

***Fintech Founders'***  
***Quick Reference Sheet***

***on***

**RBI Licenses**

*This is a 3 part series where we cover licenses issued by authorities:  
IRDAI, RBI and SEBI*

## Payment Aggregator

*Payment aggregators (PAs) act as intermediaries between customers, businesses, and financial institutions to facilitate online payments via various payment methods such as credit cards, debit cards, UPI, e-wallets, cardless EMIs, etc. In Apr'24, draft RBI guidelines proposed to include offline PAs (PA-P). RBI has identified two major types of PAs as part of the payment ecosystem in India.*

- *PA - Online Point of Sale (PA-O)*
- *PA - Physical Point of Sale (PA-P) facilitating face-to-face or proximity payment transactions*

### Eligibility:

- Non-banks PA-P or PA-O - Should have a minimum Net Worth of Rs. 15 Cr at the time of application submission and a minimum Net Worth of Rs. 25 Cr by 31<sup>st</sup> March, 2028 and maintain ongoing basis thereafter
- Existing non-bank PA-P which are not able to comply with the net worth requirement shall wind-up PA-P activity by July 31, 2025.

***PA cannot store customer card credentials within its database or the server except for the limited purpose of transaction tracking; In compliance with the applicable standards.***

### Sources Referred:

- *Guidelines on Regulation of Payment Aggregators and Gateways; Mar 31, 2021, Draft Directions on April 2024 to include P-POS*
- *Payments and Settlement Act, 2007, updated on Nov 22, 2022.*

## Payment Aggregator - Cross Border

*PA-CB are entities that facilitate cross-border payment transactions for the import and export of permissible goods and services in online mode. There are 3 categories: PA-CB-E (Export), PA-CB-I (Import), PA-CB-E&I (Export and Import). PA-CB can process import & export transactions <Rs. 25 Lakhs per unit of goods/services sold/purchased.*

### Eligibility:

- AD Category-I banks do not require separate approval from the RBI for undertaking PA CB activity.
- Existing non-banks or new non-banks PA-CB – Minimum Net Worth of Rs. 15 Cr at the time of application
- Attain Minimum Net Worth of Rs. 25 Cr by end of 3<sup>rd</sup> FY of receiving license (new non-banks) or by 31<sup>st</sup> March 2026 (existing non-banks)
- PA-CBs will maintain collection account with AD CAT-1 scheduled commercial bank.

***With the issuance of this circular, non-bank entities are now permitted to participate in the PA-CB business, which was earlier limited to only AD banks.***

### Sources Referred:

- *Guidelines on Regulation of Payment Aggregators - Cross Border Oct 2023*

## Payments Bank

*Key objective of setting up of payments banks is to enhance financial inclusion by providing (i) small savings accounts and (ii) payments/remittance services to migrant labour workforce, low income households, small businesses, other entities in unorganized sector.*

*A payment bank facilitates transactions like a regular bank, with the exception of lending and issuing credit cards. They can accept demand deposits –up to Rs. 1 Lakh/ customer, issue debit cards, PPI, payments, remittance services, distribute insurance and mutual funds, and act as BC to another bank.*

### Eligibility:

- Existing non-bank PPI issuers, NBFCs, corporate BCs, public sector entities, etc. are eligible to apply for the license.
- **Min. paid-up equity capital of Rs 100 Cr at all times.**
- Promoter must contribute ~40% of paid-up equity capital for the first 5 years.
- Foreign shareholding will be permitted as per FDI Policy.
- Invest minimum 75% of its demand deposit balances in SLR eligible G-securities/ T-bills with maturity up to one year and hold maximum 25% in current and time/ fixed deposits with other scheduled commercial banks apart from the maintaining CRR requirements

### Additional Points:

- Maintain min. CAR at 15% of RWA on a continuous basis.
- Leverage Ratio of not less than 3%
- At least 25% of physical access points have to be in rural centers
- In-principle approval stays valid for 18 months.
- Payments bank has to be set up within said period.

**Some Examples of Payment Banks in India** are Airtel Payments Bank, India Post Payments Bank, Jio Payments Bank, Fino Payments Bank and NSDL Payments Bank

### Sources Referred:

- *Draft Guidelines for Licensing of "Payments Banks"; July 17, 2014*
- *Operating Guidelines for Payments Banks; October 6, 2016.*

## Small Finance Bank (SFB)

*The key objective of setting up of small banks will be to enhance financial inclusion by (i) provision of savings vehicles to underserved and unserved sections of the population, and (ii) supply of credit to small business units, small farmers, micro and small industries, and other unorganised sector entities*

### Eligibility

- Registered as a public limited company under the Companies Act, 2013
- Promoter should have a min of 10 years banking sector experience.
- Existing NBFCs, LABs, and MFIs can apply for conversion to small banks
- **Min. equity capital of Rs 200 Cr under the 'on tap' license regime**
- Min. CAR maintained at 15% of RWA on a continuous basis
- Promoter's initial contribution- at least 40% of total paid-up voting equity capital and locked in for a period of 5 years from date of commencement of business
- Promoter's stake should be brought down to 30% of paid-up voting equity capital within 10 years and to 26% within 12 years from date of commencement of business

### Additional Points:

- **Once the net worth reaches Rs 500 Crs, listing will be mandatory within 3 years. For others, listing is voluntary.**
- At least 25% of its branches in unbanked rural centers
- Allocate 75% of their Adjusted Net Bank Credit (ANBC) to PSL
- At least 50% of loan portfolio should constitute loans and advances upto Rs 25 Lakhs.
- **Listed SFB can voluntarily apply for conversion to Universal Bank** subject to fulfilling min. net worth requirement of Rs. 1,000 Cr, satisfactory track record of performance as an SFB for at least 5 years – Gross NPA of 3% or less; Net NPA of 1% or less; reported net profit in last 2 financial years and meet RBI's due diligence exercise.

**Some Examples of Payment Banks in India** are AU SFB, ESAF SFB Bank, Suryoday SFB, Ujjivan SFB, Jana SFB and Fincare SFB

### Sources Referred:

- *Draft Guidelines for Licensing of "Small Banks" in the Private Sector; Nov, 2014*
- *RBI guidelines for the voluntary conversion of small finance banks (SFBs) into universal banks, Apr 2024*

## NBFC

*NBFC is a company registered under the Companies Act, 1956 engaged in business of loans and advances and hence their activities are akin to that of banks; however they cannot accept demand deposits; do not form part of the payment and settlement system and cannot issue cheques drawn on itself.*

### Eligibility

- Obtaining a certificate of Registration from an apex Bank.
- Net Owned Fund (NOF) of Rs 10 Cr.
- Min CAR consisting of Tier 1 and Tier 2 capital - 15% of aggregate on-balance sheet and off-balance sheet RWA

### Additional Points:

- NBFC's financial assets > 50% of total assets.
- NBFC's income > 50% of gross income.
- Leverage ratio shall not be more than 7 at any point of time

## NBFC- MFI

*NBFC-MFI is a non-deposit taking NBFC which has a minimum of 75 percent of its total assets deployed towards "microfinance loans"*

### Eligibility

- NOF of Rs 5 Cr (Rs 2 Cr in NE India). To be increased to Rs 7 Cr (Rs 5 Cr in NE India) by 31<sup>st</sup> March 2025. And to Rs 10 Cr by 31<sup>st</sup> March 2027.
- Min CAR consisting of Tier 1 and Tier 2 capital - 15% of aggregate on-balance sheet and off-balance sheet RWA

### Additional Points:

- Collateral-free' loan granted to a household with an annual household income of up to Rs 3 lakh
- Total indebtedness of borrower should not exceed Rs 2.4 Lakh

## NBFC- Factors

*NBFC-Factor is a non-deposit taking NBFC engaged in the principal business of factoring. The financial assets in the factoring business should constitute at least 50% of its total assets and its income derived from factoring business should not be less than 50% of its gross income.*

### Eligibility

- NOF of Rs 5 Cr. To be increased to Rs 7 Cr (Rs 5 Cr in NE India) by 31<sup>st</sup> March 2025. And to Rs 10 Cr by 31<sup>st</sup> March 2027.

### Additional Points:

- NBFC-Factors shall carry out a thorough credit appraisal of the debtors before entering into any factoring arrangement or prior to establishing lines of credit with the export Factor

## NBFC- P2P Lending Platform

*NBFC-P2P act as an intermediary providing an online marketplace or platform to the participants involved in Peer to Peer lending*

### Eligibility

- Entity incorporated as a NBFC.
- Min NOF should be Rs 2 Cr.

### Additional Points:

- Website to act as a P2P platform solely.
- License Holder must not raise deposits and must not lend/ offer credit.
- Leverage Ratio < 2.
- Lender's aggregate exposure to all borrowers across all P2P Platforms should < Rs 50 Lakh.
- Amount lent by lenders exceeds Rs 10 Lakh must produce a certificate to P2P Platforms from CA certifying min. net worth of Rs. 50 Lakh.
- Aggregate loans taken by borrowers across all P2Ps must be capped at Rs 10 Lakh.
- Exposure of single lender to the same borrower across all P2Ps < Rs 50,000.
- The maturity of loans < 36 months.

## NBFC- Account Aggregator

*The entity undertakes the business of an account aggregator for a fee. They are engaged in the business of providing service of retrieving or collecting financial information pertaining to the customer*

### Eligibility

- Min. NOF should be Rs 2 Cr.

### Additional Points:

- The license is valid for 12 months post-in-principle approval.
- Within 12 months, the entity needs to put in place the tech platform and enter all the legal documents required to be ready for operations
- A prior approval is required if there is a change in shareholding for an NBFC-AA.
- This includes progressive increases over time, which would result in the acquisition/transfer of shareholding of 26% or more of the paid-up equity capital.

## Prepaid Payment Instruments

*PPIs are instruments which can be pre-loaded with funds and can be used for purchase of goods, services remittance, etc. can in the form of payment wallets, smart cards, vouchers, etc.*

### Eligibility

- PPIs can be issued by banks and non-banks (companies registered under Companies Act, 2013)
- Non-banks - Min. paid-up capital > Rs. 5 Cr and min. net worth Rs. 1 Cr at all times
- PPIs that require RBI approval / authorization prior to issuance are classified under two types
- Small PPIs (upto Rs. 10,000 cash or non-cash loading facility) – Only min details of PPI holder. Fund transfer or cash withdrawal not permitted
- Full KYC PPIs – Issued only after KYC of PPI holder. Fund transfer or cash withdrawal permitted. Limit Rs, 10,000 to 2 Lakh per month

### Additional Points:

- PPIs for mass transit systems such as metros, rail, tolls, buses can be issued without KYC of PPI holder
- NBFCs can issue only Closed & Semi-Closed PPI, including mobile-based PPI.

### Sources Referred:

*RBI Master Directions PPIs Nov 2022*

## Authorised Money Changer (AMC)

*AMCs are entities permitted by the RBI under Section 10 of the FEMA Act 1999 to engage in money changing activities. They provide foreign exchange services, including transactions involving foreign currency notes, travelers' cheques, and prepaid currency cards. There are 4 categories: Select Banks (AD CAT-1), Select Entities (AD CAT-II), Select Financial Institutions (AD CAT-III), and Select Registered Companies (FFMC).*

### Eligibility

- NOF of Rs. 25 Lakh for a single-branch and Rs 50 Lakh for a multi-branch FFMC Licence.

### Additional Points:

- Commence operations within 6 months from the date of issuance of license.
- Renewal 2 months before expiration.

### Guidelines for Franchisee setup:

- AD-I, AD-II, and FFMC may appoint franchisees within a 100 km radius. This rule can be relaxed if set up in recognized groups/chains of hotels or if the area is declared as a hilly area by UT/State.
- Franchisees min. NOF of Rs. 10 lakhs.

### Sources Referred:

*RBI Money Changing Activities Oct 2021*

If you are building in Fintech, please write to us!



**Adith Podhar**

Founding Partner



**Vipul Rawal**

Venture Partner



**Somak Ghosh**

Board Advisor



[adith@gembacapital.in](mailto:adith@gembacapital.in)

[vipul@gembacapital.in](mailto:vipul@gembacapital.in)

[somak@gembacapital.in](mailto:somak@gembacapital.in)





**This is a reference sheet on the RBI licenses for a founder building in Fintech.**

**Please feel free to reach out to us at [deal@gembacapital.in](mailto:deal@gembacapital.in) if you are building in this space.**