obtained/ received from the customer in certain cases; and (ii) during such updation process, the customers' KYC details are migrated to the current Customer Due Diligence Standards.

### Perpetual validity for CoA issued to PSOs

New entities desirous of operating a payment system and requiring an authorisation from the RBI under the PSS Act to this extent, have up until now been granted such authorisation for specified periods up to five years. A similar approach was adopted for renewal of validity of authorisation to existing entities. In order to reduce licensing uncertainties and compliances, the RBI, through a notification dated December 04, 2020,<sup>13</sup> has decided to grant authorisation under the PSS Act to all PSOs (new and existing) on a perpetual basis, subject to compliance

8. <https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR639055B4B014A214E0BB0175390403AF2A6.PDF>

9. <https://www.npci.org.in/PDF/npci/upi/circular/2020/OC-97-Guidelines-for-TPAPs-in-UPI.pdf>; <https://www.npci.org.in/PDF/npci/press-releases/2020/UPI-balances-consumer-experience-with-growth-for-TPAPs.pdf>

10. <https://rbidocs.rbi.org.in/rdocs/notification/PDFs/CCOOLP04122020E4CFB01303914938B4FFD748C70B78FF.PDF>

11. <https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=12008&Mode=0>

12. [https://www.rbi.org.in/Scripts/BS\\_ViewMasDirections.aspx?id=11566](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11566)

13. <https://rbidocs.rbi.org.in/rdocs/notification/PDFs/PERPETUALVALIDITYC0F91C5C3F45452A8EA77FF11E0AC048.PDF>

with the prescribed conditions. For existing authorised PSOs, the grant of perpetual validity will be examined as and when their CoAs become due for renewal, and subject to adherence of the conditions of authorisation as well as other conditions prescribed under the PSS Act.

### Digital Payment Transactions – Streamlining the QR Codes infrastructure

After considering the recommendations of its committee set up to review the current system of Quick Response Code (“QR Codes”) in India and suggest measures for moving towards interoperability, the RBI, through a notification dated October 22, 2020,<sup>14</sup> has decided, amongst other things, the following: (i) that only two interoperable QR Codes – i.e. UPI QR and Bharat QR – will continue to be in existence at present; (ii) PSOs that use proprietary QR Codes are required to migrate to one or more interoperable QR Codes by March 31, 2022; (iii) no new proprietary QR Codes will henceforth be launched by any PSO for any payment transaction; and (iv) PSOs may take initiatives to increase awareness about interoperable QR Codes. The above changes to streamline the interoperability of the QR Codes infrastructure have been made to reinforce the acceptance infrastructure, provide better user convenience, and enhance system efficiency.

### Framework for recognition of a Self-Regulatory Organisation for PSOs

The RBI, on October 22, 2020, published the framework (“SRO Framework”) for recognition of a Self-Regulatory Organisation (“SRO”) for PSOs.<sup>15</sup> The SRO is a non-governmental and not-for-profit organisation expected to establish and enforce rules and standards relating to the disciplined conduct of member entities in the payments industry, and resolve disputes among its members internally through mutually-accepted processes, including through penal actions by the SRO. An interested group or an association of PSOs (banks as well as non-banks) can apply to the RBI to seek recognition as an SRO, on the basis of the eligibility norms prescribed in the SRO Framework.

### Maintenance of an additional escrow account with a scheduled commercial bank

With a view to diversify risk and address business continuity concerns, the RBI, through a notification dated November 17, 2020,<sup>16</sup> has allowed authorised non-bank Prepaid Payment Instrument (“PPI”) issuers and non-bank payment aggregators, at their discretion, to maintain one additional escrow account in a different scheduled commercial bank for maintaining their outstanding balance and amounts collected respectively, instead of a single escrow account requirement prescribed earlier.

14. <https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NT597FAB5678F14F46359E7B535EBDE0E412.PDF>

15. <https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NT583EB873C7EE0B4AEF8ACE7893E7588CDE.PDF>

16. <https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NOT68A141A71A5CC24F4FBFB9DF8C9986B079.PDF>



# INDUSTRY CHALLENGES

## Cryptocurrency industry in India

After the Supreme Court of India ("**Supreme Court**"), through its decision dated March 04, 2020, set aside the RBI circular dated April 06, 2018, which prohibited banks and financial institutions from providing services in relation to virtual currencies ("**VCs**"), banks initially refrained from extending banking services for VC trades in the absence of regulatory clarity from the Central Government. However, it has been reported that Indian banks have now opened up banking services for select cryptocurrency exchanges and customers for cryptocurrency trading, and they are also offering working capital and other credit requirements to such exchanges.<sup>17</sup> This comes in response to the increased customers' demand for cryptocurrency trading, and in particular for bitcoin as a new asset class with the recent surge in its price.

Given that the Central Government has not come out with any guidelines for taxability of VCs in India and there is limited precedent on this issue, the treatment of VCs for taxability purposes remains uncertain for investors, particularly in view of close monitoring of profits booked by bitcoin investors with the recent record peak in the price of bitcoin.<sup>18</sup>

Furthermore, as stakeholders of the VC industry continue attempting to sway Indian legislators to support a more balanced approach towards cryptocurrency regulation in India instead of an outright ban, reports indicate that the uncertain regulatory framework and the continued speculation of an impending ban,<sup>19</sup> coupled with the lack of consumer awareness about VCs, has motivated fraudsters to exploit the situation, which has contributed to an increasing number of crypto-related fraudulent incidents, including crypto Ponzi schemes, fake crypto wallets and currencies and online betting operations.<sup>20</sup>

Separately, the finance ministers and central bank officials from the Group of Seven (G7) advanced economies, in a recent virtual meeting, have strongly supported the need to regulate digital currencies.<sup>21</sup>

## Writ Petition on moratorium on EMI Payments

A writ petition was filed last year before the Supreme Court by Gajendra Sharma,<sup>22</sup> relating to RBI's circular dated March 27, 2020,<sup>23</sup> which granted a moratorium of 3 (three) months on payment of instalments in respect of all term loans outstanding as on March 01, 2020, and which was extended for another 3 (three) months from June 01, 2020 to August 31, 2020 ("**Moratorium Period**").<sup>24</sup> The Petitioner had pleaded that additional relief should be extended by the Central Government and the RBI, stipulating that the entire amount payable, including both the principal and interest, not be charged and no demand for interest on the interest payable be made for the duration of the moratorium period.

While disposing of this petition on November 27, 2020, the Supreme Court took note of the relief scheme approved by the Central Government on October 23, 2020 (the "**Scheme**") and the petitioner's satisfaction therewith,<sup>25</sup> wherein the compound interest during the Moratorium Period has been waived for eligible borrowers under eight categories of small-ticket loans of up to INR 2 crore, including MSME, credit card and personal loans. Under the Scheme, all lending institutions, including NBFCs, have been directed to credit the difference between compound interest and simple interest in the respective accounts of eligible borrowers calculated for the Moratorium Period.

However, pleas and applications regarding reliefs for other specified sectors such as real estate and power, continued to be heard by the Supreme Court. In this regard, the Indian Government has strongly opposed

17. <https://www.coindesk.com/indias-banks-are-once-more-serving-crypto-traders-and-exchanges/>;  
<https://economictimes.indiatimes.com/markets/stocks/news/indian-banks-rush-to-join-bitcoin-party/articleshow/79672306.cms>

18. <https://economictimes.indiatimes.com/markets/stocks/news/indian-taxman-comes-sniffing-as-bitcoin-hits-an-all-time-high/articleshow/79533401.cms>

19. <https://forkast.news/is-another-cryptocurrency-ban-likely-in-india-unocoin/>

20. <https://inc42.com/buzz/cryptocurrency-this-week-crypto-ban-in-the-air-crypto-scams-everywhere/>;  
<https://inc42.com/buzz/gujarat-trader-arrested-over-online-betting-in-cryptocurrency-scam/>

21. <https://uk.reuters.com/article/uk-g7-digital/g7-finance-officials-back-need-to-regulate-digital-currencies-treasury-idUKKBN28H1Z0>

22. Writ Petition with Diary No. 11127. 2020 before the Supreme Court of India

23. [https://m.rbi.org.in/scripts/BS\\_CircularIndexDisplay.aspx?id=11835](https://m.rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?id=11835)

24. <https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NT2455D86E6F80D9D4BC29C0DFAA43D76D9A4.PDF>

25. <https://financialservices.gov.in/sites/default/files/Scheme%20Letter.pdf>;  
<https://www.rbi.org.in/Scripts/NotificationUser.aspx?id=11989&Mode=0>

to any further moratorium relief to larger borrowers, contending that these sectors are suffering from factors pre-dating the pandemic. The Government further cautioned the Supreme Court against a general interest waiver for all types of loans as such a move would affect the survival of banks and would thus be against the interests of depositors.<sup>26</sup> *The arguments in this matter have concluded and the Supreme Court has reserved its judgment.*<sup>27</sup>

## Personal Data Protection Bill

Keen to promote India as a centre of the data economy, the Union Information Technology and Communications Minister has confirmed that the Personal Data Protection Bill ("**PDPB**") would be finalised soon.<sup>28</sup> However, reports indicate that the PDPB, after review of the Joint Parliamentary Committee ("**JPC**") formed to examine it, is not expected to be approved in its current form, and the JPC has reportedly recommended several changes after the conclusion of its clause-by-clause reference of the PDPB.<sup>29</sup> During its deliberation, the JPC has reportedly met with multiple stakeholders (data gatekeepers), including PayPal, Visa and Mastercard, to seek their representations on the PDPB.<sup>30</sup>

## Antitrust, data privacy and other issues

With an exponential increase of users on the UPI platform and high rates of transaction failures being experienced, the RBI and the NPCI are reportedly evaluating whether the digital payments ecosystem requires a stricter regulatory oversight, promoted by growing concerns pertaining to antitrust and data privacy issues along with technology inadequacy of banks.<sup>31</sup>

## Petition to regulate fintech companies

A public interest litigation ("**PIL**") has been filed before the Delhi High Court against the Union of India

(represented by the Ministry of Law and Justice and the Ministry of Finance), the RBI, the NPCI, the Insurance Regulatory and Development Authority of India, SEBI and the Pension Fund Regulatory and Development Authority (collectively the "**Respondents**"),<sup>32</sup> alleging certain concerns against the operation of technology and e-commerce companies ("**TechFins**") in the financial sector in India. The PIL *inter alia* alleges that: (i) the TechFins have made a backdoor entry into the financial sector to offer personal and commercial financial services in their own name by partnering with existing regulated financial entities, without having to comply with any authorisation or any client, customer or investor protection rules applicable to regulated entities; (ii) the TPAPs and PSPs are treated differently under the UPI regulatory framework; and (iii) the operations of TechFins pose a risk to financial security, and a potential breach of systematic data of citizens in India through improper use and data monetisation.

The PIL *inter alia* seeks the court's intervention to direct the Respondents to: (i) disallow TechFins to operate in India unless they establish locally-registered offices; (ii) formulate a comprehensive and strict legal framework for entry and operations of TechFins in the financial sector which includes regular mandatory statutory audit of TechFins; and (iii) formulate a framework to ensure privacy and security of sensitive financial data of customers, including compliance of data localisation norms. The PIL also seeks a direction by the court to the RBI and the NPCI, to ensure uniformity in rules, regulations and guidelines for all entities offering UPI services including PSPs and TPAPs.

The Delhi High Court on December 09, 2020 has issued notice in this petition and sought replies from the Ministry of Law, Finance Ministry, the RBI, SEBI, and the NPCI.

26. <https://www.cnbctv18.com/legal/supreme-court-loan-moratorium-case-hearing-live-updates-interest-waiver-case-moratorium-extension-power-sector-rbi-sbi-loans-7671531.htm>

27. [https://main.sci.gov.in/supremecourt/2020/11162/11162\\_2020\\_37\\_40\\_25111\\_Order\\_17-Dec-2020.pdf](https://main.sci.gov.in/supremecourt/2020/11162/11162_2020_37_40_25111_Order_17-Dec-2020.pdf)

28. <https://telecom.economictimes.indiatimes.com/news/will-finalise-data-protection-law-very-soon-ravi-shankar-prasad/79304196>

29. <https://theprint.in/india/data-protection-bill-wont-get-cleared-in-its-current-version-bjp-mp-rajeev-chandrasekhar/568003/>;  
<https://economictimes.indiatimes.com/tech/technology/89-amendments-1-new-clause-in-final-draft-of-india-data-protection-bill/articleshow/80144191.cms>

30. <https://inc42.com/buzz/parliament-panel-completes-discussion-on-50-clauses-of-pdp-bill/>

31. <https://economictimes.indiatimes.com/industry/banking/finance/rbi-npci-mull-stricter-checks-for-digital-pay-amid-growing-antitrust-data-privacy-issues/articleshow/78864612.cms>

32. W.P(C) No. 10069 of 2020 before the High Court of Delhi

## India's Ban on Chinese Apps Amid Security Concerns

Following on its earlier press releases of June 29, 2020 and September 02, 2020, by which the Ministry of Electronics and Information Technology ("MEITY") had disallowed the usage of 177 mobile applications, the MEITY has further issued a press release on November 24, 2020,<sup>33</sup> disallowing the usage of 43 more mobile applications (the "Apps"), including fintech applications such as Alipay Cashier and Cashier Wallet. This decision appears to have been based on the apprehension that these Apps are engaged in activities that are prejudicial to India's sovereignty, integrity, defence, security, and public order.

In response to a related right to information application, the MEITY has clarified that there is no penalty prescribed for individual users of the blocked Apps, and only intermediaries who fail to comply with the

abovementioned blocking mandates would be penalised under Section 69A of the Information Technology Act, 2000.<sup>34</sup>

## Unauthorised digital lending platforms and mobile applications

Pursuant to a notification dated December 23, 2020,<sup>35</sup> the RBI has cautioned individuals and small businesses against the growing number of unauthorised digital lending platforms and mobile applications, on promises of getting quick and hassle-free loans, and from sharing their KYC details with such platforms. In this regard, the notification refers to reported instances of excessive rates of interest, hidden charges, adoption of unacceptable recovery methods, and misuse of agreements to access data on mobile phones of borrowers, on such unauthorised platforms. The RBI has further asked consumers to report information about such unauthorised platforms to concerned law enforcement agencies or on the Sachet portal of the RBI.

33. <https://pib.gov.in/PressReleasePage.aspx?PRID=1675335>

34. <https://www.livelaw.in/news-updates/mobile-app-block-no-penalty-for-individuals-it-ministry-167457>

35. <https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR819297A4F4A08194EF796C4D35ED26D1798.PDF>



# MARKET UPDATES AND MAJOR DEALS IN INDIA

Indian fintech companies are exploring business opportunities outside India, in particular the Middle East, Southeast Asia and Africa, in light of the growing trends in global financial services and interest in technology innovations originating from India.<sup>36</sup>

**Pine Labs** and **Mastercard** are launching their 'pay later' solution across five Southeast Asian markets – first in Thailand and the Philippines, followed by Vietnam, Singapore and Indonesia – to offer consumers the flexibility of zero-interest instalments on purchases, expand business for merchants, and connect banks, fintech companies, payment gateways and device makers to the growing financing alternative of card-linked instalments.<sup>37</sup>

Following its decision to internationalise UPI and RuPay, as well as take its other offerings to foreign markets,<sup>38</sup> the NPCI is reportedly exploring opportunities to export its technology overseas. NPCI's wholly-owned subsidiary firm, NPCI International Payments Limited, and Kansas-based fintech company Euronet, have submitted a joint bid to the Central Bank of Myanmar for building the country's proposed real-time retail payments system as well as a QR Code generation and repository system. Separately, the NPCI has already been working with Singapore's Network for Electronic Transfers since last year to implement UPI-based QR Code payment terminals in Singapore as well.<sup>39</sup>

Pursuant to the India-Luxembourg Virtual Summit held on November 19, 2020, both countries have mutually agreed to deepen business cooperation in several areas, including the potential to connect the fintech and start-up communities. The two countries also welcomed the growing economic relationship between them and the

signing of a cooperation agreement between Invest India and Luxinnovation to support and develop mutual business cooperation between Indian and Luxembourg companies. The two countries further welcomed the signing of cooperation agreements by the Luxembourg Stock Exchange with the State Bank of India and the India International Stock Exchange. As a leading international financial centre in Europe, Luxembourg can act as an important bridge to help connect India's financial services industry with international markets and reach European and global investors.<sup>40</sup>

**Paisabazaar.com**, a digital marketplace for lending products, has developed 'Paisabazaar Stack' – an end-to-end digital lending solution using Microsoft Azure technologies and Azure AI to optimise loan disbursements and credit card issuance through digital processes and infrastructure. The stack is integrated with Paisabazaar's partner banks and NBFCs to enable them to digitally disburse unsecured loans faster and to enable consumers' access to credit products through online and contactless processes, including KYC verification, income and employment validation, repayment set-up and agreements.<sup>41</sup>

**Paytm Money**, a wealth management platform, has launched IPO investment services on its mobile application and website. The platform will allow retail investors in India to digitally subscribe to IPOs, track upcoming IPOs, download prospectuses, and view company details.<sup>42</sup>

**Razorpay** has partnered with PayPal to enable small businesses and micro-entrepreneurs in India to seamlessly accept payments from international customers on cards via payment gateways.<sup>43</sup>

36. <https://www.moneycontrol.com/news/business/indian-banking-tech-companies-look-for-fresh-opportunities-outside-india-6146921.html>; <https://www.livemint.com/companies/news/pine-labs-looks-to-enter-new-overseas-markets-11607446682540.html>

37. <https://newsroom.mastercard.com/asia-pacific/press-releases/mastercard-and-pine-labs-to-expand-pay-later-instalment-solution-to-five-southeast-asian-markets-in-early-2021/>; <https://economictimes.indiatimes.com/tech/technology/fintech-riding-the-buy-now-pay-later-wave-this-season/articleshow/79181408.cms>

38. [https://www.npci.org.in/PDF/npci/press-releases/2020/NPCI\\_press\\_release-NPCI\\_launches\\_its\\_subsidary\\_firm-NIPL.pdf](https://www.npci.org.in/PDF/npci/press-releases/2020/NPCI_press_release-NPCI_launches_its_subsidary_firm-NIPL.pdf)

39. <https://inc42.com/buzz/after-foray-into-singapore-npci-plans-to-take-upi-to-myanmar/>

40. <https://www.mea.gov.in/bilateral-documents.htm?dtl/33213/Joint+Statement+on+the+IndiaLuxembourg+Virtual+Summit>

41. <https://news.microsoft.com/en-in/paisabazaar-com-transforms-lending-with-paisabazaar-stack-an-end-to-end-digital-stack-with-microsoft-azure-and-azure-ai/>

42. <https://economictimes.indiatimes.com/markets/ipos/fpos/paytm-money-launches-ipo-investments-for-retail-investors/articleshow/79486234.cms>

43. [https://thepayers.com/online-mobile-banking/razorpay-paypal-offer-new-payment-options-to-msmes--1246053?utm\\_campaign=Feed%3A%2Bthepayers%2FcfKW%2B%28The%2BPayers%2BHeadlines%29&utm\\_medium=feed&utm\\_source=feedburner](https://thepayers.com/online-mobile-banking/razorpay-paypal-offer-new-payment-options-to-msmes--1246053?utm_campaign=Feed%3A%2Bthepayers%2FcfKW%2B%28The%2BPayers%2BHeadlines%29&utm_medium=feed&utm_source=feedburner)

**ICICI Bank** has launched 'iMobile Pay', to offer interoperable payment services for users of any bank in India, including UPI-based payments; transfer of funds to other bank accounts, payment applications or digital wallets; payment of utility bills and charges online; and instant banking services such as savings account, investments, loans, credit cards, amongst other services.<sup>44</sup>

**Visa** has announced a collaboration with **ICICI Bank** on its 'Visa in a Box' programme for fintech acceleration, including innovations in digital issuance, credit access, small merchant acceptance and prepaid use cases. This collaboration will enable fintech companies to access application programming interfaces ("APIs") and the developer sandbox of Visa and ICICI Bank in order to build, test and deploy innovative consumer payment applications.<sup>45</sup> **Visa** has also partnered with **HDFC Bank** and **DigitSecure** for deployment of a PCI-certified 'Tap to Phone' card acceptance solution, which enables merchants to securely accept contactless card payments instantly through an application on their NFC-enabled Android smartphones, and without having dedicated card acceptance devices.<sup>46</sup>

**Cashaa**, a London-based cryptocurrency neo bank, has entered into a joint venture with United Multistate Credit Co. Operative Society ("**UNITED**"), in order to bring crypto-friendly branches in India. This collaboration will allow Cashaa to access UNITED's regulatory licenses, physical branches and overall banking infrastructure – both online and through its physical branches across north India.<sup>47</sup>

**Maruti Suzuki** has launched an online car financing platform, 'Smart Finance', offering its customers with a bouquet of curated and personalised financing options online through partnerships with several financiers, including HDFC Bank, Yes Bank and Mahindra Finance.<sup>48</sup>

**The NPCI** has diversified and distributed its shareholding to a larger set of entities and payment industry participants regulated by the RBI, through a private placement, comprising of 19 newly allotted shareholders.<sup>49</sup> With this allotment, a total of 67 entities are now shareholders in the NPCI, including banks and industry participants such as Amazon Pay, PayU, PhonePe and Pine Labs.<sup>50</sup>

**The NPCI** has also accorded its approval for WhatsApp Pay to 'go live' on the UPI under the multi-bank model in a graded manner, starting with a maximum registered user base of 20 million in UPI.<sup>51</sup>

**Infibeam Avenues** has invested in So Hum Bharat Digital Payment Private Limited ("**So Hum Bharat**"), an entity set up by Mr. Navin Surya through an initiative of the Payments Council of India to seek a new umbrella entity ("**NUE**") license from the RBI.<sup>52</sup> The NUE will focus on retail payment systems, as an alternative to the NPCI, to further expand the digital payments market and adoption in India. Infibeam Avenues is also joined by Yes Bank as a consortium partner in So Hum Bharat to apply for the NUE license.<sup>53</sup>

44. <https://economictimes.indiatimes.com/industry/banking/finance/banking/icici-bank-launches-interoperable-banking-app/articleshow/79606854.cms?from=mdr>

45. <https://cio.economictimes.indiatimes.com/news/corporate-news/visa-icici-bank-announce-partnership-to-support-the-fintech-community/79385688>

46. <https://www.visa.co.in/about-visa/newsroom/press-releases/visa-partners-with-digitsecure-and-hdfc-bank-for-global-first-live-deployment-of-pci-certified-tap-to-phone-card-acceptance-solution.html>

47. <https://medium.com/cashaa/worlds-first-crypto-friendly-branches-in-india-4df0bf56e918>

48. <https://auto.economictimes.indiatimes.com/news/auto-finance/maruti-suzuki-launches-online-car-financing-platform-smart-finance/79654459>

49. <https://www.npci.org.in/PDF/npci/press-releases/2020/press-release-no-218-npci-widens-its-shareholding-base.pdf>

50. <https://www.npci.org.in/PDF/npci/corporate-governance/shareholding-pattern.pdf>

51. <https://www.npci.org.in/PDF/npci/press-releases/2020/NPCI-gives-approval-for-WhatsApp-to-Go-Live-on-UPI.pdf>

52. <https://economictimes.indiatimes.com/tech/startups/infibeam-avenues-to-invest-in-so-hum-to-look-for-new-umbrella-unit-licence-from-rbi/articleshow/79190899.cms>

53. [https://the-ken.com/story/indias-digital-payments-catch-22-in-2021/?signup\\_activation=OTYfXMQKS3&utm\\_source=upd\\_freeread\\_signup&utm\\_medium=email&utm\\_campaign=TheKen\\_FRAS&accountCreated=1](https://the-ken.com/story/indias-digital-payments-catch-22-in-2021/?signup_activation=OTYfXMQKS3&utm_source=upd_freeread_signup&utm_medium=email&utm_campaign=TheKen_FRAS&accountCreated=1)

**Flipkart** has announced a partial spin-off of **PhonePe** into a separate entity, however, Flipkart will continue to remain PhonePe's majority shareholder. The spin-off is proposed to allow PhonePe to support its growth potential through access to dedicated long-term capital, and to create a tailor-made equity incentive program for its employees. PhonePe's divestment from Flipkart also comes in the backdrop of complying with RBI's Guidelines on Regulation of Payment Aggregators and Payment Gateways dated March 17, 2020,<sup>55</sup> which require e-commerce marketplaces providing payment aggregation services to pursue such services through a separate entity from their marketplace business, and apply for RBI's authorisation on or before June 30, 2021.

**Pine Labs** has raised an undisclosed amount in a fresh funding round from Lone Pine Capital, valuing the company at over USD 2 billion. This fundraising comes at a time when the company has expressed interest to invest heavily in offline and online commerce across India and Southeast Asia.<sup>56</sup>

**CRED**, an application that helps its members pay and manage their credit card bills in return for rewards, raised USD 80 million in a funding round from its existing investors, led by DST Global along with Ribbit Capital, Sequoia Capital and Tiger Global Management.<sup>57</sup>

**Fisdom**, a consumer wealth-tech platform, raised USD 7 million in a funding round, led by PayU along with existing investors, Quona Capital and Saama Capital. The funding is proposed to be used towards product development, customer acquisition and business acquisition opportunities to add to its product portfolio.<sup>58</sup>

**Cashfree**, a digital payments platform, raised USD 35 million in a Series-B round, led by Apis Growth Fund II, along with Y Combinator (an existing investor). With this fundraising, the company is valued at approximately USD 200 million.<sup>59</sup>

**CoinDCX**, a cryptocurrency exchange platform, raised approximately USD 13.9 million in a Series-B round, led by Block.one, and participation from DG, Jump Capital, Uncorrelated Ventures, Coinbase Ventures, Polychain Capital, Mehta Ventures and Alex Pack (an angel investor).<sup>60</sup>

**True Balance**, a fintech platform with a one-stop solution for payments, credit, commerce and other services, raised USD 28 million in a new funding round from its existing investors, SoftBank Ventures Asia, Naver, BonAngels and Shinhan Capital, along with participation from Daesung Private Equity.<sup>61</sup>

**M1xchange**, an online trade receivables platform for MSMEs, raised USD 4.5 million in new funding, led by Beenext Asia along with existing investor, Mayfield. The funding is proposed to be used towards expanding M1xchange's network across India and to further invest in technology with the deployment of newer models of supply chain financing.<sup>62</sup>

**Slice**, a payments and credit platform for young Indians, raised approximately USD 5.2 million in debt financing from various financial institutions, including Vivriti Capital, Northern Arc Capital and InCred Financial. The funding is proposed to be used by the company to widen the reach of its credit solutions to support the untapped financial needs of the young population across India.<sup>63</sup>

54. <https://website.phonepe.com/assets/press/tile-1/Press-Releases.zip>;  
<https://economictimes.indiatimes.com/tech/startups/flipkart-hives-off-phonepe-digital-payments-company-to-be-valued-at-5-5-billion/articleshow/79542010.cms?from=mdr>

55. <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11822&Mode=0>

56. <https://www.pinelabs.com/media-analyst/pine-labs-announces-new-investment-from-lone-pine-capital>

57. <https://economictimes.indiatimes.com/tech/funding/cred-raises-80-million-in-funding-at-800-million-valuation/articleshow/79497338.cms>

58. <https://www.firstpost.com/business/fisdom-raises-7-million-fresh-funds-in-a-funding-round-led-by-payment-platform-payu-9080381.html>

59. <https://economictimes.indiatimes.com/tech/funding/cashfree-secures-35-million-in-series-b-funding-led-by-apis-and-y-combinator/articleshow/79376952.cms>

60. <https://economictimes.indiatimes.com/tech/funding/coindcx-raises-rs-100-crore-in-series-b-funding-round/articleshow/79852056.cms>;  
<https://www.bloomberqint.com/technology/cryptocurrency-exchange-coindcx-raises-rs-100-crore-in-third-round-of-funding>

61. <https://www.techcircle.in/2020/11/18/true-balance-rakes-in-28-mn-from-south-korean-investors-to-fuel-expansion>

62. <https://www.m1xchange.com/MSME-Focussed-Fintech-Startup-M1xchange-Raises-Fresh-Funding-From-Beenext-Asia.php>

63. <https://www.techcircle.in/2020/11/12/payments-platform-slice-raises-5-2-million-in-debt-funding>;  
<https://yourstory.com/2020/11/funding-alert-fintech-startup-slice-raises-debt-funding>

**FlexiLoans**, a digital lending platform, raised approximately USD 20 million in debt and equity financing from Falguni and Sanjay Nayar's family office, amongst other undisclosed investors. The funding is proposed to be used by the company for scaling micro-SME lending, significant alliance partnerships, launching innovative lending products and growing its footprint in the supply chain and co-lending verticals.<sup>64</sup>

**Smallcase Technologies**, an online investment platform for individual investors to invest in curated baskets of stocks and ETFs, raised an undisclosed amount of investment from HDFC Bank, as part of its ongoing Series-B fundraise. This round has been led by DSP Group, along with existing investors including

Sequoia Capital India, Blume Ventures, Beenext and WEH Ventures. HDFC's investment in the company is proposed to help the company accelerate the building of investment infrastructure and platforms for Indian capital markets.<sup>65</sup> IndusLaw advised Sequoia (SCI Investments V) on this transaction.

**Info Edge Ventures**, a Category-II Alternative Investment Fund, focused on investing in early-stage technology companies in India including in the fintech space, has raised a contribution commitment of approximately USD 51 million from Singapore-based Temasek, for its target corpus size of approximately USD 100 million.<sup>66</sup>

64. <https://www.techcircle.in/2020/10/28/sme-lender-flexiloans-raises-20-mn-in-debt-and-equity-financing>

65. <https://www.livemint.com/companies/start-ups/hdfc-bank-invests-in-smallcase-technologies-11607418531480.html>;  
[https://www.vccircle.com/hdfc-bank-joins-sequoia-backed-fintech-smallcase-s-series-b-round?utm\\_source=twitter&utm\\_medium=social&utm\\_campaign=HDFC%20Bank%20joins%20Sequoia-backed%20fintech%20smallcase's%20Series%20B%20round](https://www.vccircle.com/hdfc-bank-joins-sequoia-backed-fintech-smallcase-s-series-b-round?utm_source=twitter&utm_medium=social&utm_campaign=HDFC%20Bank%20joins%20Sequoia-backed%20fintech%20smallcase's%20Series%20B%20round)

66. <http://www.infoedge.in/images/announcements/AIFDisclosureTemasek.pdf>;  
<https://www.vccircle.com/naukri-parent-s-debut-venture-fund-to-get-50-of-target-corpus-from-temasek/>



## OUR OFFICES

### BENGALURU

101, 1st Floor, "Embassy Classic" # 11  
Vittal Mallya Road  
Bengaluru 560 001  
T: +91 80 4072 6600  
F: +91 80 4072 6666  
E: [bangalore@induslaw.com](mailto:bangalore@induslaw.com)

### HYDERABAD

204, Ashoka Capitol, Road No. 2  
Banjarahills  
Hyderabad 500 034  
T: +91 40 4026 4624  
F: +91 40 4004 0979  
E: [hyderabad@induslaw.com](mailto:hyderabad@induslaw.com)

### DELHI

2nd Floor, Block D  
The MIRA, Mathura Road, Ishwar Nagar  
New Delhi 110 065  
T: +91 11 4782 1000  
F: +91 11 4782 1097  
E: [delhi@induslaw.com](mailto:delhi@induslaw.com)

### MUMBAI

1502B, 15th Floor  
Tower – 1C, One Indiabulls Centre  
Senapati Bapat Marg, Lower Parel  
Mumbai – 400013  
T: +91 22 4920 7200  
F: +91 22 4920 7299  
E: [mumbai@induslaw.com](mailto:mumbai@induslaw.com)

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