

RBI's Account Aggregator Master Directions - Potential of FinTech Industry

Reserve Bank of India introduced Non-Banking Financial Company - Account Aggregator (Reserve Bank) Directions, 2016, 'Sahamati,' (last updated as on February 23, 2018) vide its reference number Master Direction DNBR.PD.009/03.10.119/2016-17. Moreover, the central bank of the country has granted in principle approval to few entities for performing activities of account aggregation. The account aggregation framework allows sharing of customers' financial data with the financial information user by extracting the information from financial information provider, only after obtaining the proper consent of the owner of the data i.e., customer. It also gives the express rights to its customers on amount and time period of the data to be shared with any third party. The customer is also given the right to revoke his/ her consent as and when required. Further, it is duly taken care by the regulator that the data is not being misused, thus account aggregators have no facility of storing the same. The data is proposed to be transferred from the entity which already possess the financial information of the customer to one who needs it after the customer's

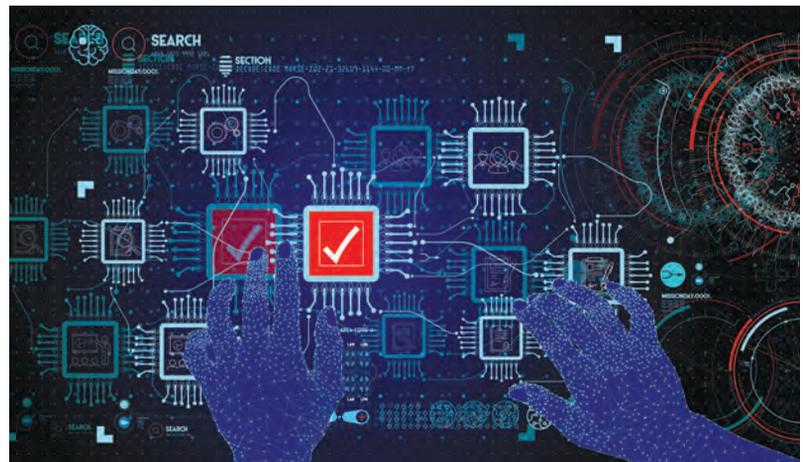


Srishti Vajpayee*



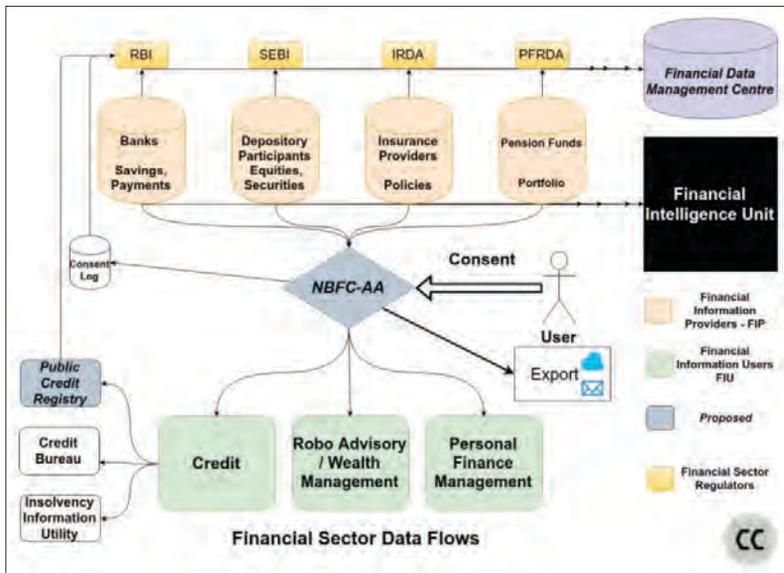
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consent in an encrypted manner so that the account aggregators remain 'data blind'. The framework of account aggregation ensures that the financial data including KYC documents, bank deposits, commercial papers, equity, bonds, debentures, insurance policies, units of InvITs and REITs etc., of a customer available with any financial institutions that is registered with the respective financial regulator i.e., RBI, SEBI, PFRDA, IRDA etc. would be shared on a real time

basis with any third party to which customer allows, provided the third party is also registered with these said regulators in one form or the other. This is a step to hassle free easy, efficient, secured, safe framework acting as a facilitator to a customer for taking up any financial activity without wasting any time on collecting the physical data from various sources. The data would electronically travel from one source to another in just fraction of second. Read on to know more...



Source: <https://www.medianama.com/2018/11/223-exclusive-rbi-issues-in-principle-licenses-to-5-account-aggregators/>

I. The Paradigm Shift

Government of India, from last few years, has constantly been working to promote the use of technology replacing the current tedious and time taking procedures which take a lot of human efforts. It is even a step ahead in introducing the favourable policies to encourage the use of technology while proposing humans to be deployed on tasks which need the use of intellect. Now, when there is an era of fintech, machine learning, cloud, robotics, and artificial intelligence, everyone seems to be open to change and adaptation. Simultaneously, we are watching new laws, rules and regulations, more often being introduced which are not detrimental to the health of the country, favouring the use of technology in each and every sector. These laws are brought into action after numerous brainstorming sessions and stakeholders' consultation process amongst the government and the relevant industry.

The government itself is driving the agenda of Digital India and

allowing sandboxes, incubators and accelerators facilitating the digitisation, automation and innovation in each and every sector in the name of healthtech, edutech, agritech etc. over and above fintech. Moreover, the state governments of Karnataka, Tamil Nadu, Andhra Pradesh, Gujarat, Telangana etc. are a step ahead in digitisation of even their land records under Digital India Land Records Modernisation Programme of the nation. It is still under the process and is in its nascent stage only, but if the same has started for these states of India, as of now, then will continue for the rest of them too, covering the entire country to be brought under the umbrella of digital land records.

The introduction of account aggregation seems to be a small step only which may prove itself to be a boon for the fintech industry of the nation. This is expected to grow and take over each and every sector. Perfection may only be achieved through constant evolution, after performing many hits and trials. Further, a gradual digitisation happening

around, without any realisation of any change in our daily activities, has also been noticed, leading to automation of all the physical procedures involved in different activities. The plan of the government looks clear as it is in the path of providing every one the opportunity to take up their tasks without visiting any physical office and carrying physical documents. Industry and the government, both, are set to bring presence-less and paper-less environment throughout. From, removing queues at the windows of banks, regional transport offices, educational institutions up-to making a claim online at insurance entities, EPFO portal, etc. everything has been brought under the umbrella of government's e-governance projects, without making any harm to the present state of working structures, rather improving them. This has proven itself to be a tremendous shift in the overall approach in maintaining and using records.

It would not be surprising, if we, in the coming years get to see an introduction of a hassle-free, easy, efficient, secured, safe & single database, in the form of balance-sheet of an individual containing all the assets & liabilities under single account (without facilitating any transaction from there), disclosing real time net-worth of an individual, with mandatory section of writing an e-will which pops-up each time, one logs-in into the account, in pre-suggested templates (customised as per one's religion & acts/ laws for that particular religion with easy radio button or tick options); and with the facility of selection of nominee(s)/ legal heir(s) either product wise or value wise in different ratios, then and there. Further, the assets mortgaged, hypothecated or pledged may be locked in/ frozen in the account of the debtor similar to lock-in of pledged shares in the demat account.

Moreover, with the help of account aggregators, mapping of the aadhaar/ PAN number and bank details of legal heir(s) as selected by the owner, and upon his/ her death, the assets as allocated in front of respective legal heir(s) getting credited to their bank accounts, the way Direct Benefit Transfer (DBT) does today, only after proper verification by the existing authorities in the space, upon the upload of the certified and verified death certificate by the officials under the e-governance project as a digital will or e-will concept now doesn't seem like a farfetched project anymore.

II. Issues which may be addressed further, by the use of Account Aggregation

A middle class common man, with very limited time, avoids indulging into too many investment and other financial products, just in order to keep it simple and easy, as each and every new product has to be managed separately in a different platform. One needs to remember so many user IDs and passwords to login and get details of different products from different accounts, and from the websites of different service providers. This is chaotic to be managed all the times by an individual. For e.g., if one buys SBI Blue Chip Fund where SBI is a service provider, from the website of Funds India where Funds India is a web aggregator, then he will get the user IDs and passwords of both SBI and Funds India, which he has to retain for various further transactions i.e. to modify, sale, purchase etc. Similarly, if he buys a policy from Policy Bazaar, which is the web aggregator

and if policy service provider is Apollo Munich, he will have login IDs and passwords for both Policy Bazaar & Apollo Munich; if he buys shares then he will have a demat account, if he buys deposits then he will have to do it through online bank accounts or net-banking, similarly for public provident funds or employees' provident funds and many other financial products, he will have hundreds of online accounts, user IDs and passwords. So, with each new item, there are new login details which need to be retained and remembered. Apart from these financial assets, the assets as mentioned below* are in one form or the other, available with an individual, and are stored here and there, with no proper track, sometimes even to the real owner.

payback points, which may be utilised for the purchase of goods and services, but most of the people are either unaware or negligent of them. At times, they get collected and gets their worth into thousands of rupees. This is also a sort of money, which is not used by the owner due to lack of proper or formal record system. There are many such examples, where due to no proper track or record, the consumer has to face the losses, as they are negligent of their own small amounts, lying here and there, in bits and pieces, and if consolidated, make a large chunk of money.

Apart from this issue, if any unpleasant incident takes place and the owner of these financial assets suddenly dies, one who ultimately becomes real owner

- **Self-Investments** - Shares, Bonds, Mutual Funds, Exchange Traded Funds, Index Funds, Public Provident Funds, Fixed or Term Deposits, Recurring Deposits, Corporate Deposits, etc.
- **Investments Made by Employer** - ESOPs, Employee's Provident Fund, Pension Funds, Gratuity, etc.
- **Insurance** - Life Insurance, Health Insurance, ULIPs, Vehicle Insurance, Home Insurance, etc.
- **Banking Services** - Salary Account/Savings Accounts, Debit Cards, Payback Points, e-Gift Cards, e-Shopping Cards, e-Wallets, Payment Protection, Bank Guarantee, Demat Account, etc.
- **Derivatives** - Equity, Bonds, Commodities, Currencies (Futures/Options/Swaps) under Trading Account, etc.
- **Properties** - {Lands(s) & Building(s)}, Gold, other Metals & Stones, etc.
- **Loans** - Home Loans, Car Loans, Education Loans, Personal Loans, Credit Cards, Overdrafts, etc.
- **Contingent Liabilities** - Personal Guarantees, Personal Securities, Pledge, Hypothecation, Letter of Comfort, etc.

One uses the debit cards/ credit cards/ net-banking in his/ her daily lives and against each transaction, receives few

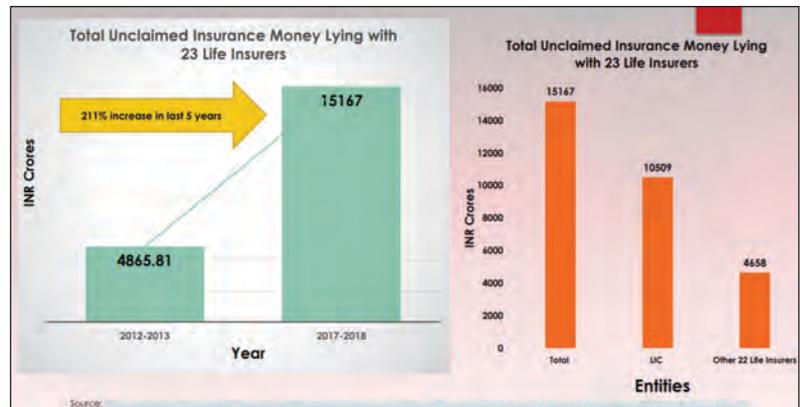
of the assets, due to inheritance, gets no idea that what all his parent(s) owned and how to access the entire information about it. Thousands of crores

Industry-Specific

‘Sahamati’ allows sharing of one’s financial data with the financial information user by extracting the data from financial information provider, only after obtaining the proper consent of the owner of the data where he/ she is also given the right to revoke his/ her consent as and when required.

of such unclaimed assets, like unclaimed insurance, shares, dividend and unclaimed deposits etc., keep lying in the account of service providers and never reaches the exact beneficiary, even after the selection of nominee(s), physically or digitally by the owner.

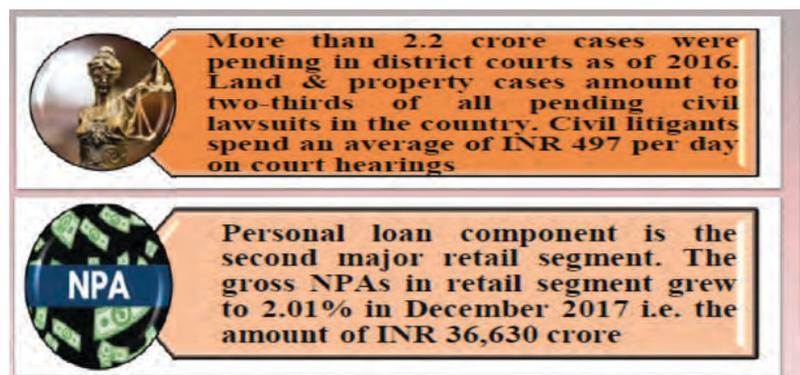
Resultant, today, the amount of more than INR 15,000 crores is lying unclaimed with the insurance entities; above INR 2000 crores as unclaimed dividend with Investor Education and Protection Fund; over INR 8800 crores with banks as unclaimed deposits and many more, whose real owners could never be traced, majorly due to unawareness of parents’ ownerships and low financial literacy. In the society like India, majority of population avoid discussing financial matters with their off-springs and other family members. Moreover, even after the availability of option of writing a will, hardly any one does that, if they do, then never update, as this includes a tedious process.



Moreover, in absence of any valid testamentary document or will, the legal heir(s) keep filing suits in the court of law which unnecessarily kills the precious time of the esteemed courts and abstains the individuals to indulge into other productive activities. In addition, if the individual had personal loan(s) {against no collateral(s)} from the banks or financial institutions, on his death, these loans become difficult to honour, once the death certificate is presented to the banks or financial institutions, even when there is ample amount of property available in the name of the individual, which is sufficient to set off the entire loan amount.

to keep updating his/ her heirs all the time about his assets ‘bought’ and ‘sold’. There needs to be a mechanism which ensures proper and hassle free transmission of assets to the legal heirs. Nomination is optional in nature and while buying any asset, it is treated insignificant that even organisations do not bother to take proper details and documents of nominee. Moreover, mere nomination does not suffice for the assets to reach to the eligible owner. Inheritance is governed by respective succession and inheritance acts.

The scope of solution to this problem lies in the latest



The question arises, why can’t in this advanced era of digitisation, these can be aggregated for greater relief of individuals and also to facilitate the hierarchical owner of the assets at the time of sudden tragedy or death. It is very difficult for any individual

framework of account aggregation under the project called ‘Sahamati’ which allows sharing of one’s financial data with the financial information user by extracting the data from financial information provider, only after obtaining the proper consent

of the owner of the data where he/ she is also given the right to revoke his/ her consent as and when required. The framework is also proposed to facilitate downloading of real time net-worth and consolidated assets and liabilities of one, in a single click, easing all the aforementioned concerns of the present state. The account aggregation appears to be a panacea, today, for many problems being jointly faced by all the classes of households as well as financial and other industries.

The mechanism, once in force, would be very interesting to see, what ease and simplicity might be brought to our present situation of dealing with multiple bodies holding data in silos. Also, it would be remarkable, if this extraordinary activity of account aggregation is followed by additional innovations like introduction of digital will/ digital testamentary documents, where assets of deceased are directly credited in to the accounts of legal heirs, the way DBT, today, does.

Additionally, the account aggregators' infrastructure may be expected to bring further solutions to misuse of *benami* properties, underutilisation of disputed assets, unnecessary wastage of precious time of honourable courts in deciding trivial matters, wastage of time of income tax department, etc. It may also act as a solution to the problem of NPAs in the country and issues related to the disputed properties, if utilised in that direction and manner.

This may save time of people and authorities who are engaged

in verifying testamentary documents and physically transferring the property in the name of hereditary owners, which ultimately takes months and months of time. The properties and assets which are under stay and proving themselves inefficient and worthless due to not being efficiently and fully utilised since years will come to the level playing field, start generating income, and will consequently support the growth of the economy. The mechanism of settlement of debt of deceased before distribution of property amongst the legal heir(s) also provides the solution to the problem of NPAs. In addition, the income tax authorities who are engaged in mapping and searching the undisclosed properties from here and there may have easy and efficient access to such information.

III. Challenges and Proposed Solutions

With numerous such potential uses, it also comes with certain challenges which include development of the infrastructure within the organisations by all the financial entities in order to support sharing of such real time data. Further, the cost of adjustment or enhancement or modification of their systems from the current structure to a new one and to conform to proposed regulations may prove itself to be a costly affair, thus acting as an entry barrier. Along with this, the unease amongst masses about privacy of individual's information is also one of the major challenge but the same is duly planned to be addressed

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with enough rights to the owner of data, to safeguard his/ her private information hedged by the proposed data protection laws after being pointed out by the Honourable Supreme Court (SC) while deliberating on the landmark case of *Justice K. S. Puttaswamy (Retd.) and Anr. Vs. Union of India and ors.* related to *Aadhaar*. Post this concern raised by the SC, the government had set up the committee to suggest the related framework for the security of personal data and to submit the report on it. The report suggested an excellent structure of personal data protection in the form of draft bill which is soon believed to be in place so that any misuse of personal data may be prevented, where individuals are empowered to have reasonable rights over their own data and they are assumed to be the data owners; the data pertaining to them may be stored and processed only after obtaining a valid consent from them. They even have the right to get their data removed from the database except in few cases as prescribed in the law. The bill provides the effective framework to use and process the personal data of an individual while ensuring the protection of individual's privacy.

Not only the protection of personal data is assured but the government has even set up a committee of experts to deliberate on framework for governance of community data too, which lies beyond the scope of personal data and account aggregation, taking cognisance of huge amount of anonymised non-personal data available within the government as well as non-government entities, which may, very well be utilised for the overall development of communities which have contributed to that data, especially for various collective schemes and projects catering to social and economic problems of citizens. Pointing out in his report, Justice Srikrishna raised the need of providing legal protection to privacy of any identifiable community making contributions to such big data, along with the necessity of classifying so called community data and its various aspects. The presence of such unnoticed anonymised numerous big data sets pertaining

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to particular communities, and recommended to develop the economic value out of it and relevant regulatory framework for addressing the concerns with respect to such non-personal aggregated or consolidated community data.

Over and above the concept of account aggregation, initiatives for use of such a big-data by innovators and researchers by training artificial intelligence, applying in robotics, may result into entrepreneurship, innovation, and scientific discovery, all of which will improve the economy as a whole. This will enable start-ups to read the behaviours and patterns which will lead into cross-selling and upselling by corporates or even for creation of ancillary and positive policy environment by the government. For e.g. consolidated data pertaining to farming community or healthcare of particular state would make it easier for entrepreneurs and incumbents to put a lot more efforts in providing better services in that domain due to research and analysis being facilitated by the readily available big data set, where government may also come up with better policies supporting such innovation. Also, humungous data with respect to consumer spending may lead to reach insurance and lending companies to the underpenetrated areas of the nation where they may exploit the potential of existing masses who can avail insurance or credits, but are not able to do it, today.

IV. Conclusion

The account aggregation appears to be a remedy to



many problems being faced by the financial and other industries along with its customers. It already comes with the solution to many issues existing today and still may bring probable solution to many other problems. The entire country seems to move in the direction of digitisation where each and every sector is targeting the population to adopt these positive changes without any reluctance, as they are less time consuming and are simultaneously providing single window, digital or presence-less and paper-less solutions. Each task is being divided into small phases (area wise, time wise, population wise and assignment wise) for implementation and execution of the Digital India mission, with proper strategies, without forcing the population to adopt the same i.e.; by keeping it voluntary in nature and motivating the masses to self-adopt, after building the proper trust on it. The account aggregation *per se* is believed to make lives easier, not only of the consumers and fintech players but also in the other sectors like healthcare, education, agriculture, when data sharing framework would be utilised properly and efficiently thus penetrating to the last mile customer and enhancing financial inclusion in the nation. ■