

## KYC Norms for e-Wallets

### What is the issue?

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- RBI has devised guidelines for “prepaid payment instruments” (PPIs) are to be complied with by end of February 2018.

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- As the norms are very restrictive this may stifle competition in the digital wallet landscape.

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### What are the norms?

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- PPIs include mobile wallets such as Mobikwik and Paytm as well as other enablers of digital transactions.

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- Under these new norms, these will have to fulfil a much larger slate of “know your customer” (KYC) requirements.

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- 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.

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- The RBI has also prohibited transactions between wallets, and it has prohibited the transfer of money from semi-KYC accounts to e-wallets.

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- Such measures are bound to affect new entrants and put the incumbents to comply at an advantage as it involves more paperwork.

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- The anti-competitive nature of the proposed norms has hence got “Payments Council of India” upset.

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## What is the way ahead?

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- The RBI is concerned about laundering and leakage through the new digital payments infrastructure.

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- But considering that more than 90% of e-wallet transactions are only small-ticket, stringent norms clearly seem uncalled for.

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- The stringency of KYC norms should be proportional to risk perception and the current RBI proposal clearly seems to be overdoing it.

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- These norms need to be withdrawn as such stringent requirements will greatly set back the cause of digital payments and transactions.

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- Notably, about a decade ago, the RBI had come down strongly against the mobile payments infrastructure.

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- This killed the development of mobile payments back then in India, while it had flourished over the years in other parts of the world.

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**Source: Business Standard**

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