

Regulatory Sandbox

Innovation is one of the important aspects of business growth as it brings changes and has the power to bring value to the business. It is said that Innovation is the ability to see change as an opportunity – not a threat. Considering the importance of innovation in the business and providing a safe space for innovators to experiment and bring out Convenient, Secure, and Reliable products to the market Regulatory Sandbox environment is set up by the regulators. A sandbox environment is a test environment that allows enablers to build products and test the products for their features in a limited capacity. Regulators control the decision on relaxation in the regulatory sandbox environment for purpose of testing.

A regulatory sandbox is an initiative for the purpose to provide a safe space for innovators – regulators, banks, Fintechs, and service providers to do live testing of new products or services in a controlled regulatory environment, Regulators involved in the sandbox are – RBI, IRDAI, SEBI facilitating sandbox environment for respective domains.

RBI (Reserve Bank of India) Regulatory sandbox cohorts are focused on themes such as Financial Inclusion, Digital KYC, Lending, etc. Each cohort consists of participants subject to approval from RBI for participation. Applications for the Regulatory sandbox are screened by the Fintech division of RBI and further proceeded to Test design, Application Assessment, Testing, and Evaluation to decide whether the product/ service is viable and acceptable under the Regulatory Sandbox.

1st cohort under the Regulatory sandbox was with the 'Retail Payments' domain inclusive of 6 entities applying for products related to the Digitization of payments in rural segments, Pre-paid cards, IVR-based payments, Voice based UPI payments, and offline UPI payments respectively. All the products were found viable and three products out of these were allowed for adoption in the normal environment.

2nd cohort theme is defined as Cross border payments inclusive of 8 sandbox entities, aiming to support innovations in the cross-border payments landscape to meet the needs of a low-cost, secure and transparent system.

3rd Cohort aims to increase the gross loan portfolio of MSME lending in India in a fast and efficient manner. Solution providers in this space are coming up with digital technologies and business models to simplify the process.

4th Cohort theme was announced to be the Prevention and Mitigation of Financial Fraud. Six Sandbox entities are selected - Bahwan Cybertek, Crediwatch Information Analytics, enStage Software (Wibmo), HSBC in collaboration with Wibmo, napID Cybersec, and Trusting Social. These entities will be initiating their test phase in Feb'23. This cohort will give innovative and more secure ways to handle financial fraud in a better way. As Digital payments and overall digitization in India is at their peak having strong, secure, and resilient Fraud prevention and mitigation products will help.

RBI is planning to have the 5th Cohort, a theme of natural Innovative products/ services/ technologies cutting across various functions in RBI's regulatory domain will be able to participate.

Regulatory Sandbox: Impacts



Providing a gameplay on 'Easy' settings for time being to hone the business model



Clears the vision of business model for participants and help identify required partnerships



Drives systemic innovation for the industry as a whole, increasing the market efficiency



Generates Live Customer Feedback on larger scale than usual



Motivation for out-of-box (Regulatory Bindings) Solutions by market players

Source: The Digital Fifth



MARKET NEWS

NPCI allows UPI transactions for non-resident accounts linked to international numbers

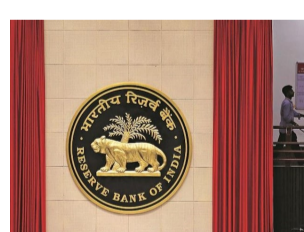


The National Payments Corporation of India (NPCI) has allowed UPI transactions for non-resident bank accounts linked to mobile numbers of 10 countries, it said in a notice.

Non-resident account types like NRE/NRO accounts having international mobile numbers shall be allowed to get on-boarded/transact in UPI, the notice said, adding that the step was taken after NPCI received several requests from the payments ecosystem and customers for the same.

Source: The Hindu Business Line

No need for customers to visit bank branches for re-KYC, says RBI



The Reserve Bank of India (RBI) has clarified that self-declaration by customers through non-face to face channels will be sufficient for completing the re-know your customer process, if there is no change in the information. Furthermore, addresses can also be updated through such channels, without the need to visit a bank branch. The banks have been advised to provide facility of such self-declaration to the individual customers through various non-face-to-face channels such as registered email-id, registered mobile number, ATMs, digital channels (such as online banking / internet banking, mobile application), letter, etc., without need for a visit to bank branch, a press release from the RBI said. This comes as a major relief to customers as they will not have to visit bank branches for re-KYC process.

Source: Business Standard



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FOUNDERS SPEAK

Mobile Banking to Digital Banking Platform : Though there is no specific definition or differentiation between Mobile Banking and Digital Banking Platforms, it is all about positioning and packaging. With the iPhone launch in 2007, Mobility changed, and so did mobile application development.

Banking also didn't remain aloof from this transformation, and Banks started rolling out Mobile Banking applications to complement their existing Internet Banking.

Then Banking Digital transformation experienced a significant transition from Mobile First Approach to API First Approach, gradually leading to the building of Digital Banking Platforms.

During the late 2010s and across the 2020s, Banks have been rolling out Mobile Apps for different categories, including Mobile Banking apps, Wallets, Loan Apps, Mobile Passbooks, and many others.

The objective was to complement Internet banking services, which primarily cover account management, transfers, product application features, and some level of service.

But, gradually Banking ecosystem has changed towards Digital Bank Platforms, and banks focussed on building full-fledged Digital Bank on top of their Mobile Banking App, and it happened primarily because Banks are building the platform to:

- Fully operative banking interfaces akin to Branch banking
- Build comprehensive products with a focus on journeys
- Onboarding across products for both ETB & NTB
- Engagement across the board from pre-login to post login
- Use of analytics for cross-sell & upsell with fulfilment engine
- Channel with its set of business KPIs for sell, cross-sell
- Complete Service portfolio with fulfilment process

Another change in the direction happened with realigning the team from Alternate Channel to Digital Banking to drive a business-led agenda for Digital Bank.

Many banks have rebranded their Mobile Banking as full-fledged Digital banks for both retail & SME... For example, ICICI Bank's iMobile Pay, Kotak Bank's Kotak 811, AU SFB's AU0101, Axis Bank, and many more...

This year, many more banks will be transitioning to their platform as Digital Banks.

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