SHANKAR IAS PARLIAMENT
Information is Empowering

KYC Norms for e-Wallets

What is the issue?

\n\n

\n
- RBI has devised guidelines for "prepaid payment instruments" (PPIs) are to be complied with by end of February 2018.
\n
- As the norms are very restrictive this may stifle competition in the digital wallet landscape.
\n

\n\n

What are the norms?

\n\n

\n
- PPIs include mobile wallets such as Mobikwik and Paytm as well as other enablers of digital transactions.
\n
- Under these new norms, these will have to fulfil a much larger slate of "know your customer" (KYC) requirements.
\n
- PPIs operators will now have to force their customers to undergo a paperwork submission process that will be on a par with that of a formal bank account.
\n
- The RBI has also prohibited transactions between wallets, and it has prohibited the transfer of money from semi-KYC accounts to e-wallets.
\n
- Such measures are bound to affect new entrants and put the incumbents to comply at an advantage as it involves more paperwork.
\n
- The anti-competitive nature of the proposed norms has hence got "Payments Council of India" upset.
\n

\n\n

What is the way ahead?

\n\n

\n

- The RBI is concerned about laundering and leakage through the new digital payments infrastructure.
\n
- But considering that more than 90% of e-wallet transactions are only small-ticket, stringent norms clearly seem uncalled for.
\n
- The stringency of KYC norms should be proportional to risk perception and the current RBI proposal clearly seems to be overdoing it.
\n
- These norms needs to be withdrawn as such stringent requirements will greatly set back the cause of digital payments and transactions.
\n
- Notably, about a decade ago, the RBI had come down strongly against the mobile payments infrastructure.
\n
- This killed the development of mobile payments back then in India, while it had flourished over the years in other parts of the world.
\n

\n\n

\n\n

Source: Business Standard

\n