

RBI ISSUES FINAL NORMS FOR REGULATORY SANDBOX

Prelims: Economics- Banking, Insurance

Mains: GS-III- Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment.

Why in News?

- The Reserve Bank of India (RBI) has issued the final framework for regulatory sandbox in order to enable innovations in the financial technology.

Regulatory Sandbox:

- A regulatory sandbox usually refers to live testing of new products or services in a controlled/test regulatory environment for which regulators may permit certain regulatory relaxations for the limited purpose of the testing.
- The objective of the sandbox is to foster responsible innovation in financial services, promote efficiency and bring benefit to consumers.
- It provides a secure environment for fintech firms to experiment with products under supervision of a regulator.
- It is an infrastructure that helps fintech players live test their products or solutions, before getting the necessary regulatory approvals for a mass launch, saving start-ups time and cost.
- The concept of a regulatory sandbox or innovation hub for fintech firms was mooted by a committee headed by then RBI executive director Sudarshan Sen.
- The panel submitted its report in Nov 2017 has called for a regulatory sandbox to help firms experiment with fintech solutions, where the consequences of failure can be contained and reasons for failure analysed.
- If the product appears to have the potential to be successful, it might be authorised and brought to the broader market more quickly.

What are New RBI Norms?

- RBI will launch the sandbox for entities that meet the criteria of minimum net worth of ₹25 lakh as per their latest audited balance sheet.
- The entity should either be a company incorporated and registered in the country or banks licensed to operate in India.

- While money transfer services, digital know-your customer, financial inclusion and cybersecurity products are included, crypto currency, credit registry and credit information have been left out.
- Meeting norms on customer privacy, data protection, security and access to payment data, the security of transactions, KYC, anti-money laundering will be mandatory.

