Issues with Separate Payments Regulator

What is the issue?

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The government is keen on developing a separate payments regulator, instead of choosing the RBI.

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What are the problems with a separate payments regulator?

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- A separate regulator will create artificial distinctions to the banks and payment systems, as credit cards and wallets will be regulated by a different entity and the banks by RBI.
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- This would create regulatory grey areas and coordination mechanism between RBI and payments regulator would not be optimal.
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- Since payments is the sub set of regulating currency, it would be difficult for the RBI to function and take decisions without controlling the payments systems.
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- The payments system are largely dominated by banks and those run by non-banks also have to connect with the banking system, therefore RBI is the natural choice for the regulator.
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Why then a separate payments regulator needed?

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- A separate payments regulator could help in evolving the regulation system from being bank centric as non-banks like Google Pay or WhatsApp have come up and are doing well.
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- Another reason could be due to RBI’s insistence that all payment companies store their data in India or if sent overseas for any fraud management exercise, the data sent overseas has to be destroyed.
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- Therefore a separate payments regulator with different norms such as data mirroring could prove beneficial for all parties.
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Source: Financial Express

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