Account Aggregators

Why in news?

Recently eight of India's major banks joined the Account Aggregator (AA) network that will enable customers to easily access and share their financial data

What is an Account Aggregator?

- It is a Non-Banking Financial Company engaged in the business of providing the service of retrieving or collecting financial information pertaining to its customer, under a contract.
- It was created through an inter-regulatory decision by RBI and other regulators including SEBI, IRDA, and PFRDA through an initiative of the Financial Stability and Development Council (FSDC)
- The objective of Account Aggregator (AA) is to aggregate all financial information of an individual

How does it work?

- It has a three-tier structure
    1. Account Aggregator
    2. FIP (Financial Information Provider)
    3. FIU (Financial Information User)
- An FIP is the data fiduciary, which holds customers' data. It can be a bank, NBFC, mutual fund, insurance repository or pension fund repository
- An FIU consumes the data from an FIP. An FIU is a lending bank that wants access to the borrower's data to determine if the borrower qualifies for a loan
- Banks play a dual role – as an FIP and as an FIU
- There are 19 categories of information that fall under 'financial information', besides various other categories
- For sharing of such information, the FIU is required to initiate a request for consent by way of any platform/app run by the AA.
- Such a request is received by the individual customer through the AA, and the information is shared by the AA, after consent is obtained

AA will not provide any transaction in financial assets by its customers. His only role will be that of account aggregation

What is the significance of NBFC-AA?

- Provides information on various accounts held by a customer in a consolidated, organised and retrievable manner
- Better understanding about the potential customers, make informed decisions and ensure smoother transactions
- Help consumers and businesses access financial services, such as loans reducing the need for individuals to wait in long bank queues
- Help banks reduce transaction costs, thus offering lower ticket size loans and more tailored products and services to customers
- Data transmitted through the AA is encrypted and are not allowed to store, process and sell the customer’s data hence protecting customer privacy

Source: The Indian Express

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