

regulation and regulatory arbitrage (Government of India, June 2016), potentially offering little recourse to the consumer.

5. We welcome the extension of IT security standards and urge for symmetric regulation of all digital financial activities to ensure uniform treatment of users' data.

The Discussion Paper stipulates a *Security, Fraud Prevention and Risk Management Framework* for PGs and PAs in Annex 2 if the third option of Full and Direct Regulation is exercised.

The Payments and Settlements Systems Act 2007, empowers the RBI to issue regulations indicating the standards of security for information technology infrastructure. Consequently, the RBI regularly issues guidelines on IT security standards and cybersecurity of entities under the PSSA. For instance, prepaid payment instruments (PPI) witnessed a rise in their uptake towards the end of 2016. At the time the RBI issued a notification to system providers and system participants using section 10(2)² and section 18³ of the PSS Act. It advised them to undertake cybersecurity audits with CERT-In empanelled auditors and comply with best practices for system infrastructure security (Reserve Bank of India, 2016b). The RBI has also recommended detailed cybersecurity frameworks for scheduled commercial banks (SCBs) (Reserve Bank of India, 2016a) and urban cooperative banks (UCBs) (Reserve Bank of India, 2018).

Considering the increasingly significant role that PGs and PAs play in digital payments, a considered revaluation of their cybersecurity framework is welcome. Substantially, the security and risk management framework provided in this Discussion Paper appears to be similar to the *Cyber Security and Resilience Requirements* given in Annex 1 of the notification on *Cyber Security Framework in Banks*. According to this framework, the PGs and PAs are required to

² Section 10 of the PSS Act, 2007 (Power to determine standards): Section 10(2) states, “without prejudice to the provisions of sub-section (1), the Reserve Bank may, from time to time, issue such guidelines, as it may consider necessary for the proper and efficient management of the payment systems generally or with reference to any particular payment system” (Reserve Bank of India, 2007).

³ Section 18 of the PSS Act, 2007 (Power of Reserve Bank to give directions generally): Section 18 states, “without prejudice to the provisions of the foregoing, the Reserve Bank may, if it is satisfied that for the purpose of enabling it to regulate the payment systems or in the interest of management or operation of any of the payment systems or in public interest, it is necessary so to do, lay down policies relating to the regulation of payment systems including electronic, non-electronic, domestic and international payment systems affecting domestic transactions and give such directions in writing as it may consider necessary to system providers or the system participants or any other person either generally or to any such agency and in particular, pertaining to the conduct of business relating to payment systems” (Reserve Bank of India, 2007).

put in place an Information Security policy for the safety and security of the payment systems operated by them that is approved by an internal board. All cybersecurity incidents and breaches are required to be reported to the Department of Payments and Settlements Systems (DPSS), the RBI and the Indian Computer Emergency Response Team (CERT-In) (Department of Payment and Settlement Systems, 2019). The indicative framework resembles the cybersecurity framework of other financial sector entities and is coherent with the reporting guidelines and auditing mechanisms of the Cyber Crisis Management Plan of CERT-In. Therefore, this appears to harmonise the cybersecurity requirements across financial sector, minimising the scope of regulatory arbitrage.

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