

Do away with KYC for low-value digital transactions, Nasscom tells RBI Panel

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Also stresses need to increase use cases to drive digital payments

Nasscom wants Indian policymakers to equate low value digital transactions with cash and do away with the need for know-your-client (KYC) requirements for such transactions.

For certain low value transactions, Nasscom doesn't want any KYC to be mandated. Any transaction between ₹2,000 and ₹5,000 should not cause systemic risk and the government should promote digital payments in the same level as cash is promoted, this industry body has said. Right now KYC is triggered at every level and there is nothing called zero KYC.

In its recent presentation to the Nandan Nilekani-headed RBI Committee on Digital Payments, Nasscom has also demanded a clear framework by which a fintech company could adopt e-KYC solutions without fearing regulatory intervention in the later period.

“Currently in the fintech space, there is great uncertainty around e-KYC. Only for banking and telecom things are clear after the Ordinance.

“Online authentication through e-KYC is not permitted for other fintechs and for them to be using Aadhaar e-KYC, they need to get approved from Central government. There is no clarity for such fintechs on what e-KYC they can use and on what basis will the Central government approve the new e-KYC for such fintechs,” Ashish Aggarwal, Senior Director and Head Policy Advocacy, Nasscom, told *BusinessLine* here.

The Aadhaar Ordinance says that the Centre has the power to notify the modes of e-KYC.

“Now what mode of KYC the Centre can notify we don’t know. So we have told the committee why don’t they lay down the principles to say that if any mode satisfies specified 2-3 conditions, then the Centre should create a framework where that mode gets approved”

There is a need to tell industry and the consumers at large which are the valid e-KYC that would be acceptable to the RBI and financial sector regulators, he said.

“The approved e-KYC could be tone based e-KYC, iris-based e-KYC or Aadhaar-based e-KYC or digilock based e-kyc. We don’t want an exhaustive list. But there should be an objective process — based on set standards — to approve future new solutions that fintechs may come up with,” he said.

Subsequently, there should not be any demand from the authorities for paper KYC say 5-6 months after a customer goes through e-KYC. As a fintech, one may not have enough people on the ground to go to each customer’s house after six months to get the paper based documents for validation.

Use cases

Nasscom has also urged the RBI-appointed Committee to create more use cases to drive digital payments.

To drive usage, there is a need to shift focus to use cases. Today usage is focussed only on shopping. “If you want to make usage more prominent, then focus on mobility and transit. Unfortunately, industry can’t solve all the pieces

in the areas of mobility and transit. There are so many Government departments which have to move together”, Aggarwal said.

Nasscom has also called for steps to promote QR codes. There should be concerted effort to get billers use QR codes..

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First half of current fiscal shows some signs of capex recovery: RBI study

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The projects sanctioned in the first half of 2018-19 show some recovery in the capital expenditure (capex) cycle, according to a Reserve Bank of India study.

Going forward, investment activity is expected to gather pace, benefiting from the pipeline projects lined up by private corporates, said a study 'Private Corporate Investment in 2018-19: Slow Recovery Underway' by S Sujeesh Kumar and RK Sinha of RBI's Department of Statistics and Information Management.

The study said: "A revival in the investment cycle could be underway in the medium term, as revealed in these investment plans. Recent efforts to strengthen balance sheets of both corporates and the banking sector should provide a conducive environment for a pick-up in capital formation.

"Improved capacity utilisation and business expectations in the first quarter of 2018-19 polled by various surveys are providing lead indication of a reinvigoration of investment activity in the Indian economy in the period ahead."

As per the study, in the first half of 2018-19, as many as 190 projects with a total cost of ₹91,400 crore were sanctioned by banks/ financial institutions. A total of 451 investment proposals aggregating ₹1,15,800 crore were sanctioned through the three channels of finance — banks/ financial institutions; external commercial borrowings/ foreign currency convertible bonds/ rupee denominated bonds; and initial public offerings.

The study assessed that a total capex of ₹1,48,700 crore would have been incurred by the private corporate sector in 2017-18 of which ₹80,200 crore was from fresh sanctions during the year.

“The year (2017-18) marked the seventh successive annual contraction in the private corporate sector’s capex plans. However, the envisaged capex from the pipeline projects already undertaken showed an improvement over the previous year's pipeline,” it added.

On the basis of the pipeline projects (which are already undertaken for implementation) sanctioned in preceding years, the planned capex could amount to ₹79,200 crore in 2018-19, marking an improvement over the previous year (₹68,500 crore), the study said.

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