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## RBI official lambasts wallet players on KYC norms

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A majority of players in the segment use the ‘minimum details’ or the ‘no-KYC’ (know your customer) wallet while onboarding a customer, she said. (PTI)

A senior Reserve Bank official today lambasted prepaid payment instrument (PPI) providers for laxity in meeting KYC norms, saying it is leading to opacity in the movement of funds.

PPIs are creating wallets “automatically” without proper consent from customers, said Nanda Dave, chief general manager overseeing the payments and settlement systems at the central bank.

Dave was speaking at a Payment Council of India event here.

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wallets have been used for routing money which has been fraudulently taken from bank accounts,” the [RBI](#) official said.

She wondered whether a “conduit” is being provided by not having necessary details of the end use of funds. “When we have no details of customers with us, it is very difficult to even trace where that money has gone,” she said.

It can be noted that following repeated terror attacks across the world, regulators have increased KYC requirements to trace both the source and end use of funds.

Banks are routinely fined for overlooking such critical aspects.

Dave, however, admitted that PPIs are “subject to very light regulations” with low entry barriers which have seen “mushrooming” of many entities.

Flagging protection from frauds and monitoring as an issue, Dave said the RBI’s “suasion” has not worked.

“We may...be forced then to come out with rules and guidelines,” she said.

She also came down heavily on PPIs for targeting the same affluent class, which does not help the agenda of getting more people into the formal financial system.

“Are we all following the same customers or are we bringing unique, new customers onto our platforms or services? It appears that more and more players are targeting customers who are already aware of banks or have some choices,” she said.

Terming “financial inclusion” as a “magical” word, Dave said it facilitates players to cater to many segments.

She also made the RBI’s displeasure public on PPIs being used only for jobs like remittances and recharges and not for merchant purchases as much.

The central bank also has concerns over outsourcing of back-end work to a select few parties and also mis-selling by PPIs, she said.

The RBI has stopped issuing licences to new PPIs after its disappointment with the existing ones for lack of differentiation, she said.

give discounts, but very few have brought in innovative ways to reach to customers,” she said, adding a review on it is underway.

Dave, however, affirmed that the RBI is committed to ensuring that the industry grows.

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