



# FrankBanker®

25th June 2022



ISSUE 22

## LATEST FACTS

Repo : 4.90% | Rev Repo: 3.35% | Fx Reserves: \$590.58



CPI Inflation : 7.04% (May 22) | GDP Growth: 8.7% (2021-22)

Bitcoin: ₹16,74,016.61



Ethereum : ₹96,473.59



Brent Crude : \$113.19

| USD/INR: ₹78.25



## INSIDE



- RBI Actions this week
- Impact of PPI guidelines on BNPL
- Fintech and Banking News
- Understanding IRR in simple words

**NEW**

**FINTECH AND  
BANKING JOBS**

**JOB**



# RBI ACTIONS



1. RBI extended the timeline to comply with its guidelines on **Restriction on Storage of Actual Card Data** by Payment Service Providers to September 30, 2022. PSPs need to ensure they do not store any **Card on File data** and any past data needs to be purged by the due date

2. RBI released **Draft Master Direction on Outsourcing of IT Services**, providing guidance to Regulated Entities on IT outsourcing

3. RBI released a summary of Variations in Forex Reserves in last FY (table below)

Table 1: Sources of Variation in Foreign Exchange Reserves*				
(US\$ Billion)				
Item		2021-22	2020-21	
I.	Current Account Balance	-38.8	23.9	
II.	Capital Account (net) (a to f)	86.3	63.4	
	a. Foreign Investment (i+ii)	21.8	80.1	
	(i) Foreign Direct Investment (FDI)	38.6	44.0	
	(ii) Portfolio Investment	-16.8	36.1	
	Of which:			
	Foreign Institutional Investment (FII)	-14.1	38.7	
	ADR/GDR	0.0	0.0	
	b. Banking Capital	6.7	-21.1	
	Of which: NRI Deposits	3.2	7.4	
	c. Short-term Credit	20.1	-4.1	
	d. External Assistance	5.4	11.2	
	e. External Commercial Borrowings	8.1	-0.1	
	f. Other Items in Capital Account	24.2	-2.6	
III.	Valuation Change	-17.2	11.9	
	Total (I+II+III) @	30.3	99.2	
	Increase in reserves (+) / Decrease in reserves (-)			

# Impact of RBI Guidance on PPIs and BNPL Players

1/2

- Recently RBI reiterated Pre-Paid Instruments (PPI) or wallets related guidelines, barring non-bank PPIs from loading wallets with a Credit facility.
- These are not new guidelines but only a clarification to remove any ambiguity. RBIs
- **Master Directions on Prepaid Payment Instruments (PPIs) (Updated as on November 12, 2021)** states "PPIs shall be permitted to be loaded / reloaded by cash, debit to a bank account, credit and debit cards, PPIs (as permitted from time to time) and other payment instruments issued by regulated entities in India and shall be in INR only"
- However the reiteration closes any room for interpretation.
- Startups including Jupiter, EarlySalary and KreditBee have reportedly halted customers' transactions, while other BNPL players are on their toes.

# Impact of RBI Guidance on PPIs and BNPL Players 2/2

### Why this impacts BNPL?

- BNPL companies do not come under Regulated Entities presently. There remains regulatory ambiguity although RBI is aware of this and is possible waiting for the BNPL play to evolve before bringing in regulations
- BNPL players to give short term credit. But formal lending businesses can run only within the Regulated Entity framework that includes Banks, SFBs, NBFCs, MFIs, P2P players and Card Issuers. BNPL falls in none of these. So there are two ways to fund- One use own or borrowed capital to then lend outside this framework and Second load customer's PPI account from a loan sourced from an NBFC
- In case one, if the lending is done by BNPL company, than the borrowing from NBFC should reflect in its balance sheet. And RBI did articulate this as well a few days back
- In Second case, if a BNPL company is a sourcing agent, then the customer should ideally sign loan agreement with the lending entity.
- Presently BNPL lending is achieved by issuing a either a BNPL Card or virtual account or a Wallet! Note that, PPIs are permitted to co-brand.
- While RBI referred only PPIs, it is a clear indication that regulatory grey area for BNPL players is reducing.



## FINTECH NEWS

- **Pine Labs**, a merchant payments fintech, acquired fintech infrastructure company **Setu** for around \$70 Mn
- **FinBox**, a low code embedded finance infrastructure provider, raised \$15 million, led by A91 Partners, Aditya Birla Ventures and Flipkart Ventures and others
- **Mewt**, a MSME focussed fintech raised \$4.6 million in a seed funding led by Quona Capital



## LATEST IN BANKING

- RBI imposed a monetary penalty of ₹ 57.50 lakh on **Indian Overseas Bank** for its failure to report frauds involving ATM card cloning and skimming
- HDFC Bank plans to revamp its IT architecture by moving Payments out of Core Banking. This will lower downtime and enable payments to work even when CBS is down.
- RBI is engaging with HDFC bank, ICICI Bank, SBI and other top banks to run a blockchain-based pilot project for trade finance







## JOBS

### Fintech and Banking Jobs

Company : **Fable Fintech**

Role: **Project Manager**

Link : <https://frankbanker.com/forum/project-manager-fable-fintech/>

Company: **EFUNDZZ**

Vertical : Credit Process and Technology design

Designation : **Manager- Credit Policy and Process**

Link: <https://frankbanker.com/forum/manager-credit-policy-and-process/>

Company : **FlexiLoans**

Roles: **Data Science Manager -Growth**

Link : <https://frankbanker.com/forum/data-science-manager-growth/>

## For more jobs

<https://frankbanker.com/forum/jobs/>



## TERM OF THE WEEK

- **Internal Rate of Return or IRR** is a discounting cash flow technique which gives a rate of return earned by a project
- In simple words, its the rate at which the outflows done today are equal to future inflows, after adjusting for time-value (₹100 today is not same as ₹100 one year later)
- Another simple way to understand IRR is by looking at bank FD.
- Lets say you put ₹100 as FD, which will become ₹105 at 5% interest. However with inflation itself at 5%, your real earning is zero, which is your IRR.
- Therefore, if you want to invest in a project or financial instrument, you expect returns equal to or higher than IRR



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# *Announcement*

We are pleased to launch

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