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Begur Bulletin

Fintech

Whitepaper 2025

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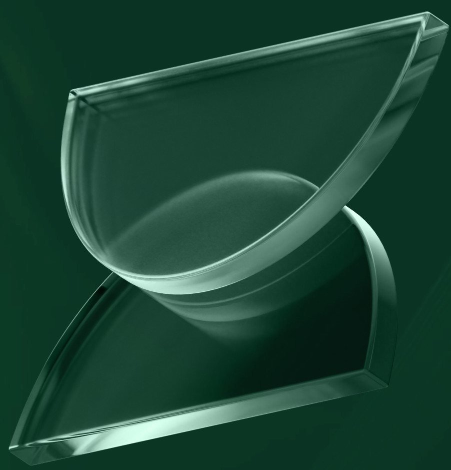

Managing Partner's Foreword

Welcome to this edition of the **Begur Bulletin**, where we strive to bring you insightful, relevant, and timely analyses on the legal and business developments shaping our industries today. At **Begur & Partners**, we take pride in our multifaceted expertise, which spans across multiple ***"Focus Areas"*** and a diverse range of ***"Sectors"***, reflecting the depth of our practice established over three decades. In an ever-evolving global landscape, it is imperative to stay informed about the legal nuances and trends that impact businesses, individuals, and institutions alike. Through the **Begur Bulletin**, we aim to share not only our knowledge but also our perspective on these critical developments, empowering our readers to navigate challenges and seize opportunities with clarity and confidence.

Each **Begur Bulletin** is carefully curated to address pressing topics, offering deep analysis and insight that is not only legally sound but also practical and actionable. From corporate mergers to emerging technologies, our insights reflect our commitment to the pursuit of legal excellence and thought leadership in the legal domain. I invite you to explore this edition and reflect on the ideas shared within. As always, we welcome your feedback and look forward to continuing this dialogue with you, our esteemed readers, and hope to contribute to the ever-dynamic legal and business landscape.

Thank you for your continued trust and engagement.
Warm Regards,

Rajesh Begur
Managing Partner, Begur & Partners

WHITE PAPER
ON
FINTECH SECTOR

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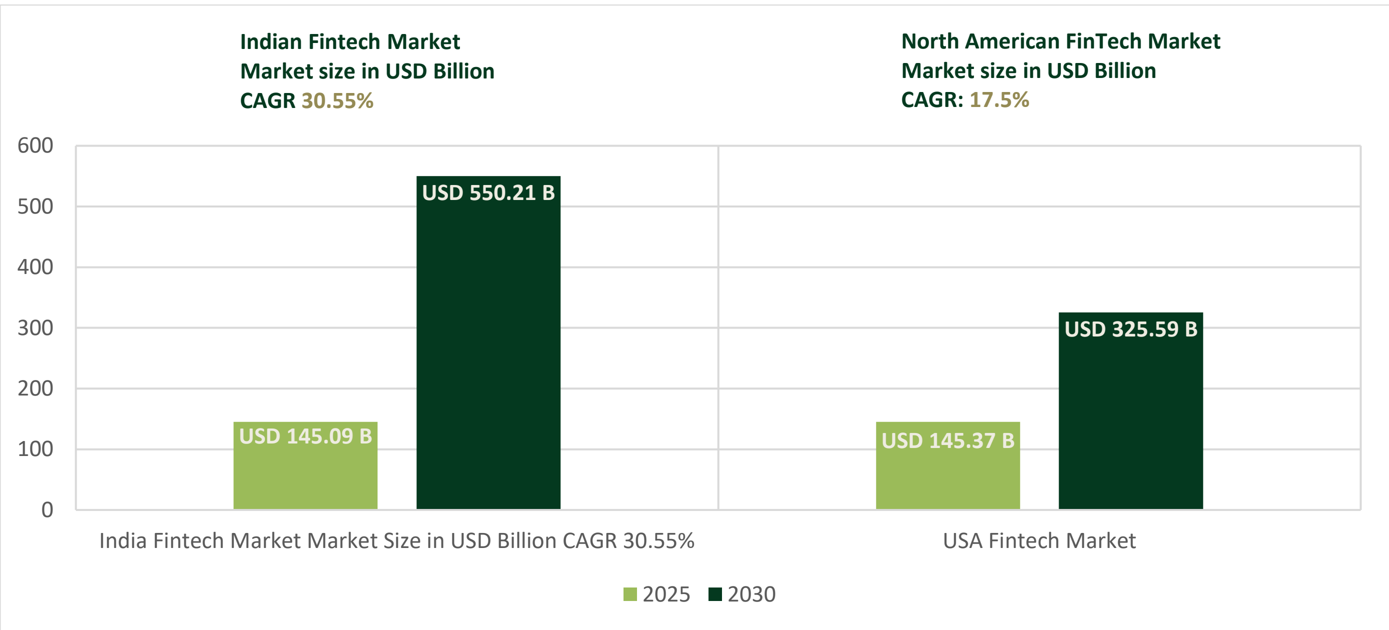
BIRD'S EYE VIEW

India's regulatory framework for financial services represents a distinctive blend of technological innovation, regulatory oversight, and business opportunities tailored to the country's unique economic landscape. As one of the fastest-growing economies in the world, India has been at the forefront of digital financial transformation, fostering an environment conducive to innovation while maintaining a strong regulatory structure to ensure financial stability and consumer protection.

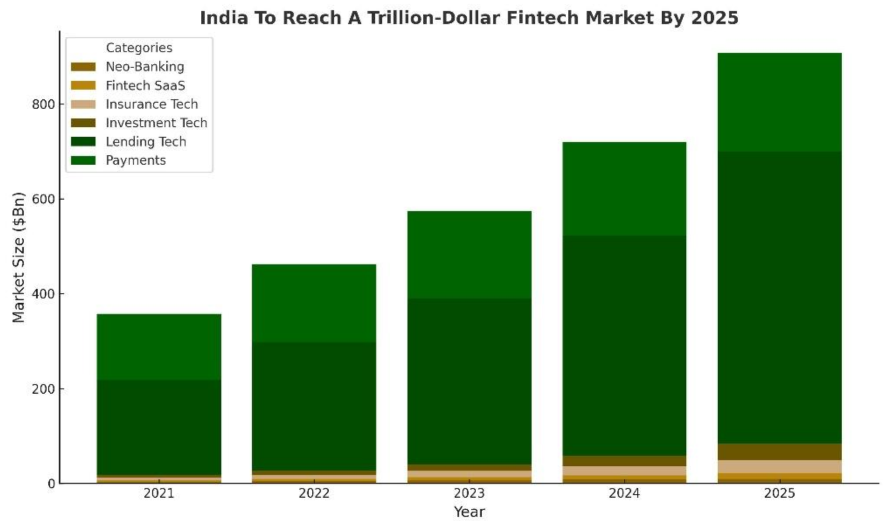
The Indian FinTech sector has emerged as a global leader in growth and innovation, ranking third among the world's fastest-growing FinTech markets in terms of funding, transaction volumes, and overall industry strength. This remarkable ascent can be attributed to several factors, including a rapidly increasing internet penetration rate, widespread smartphone adoption, and a strong push from government initiatives such as Digital India and financial inclusion programs like Jan Dhan Yojana.



A pivotal factor in this transformative journey is the regulatory sandbox framework introduced by the Reserve Bank of India (RBI). By allowing FinTech startups to test new products in a controlled environment, this initiative has spurred innovation and contributed significantly to the growth of the sector. Today, India's FinTech industry is valued at USD 145.09 billion and is projected to grow at a robust CAGR of 30.55% to reach USD 550.21 billion by 2029 which in turn will position it as the third-largest FinTech ecosystem globally and setting it on course to outpace the U.S. market, which is currently valued at USD145.37 billion and expected to grow at a CAGR of 17.5% to reach USD 325.59 billion by 2030. In parallel, the digital financial ecosystem is rapidly expanding. This is evident from the fact that digital payments reached INR 223 lakh crore between January and November 2024, with BHIM-UPI alone facilitating over 15,547 crore transactions and contributing to digital payments accounting for 83% of the total payment volume by the end of 2024.

With over 3,000 registered FinTech start-ups, India has become a thriving hub for digital payments, lending platforms, wealth management solutions, Insurtech, and blockchain-based financial services.

Market projections indicate that India’s FinTech industry will continue its exponential growth, with estimates suggesting a valuation of approximately USD 1.5 trillion by 2025. This expansion is driven by rising consumer demand for seamless digital financial services, increasing foreign direct investment (FDI), and progressive regulatory policies that encourage innovation. Notably, India's Unified Payments Interface (UPI) has set a global benchmark for real-time payments, significantly contributing to the sector's success.



The rapid evolution and disruptive impact of FinTech innovations in financial services are being closely monitored and assessed by regulatory authorities to ensure alignment with technological advancements and entrepreneurial developments. Indian financial regulators are actively adopting a more agile, innovative, and technology-driven approach to regulation. In an effort to enhance regulatory effectiveness, there is a noticeable shift from traditional entity-based regulation to a more dynamic, activity-based regulatory framework.

WHAT IS FINTECH?

Fintech, short for financial technology, refers to the innovative application of technology in financial services to improve the delivery and efficiency of banking, payments, lending, insurance, and wealth management. In India, fintech has rapidly emerged as a transformative force in the financial sector, driven by widespread smartphone adoption, digital infrastructure development, and supportive government initiatives like Digital India. This technological revolution is not just about convenience; it is redefining how financial services are delivered and consumed.

From a legal perspective, fintech in India operates within a comprehensive and evolving regulatory framework that balances innovation with the need to maintain financial stability, consumer protection, and cybersecurity. The Reserve Bank of India (RBI) plays a pivotal role in regulating digital payments, mobile wallets, and other fintech innovations through detailed guidelines under the Payment and Settlement Systems Act, 2007. These guidelines ensure that payment aggregators, payment gateways, and prepaid payment instruments operate securely and efficiently, mitigating risks such as fraud and data breaches. Simultaneously, the Securities and Exchange Board of India (SEBI) oversees fintech ventures related to investment and capital markets, ensuring transparency and investor protection.

Additionally, the Information Technology Act, 2000, along with emerging data protection regulations, underpins the legal framework for fintech by establishing standards for electronic transactions, cybersecurity, and the protection of sensitive financial data. This legal architecture ensures that digital financial transactions are secure, legally binding, and compliant with privacy norms. Moreover, corporate governance norms and foreign direct investment (FDI) policies as stipulated in the Companies Act, 2013, and subsequent amendments provide fintech startups with a clear pathway for incorporation, capital raising, and growth, further bolstering the ecosystem.

Overall, the Indian fintech sector is characterized by a proactive regulatory approach that fosters innovation while rigorously safeguarding the interests of consumers and the stability of the financial system. This dynamic legal environment enables fintech companies to introduce cutting-edge services, from online lending platforms and digital insurance aggregators to blockchain-based applications, all while operating within a framework that continuously adapts to new technological challenges and market trends.

TYPES OF COMPANIES INVOLVED IN THE FINTECH SECTOR

India's fintech industry is a vast and quickly changing ecosystem that includes a wide range of businesses, from neobanks and digital payment providers to lending platforms and blockchain pioneers. This industry, which is supported by robust regulatory frameworks, fosters economic growth and technical innovation in addition to financial inclusion and consumer safety. The several types of fintech companies that are actively navigating the RBI and NPCI guidelines to create a safe, open, and creative financial environment are as detailed below:

Payment Aggregators & Payment Gateways	***Prepaid Payment Instrument Issuers***	***Neo Banks & Challenger Banks***
Online and P2P Lending Platforms	***Digital Insurance Aggregators & Brokers***	***Wealth-tech & Investment Platforms***
Blockchain, Cryptocurrency & Virtual Asset Platforms	***Regtech Providers***	***Payment Banks***

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FINTECH REGULATORS AND ROLES

The Indian fintech landscape is diverse and dynamic—with companies spanning digital payments, neobanking, digital lending, insurtech, wealth management, blockchain-based services, and more. Each category is subject to a framework designed by the RBI and NPCI (among other regulators) that promotes innovation while prioritizing consumer protection, financial inclusion, and systemic stability. This evolving regulatory environment not only drives the growth of the sector but also continuously challenges fintech firms to innovate responsibly within well-defined norms. Following is the list of key regulators and types of fintech companies that fall under the scope of applicability and moderation.

RESERVE BANK OF INDIA

- Payment Aggregators & Payment Gateways
- Prepaid Payment Instruments (PPIs)
- Neo Banks & Challenger Banks
- Peer-to-Peer (P2P) Lending Platforms
- Account Aggregators
- Payment Banks

NPCI & MEITY

- United Payment Interface
- Bharat Bill Payment System
- RuPay Card Network
- Fintech Digital Data Protection Companies
- Digital Insurance Aggregators

LEGAL & REGULATORY FRAMEWORK

FOR PAYMENT AGGREGATORS & PAYMENT GATEWAYS

The RBI guidelines on Payment Aggregators and Payment Gateways[1] provide a comprehensive regulatory framework for intermediaries facilitating digital payment transactions in India. These guidelines, issued under the Payment and Settlement Systems Act, 2007, aim to ensure robust risk management, cybersecurity, and consumer protection across the digital payments ecosystem. They set out clear eligibility, registration, and reporting requirements while emphasizing compliance with AML, KYC, and data localization norms. By establishing these standards, the RBI seeks to foster innovation in the online payments space while maintaining financial stability and trust among all stakeholders. Key highlights of the guidelines are as follows:

Applicability	Applies to all entities that facilitate digital payment services as Payment Aggregators (handling funds) and Payment Gateways (providing technology infrastructure).

[1] https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=11822

	Covers domestic transactions, including import/export payments, but excludes cash-on-delivery models.
Eligibility Criteria	Must be an Indian company incorporated under the applicable Companies Act. Promoters and directors need to meet “fit and proper” criteria. Non-bank entities require RBI authorization, while banks offering PA services are exempt from separate authorization. New PAs must have a net worth of INR 15 crore at the time of application for authorization and INR 25 crore by the end of the third financial year following the receipt of authorization. Following that, all PAs shall maintain a net worth of INR 25 crore at all times in accordance with their individual timelines. Adequate IT infrastructure, risk management, and cybersecurity measures are essential.
Registration Requirements	Non-bank Payment Aggregators must apply for authorization from the RBI using the prescribed application form. The application should include a detailed business plan, financial projections, IT security protocols, and comprehensive procedures for KYC/AML compliance. Entities already regulated by other financial regulators must obtain a “No Objection Certificate” from the respective regulator. E-commerce marketplaces offering PA services must separate these activities and seek authorization separately.
Reporting Requirements	Regular submission of detailed transaction statistics (monthly reports). Quarterly submission of auditors’ certificates on the maintenance of escrow account balances and related reconciliations. Annual net-worth certification with supporting audited financial statements. Prompt reporting of any cybersecurity incidents, operational disruptions, or significant deviations from prescribed timelines for fund settlements.

FOR PREPAID PAYMENT INSTRUMENTS (PPIs)

Pre-paid Payment Instruments (PPIs) are payment instruments that enable transactions such as the purchase of products and services, as well as the transfer of funds, using the value stored on the instrument. The PPI sector is regulated by the RBI and as per the RBI regulations[2], and key highlights of the directions are as follows:

Applicability	Applies to all PPI issuers (both banks and non-banks) as well as system participants. Covers all activities related to issuance, operation, settlement, and interoperability of PPI
Eligibility Criteria	**Banks:** Must satisfy RBI's regulatory criteria (including NOC from their regulator) and obtain RBI approval under the PSS Act. **Non-Banks:** (i) Must be an Indian-incorporated company registered under the Companies Act. (ii) Must include PPI issuance in their Memorandum of Association. (iii) Initial net-worth requirement of at least INR 5 crore (supported by a CA certificate) at application, and a higher net-worth (INR 15 crore) to be achieved within the prescribed timeline. (iv) Must also meet applicable capital requirements (including FDI norms, if relevant).
Registration Requirements	Submission of an application in the prescribed Form A (per Regulation 3(2) of the PSS Regulations, 2008) with the requisite fee. **For non-bank issuers**: (i) Submission of a director's declaration and a CA-certified net-worth certificate (in the prescribed Annex format). (ii) Receipt of an 'in-principle' approval (valid for six months) during which a satisfactory System Audit Report (SAR) must be submitted. (iii) Issuance of the final Certificate of Authorisation (CoA) upon successful completion of the above steps, with business commencement within six months of CoA. (iv) Renewal or any major change (e.g. in management, product features) must be communicated to RBI within the stipulated timelines.
Reporting Requirements	Annual submission of net-worth certificates (in the prescribed Annex format) within six months of the financial year-end. **For non-banks**, quarterly and annual audit certificates (Annex-5) certifying that escrow balances cover outstanding PPI values.

DIGITAL LENDING & P2P LENDING

[2] Reserve Bank of India - Master Directions (rbi.org.in)

The NBFC-P2P Directions, 2017[3] establish a comprehensive regulatory framework for non-banking financial companies that operate peer-to-peer lending platforms. These directions set stringent eligibility criteria, registration procedures, prudential norms, and corporate governance standards to ensure transparency, fair practices, and risk management in the P2P lending ecosystem. They are designed to protect lenders and borrowers by mandating robust disclosures, periodic reporting, and effective grievance redressal mechanisms, thereby fostering trust and discipline in this innovative segment of the financial market.

The RBI Guidelines on Digital Lending (2022)[4] provide a comprehensive regulatory framework which sets clear standards for customer protection, data privacy, and ethical lending practices. It establishes the responsibilities of regulated entities in engaging Lending Service Providers and operating Digital Lending Apps, ensuring that all digital loan processes are conducted in compliance with extant regulations and best practices, thereby safeguarding both borrowers and the financial system.

The key highlights of these lending norms are as follows:

CRITERIA	NBFC-P2P Directions, 2017	Guidelines on Digital Lending (2022)
Applicability	Applies to every NBFC engaged exclusively in operating a P2P Lending Platform	Applies to all regulated entities offering digital lending: Commercial Banks, Urban/State/District Co-operative Banks, and NBFCs (including Housing Finance Companies). Also includes digital lending operations via Digital Lending Apps (DLAs) and through outsourcing arrangements with Lending Service Providers (LSPs).
Eligibility Criteria	Only companies (incorporated in India) can operate as NBFC-P2P. Minimum net owned funds of at least Rs.2 crore (or higher as specified by RBI). Promoters and directors must be “fit and proper” per prescribed criteria.	Only Regulated Entities (REs) licensed by RBI (banks/ NBFCs) may offer digital lending. LSPs and DLAs must comply with RBI’s outsourcing and data security norms.
Registration Requirements	Must obtain a Certificate of Registration (CoR) from the RBI before commencing P2P operations.	No separate “registration” for digital lending is required; digital lending is conducted by existing licensed REs.

[3] https://www.rbi.org.in/scripts/BS_ViewMasDirections.aspx?id=11137
[4] https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12382&Mode=0

HOW WE CAN ASSIST

BEGUR & PARTNERS has a highly specialized financial services practice and team well versed with the regulations governing this dynamic field. By adopting an all-inclusive approach our team helps leading financial institutions, fintech innovators and disruptors navigate the complex financial regulatory landscapes in India by providing personalized and pragmatic legal solutions. Our team has provided strategic advice and counsel to a host of financial and fintech players, innovators, regulators, payment gateways and aggregators, payment banks, non-banking financial companies, credit information companies, mutual funds, wealth managers, asset management companies, micro finance companies on a range of financial services and business models including but not limited to advice on legal and policy changes & developments, regulatory compliance, structuring, commercial contract support, licensing & approvals, compliance requirements, data protection, consumer protection, intellectual property etc.

OUR CAPABILITIES

Regulatory Advice, Compliance & Liasoning Support	Structuring Advise	Licensing & Approvals	Commercial Agreements
KYC & AML Regulations	Crowdfunding & Peer-to-Peer Lending	Artificial Intelligence & Robo-Advisory	Cybersecurity, Data Security Measures, & Breach Management.
Blockchain, Cryptocurrency & Digital Assets	Data Protection Advice & Strategy	Cross Border Payment Processing	Regulatory Sandboxing and Legal & Policy Related Advice
Risk Advisory	Governance Issues	Restructuring/Exits	Regulatory Litigation

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Latest Awards and Recognitions

RSGI Resight (RSG India)

IBLJ A List
A List (2023-2024)

ALB India Law Awards 2025
Notable Firm (2024)

Legal 500
Private Equity (including Venture Capital) - Tier 5 (2025)

IFLR1000 (34th Edition) 2024
1. Rajesh Begur B Ranking: Leading Lawyer – Highly Regarded
2. Firm Ranking: Recommended Firm
3. Southern Asia, Australasia and Central Asia Ranking: Highly Regarded

Corporate INTL Global Awards
Cross Border Private Equity Transactions Law Firm of the Year in India - 2025

Forbes India – Legal Powerlist 2023
Top Law Firm (above 10 years' experience)

Asia Law 2022
Notable Firm – Private Equity, Investment Funds, Banking and Finance, Corporate and M&A

Global Law Expert 2021
Cross Border Private Equity Transactions Law Firm of the year

RSG Consulting 2019
Top 40 Indian Law Firm

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