FINTECH NEWSLETTER: RECENT LEGAL DEVELOPMENTS AND MARKET UPDATES IN INDIA

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INTRODUCTION

The third quarter of 2022 has witnessed paradigm shifts in the existing regulatory regime in India. The Indian digital space has seen many crucial regulations being actively and promptly implemented by the Reserve Bank of India (**"RBI"**), which seem to have emerged in view of the manifold expansion of the digital arena in terms of presence and activities of users in the online space especially since the COVID-19 pandemic. The digital lending guidelines which have been a much-deliberated and impending change particularly in relation to the regulation of the loan service arrangements, were finally implemented with detailed instructions, while card-on-file-tokenisation eventually went live after multiple rounds of deliberations and timeline extensions. Furthermore, the soft launch and progress made with regard to the Open Network Digital Commerce has also been quite remarkable along with the exciting move of the enablement of cross-border payments through Bharat Bill Payment System.

This quarter also saw the cryptocurrency industry continue to face regulatory uncertainty, even as the RBI confirmed its intent to start rolling out central bank digital currency this year in a phased and gradual manner, by deeming it as legal tender. While this will warrant changes to other legal and regulatory frameworks in India, the consequential amendments are yet to be made effective, nevertheless making this a space to watch out for.

This newsletter highlights the key developments and measures as well as other developments in the Indian fintech space from July 01, 2022 to September 30, 2022.

RECENT REGULATORY DEVELOPMENTS

Issuance of Guidelines on Digital Lending

The RBI, by way of a press release ("**Press Release**"), recently announced a regulatory framework focused on the orderly growth and regulation of the digital lending ecosystem by credit facilitation through digital lending.[1] The Press Release aimed to set out the applicable recommendations from the report prepared by a Working Group ("**Report**") constituted by the RBI in January 2021, to curb mis-selling, unfair lending practices, and breach of data privacy.[i] The Report was intended to be implemented by RBI in a phased manner, through specific regulations issued by RBI. Pursuant to the Press Release, on September 02, 2022 the RBI released a circular titled 'Guidelines on Digital Lending'[2] ("**Lending Guidelines**") implementing the crucial recommendations identified in the Annex I of the Press Release along with certain incremental provisions and reiterated that outsourcing arrangements entered by regulated entities ("**RE**") with lending service providers ("**LSP**") do not diminish the REs' obligations and REs are required to conform to the extant guidelines on outsourcing of such obligations in addition to the Lending Guidelines. The impact of the Lending Guidelines is further discussed in the 'Industry Challenges' Section at page 6 of this newsletter.

The Lending Guidelines also prescribe regulations on matters which include, *inter alia*, collection, usage, sharing, and retention of only basic minimal data of the borrowers by the LSPs, regulation of loan disbursals, and repayments only from and to the account of the borrower and the RE, respectively, mandating REs to assess credit worthiness of borrowers before granting loans to them, requirement of appointment of grievance redressal officers by REs and LSPs for the purposes set out in the Lending Guidelines. Additionally, the Lending Guidelines emphasise upon the need for LSPs to be transparent in the disclosure of product features, and related terms and conditions and prescribe relevant corresponding obligations on the REs to ensure compliance.

It is noteworthy that while the directions in relation to First Loss Default Guarantee ("**FLDG**") were initially incorporated as part of Annex II of the Press Release in relation to which further guidelines were yet to be prescribed and was not originally intended to be part of the recommendations approved for immediate implementation, the Lending Guidelines incorporated specific directions on FLDG and brought it into the purview of the recommendations approved for immediate implementation.

As per the Lending Guidelines, FLDG arrangements are now to be viewed, assessed, and guided by the regulations applicable to synthetic securitisation under Master Direction – Reserve Bank of India (Securitisation of Standard Assets) Directions, 2021 dated September 23, 2021 ("**Master Direction**"), which effectively prohibits such synthetic credit arrangements.

RBI has stipulated that the Lending Guidelines will be effective from the date of the Lending Guidelines, i.e., September 2, 2022 for 'existing customers availing fresh loans' and 'new customers getting onboarded'. However, the RBI has clarified that the REs shall be provided time till November 30, 2022 for orderly transition and to put in place adequate systems and processes such that all new as well as existing digital loans (including those issued on September 2, 2022) are in compliance with the Lending Guidelines.

Effective date for implementing Card-on-File-Tokenisation process remains unchanged[ii]

The Card-on-File-Tokenisation ("**COFT**") regime introduced by RBI in 2019 and developed over the years, mandates that entities other than card issuers and card networks shall not be allowed to store card details of any customer ("**COF**") post the prescribed effective date which was eventually extended to October 1, 2022. In furtherance of this mandate, the RBI by circular[3] dated July 28, 2022 confirmed that no further extension will be granted to implement the COFT regime and it will be brought into effect from October 1, 2022.

However, in view of the issues involved in implementation of the tokenisation regime, the RBI also provided corresponding interim relief to ease transition to an alternate system for guest checkout transactions and to this end allowed merchants and payment aggregators to store COF data for a maximum period of T+4 days *(where 'T' is the transaction date or the date of settlement, whichever is earlier)* only for transaction settlement, upon completion of which it shall be purged. Additionally, RBI also permitted acquiring banks to continue storing COF data until January 31, 2023 for handling post-transaction activities which could be for processing of chargebacks

i. Our detailed update on the Report has been captured as part of our previous newsletter available here.

ii. Our previous update on this development is available here.

and issuing refunds. These interim measures aim to facilitate the readiness of all the participants for handling and processing of COFT and post-transaction activities.

The circular also reiterated the penal consequences for non-compliance with the COFT regime. The impact of the COFT regime is further discussed in the 'Industry Challenges' section at page 6 of this newsletter.

RBI allows eligible Small Finance Banks to apply for Authorised Dealer Category-I license[iii]

Pursuant to the RBI Guidelines on Licensing of Small Finance Banks in Private Sector dated November 27, 2014 and Guidelines for 'on-tap' Licensing of Small Finance Banks in Private Sector released by Reserve Bank on December 5, 2019, the Small Finance Banks ("**SFB**") which have been authorised by the RBI as Authorised Dealer ("**AD**") Category II banks can now also apply for AD Category – I license. This will however be subject to the applicant SFB's completion of 2 years of operations as AD Category II bank and compliance with the prescribed eligibility norms for AD Category I, which *inter alia* state that the applicant SFB must be profitable in the past 2 years, must have a minimum net worth of INR 500 crores etc.

This development, as notified by the RBI on August 8, 2022[4] comes with the intent of giving more flexibility to SFBs to meet their customers' foreign exchange business requirements.

Timeline to submit applications for authorisation of Payment Aggregators to September 30, 2022

The RBI has extended[5] the prescribed timeline for submission of payment aggregator ("**PA**") applications under the Guidelines on Regulation of Payment Aggregators and Payment Gateways ("**PAPG Guidelines**") dated March 17, 2020 for non-bank PAs existing as on such date ("**non-bank PAs**"), to September 30, 2022.

This extension is, however, subject to such existing non-bank PAs having achieved net worth of INR 15 crores as on March 31, 2022.

None of the other provisions of the PAPG Guidelines have been revised or relaxed and continue to apply as-is, including the requirement to meet the targeted net worth of INR 25 crores (approximately USD 3 million) by March 31, 2023. Such action of RBI gives the eligible entities a second wind to continue their business until RBI decides on their fate.

Liberalisation of overseas direct investment in International Financial Services Sector ("IFSC") by Indian entities not engaged in financial services[iv]

In a move to enhance the ease of doing business and to bring more clarity and transparency in undertaking Overseas Investments ("**OI**"), the Government of India, in consultation with RBI issued the revised guidelines on Foreign Exchange Management (Overseas Investment) Directions, 2022 ("**ODI Directions**")[6]. ODI Directions unfold a liberal architecture of self-regulation keeping in mind the evolving business needs in an increasingly integrated global market, thereby, aligning with the current business and economic dynamics.

One of the key aspects in the ODI Directions is inclusion of IFSC to the definition of foreign entities. This implies that investments in IFSCs will now be governed under the ODI Directions. Furthermore, an Indian entity not engaged in financial services activities in India, and that does not meet the net profit condition as required under these rules, is now permitted to make an investment in an entity that is directly or indirectly engaged in a financial service activity in the IFSC (except for banking or insurance), subject to the prescribed conditions.

Proposal to extend the applicability of PAPG Guidelines to offline PAs[v]

As part of its Statement on Developmental and Regulatory Policies the RBI[7] ("**Statement**") on September 30, 2022, stated its intent to widen the ambit of the PAPG guidelines to be applicable to offline PAs as well, which handle face-to-face transactions, in view of the similar nature of activities undertaken by both online and offline PAs. This development is expected to bring in synergy in regulations covering activities and operations of PAs - offline and online.

The extent and the form in which the current PAPG Guidelines will be made applicable to offline PAs will be determined and clarified as part of the detailed instructions that RBI will issue in this regard.

The Statement also sets out the other developmental and regulatory policy measures RBI intends to take in the near future including those relating to regulation

iii. Our previous update on this development is available here.

iv. Our detailed analysis on the ODI Directions are available here.

v. Our previous update on this development is available here.

and supervision such as proposal to publish a discussion paper on Securitisation of Stressed Assets Framework and proposed guidelines for setting out criteria for rural regional banks to be eligible to provide internet banking.

Enabling cross border bill payments through Bharat Bill Payment System ("BBPS")

In accordance with 'Rupee Drawing Arrangement – Direct to Account Facility', foreign inward remittances received under Rupee Drawing Arrangement ("**RDA**") can be transferred to the KYC compliant beneficiary's bank account through electronic mode, such as, NEFT, IMPS, etc. As per the circular dated September 15, 2022[8], RBI has now allowed foreign inward remittances received under the RDA, to be transferred to the KYC compliant bank account of the beneficiaries through BBPS, subject to the prescribed conditions.

This is expected to ease up utility bill payments by non-resident Indians directly from overseas using BBPS.

Guidelines for implementation of the IFSCA (FinTech Incentive) Scheme, 2022 ("Scheme")

The IFSC Authority ("**IFSCA**") has come up with guidelines for implementing the Scheme[9]. The objective of the Scheme is to promote the establishment of FinTech hubs across jurisdictions, at IFSCs by providing financial support to FinTech activities in the form of a specific grants as specified in the Scheme, based on their eligibility and fulfilment of terms and conditions as may be specified. This Scheme is open to (a) Domestic FinTechs seeking access to overseas markets; (b) Domestic FinTechs seeking a listing on IFSCA recognised stock exchanges; (c) Foreign FinTechs seeking market access to IFSCs in India and work within the regulatory framework; (d) Foreign FinTechs seeking access to the domestic market under Inter-Operable Regulatory Sandbox ("**IORS**") framework; (e) Domestic FinTechs extending the business to the IFSCs either by way of authorisation or registration or through the IORS. The eligible entities are entitled to grants such as (i) FinTech Start-up grant to develop a product or a service and related 'go-to-market' initiatives for a start-up with a novel FinTech idea or solution; (ii) Proof of Concept ("**PoC**") grant for the purpose of conducting a PoC by an early or mature entity in domestic market or overseas; (iii) Sand-box grant to experiment with innovative products or services in a sandbox; (iv) Green FinTech Grant for developing solutions facilitating sustainable finance and sustainability linked finance, including 'Environmental, Social and Governance' investments; (v) Accelerator Grant for supporting accelerators at the IFSCs; (vi) Listing support grant for supporting domestic entities aspiring to go for listing on recognised stock exchanges.

In order to take benefit of the Scheme, the applicant is required to make an application in such manner, as prescribed. Upon satisfactory evaluation, a sanction letter is issued with the terms and conditions of the grant. Disbursement is made subject to compliance with the terms and conditions specified in the sanction letter.

Participation of Securities and Exchange Board of India ("SEBI") as Financial Information Providers ("FIP") in Account Aggregator ("AA") framework

SEBI has joined the AA framework of RBI with a view to boost the RBI regulated financial-data sharing system. Such integration will allow customers to share information about their mutual fund and stock holdings with financial service providers. In this regard, SEBI has released a circular dated August 19, 2022 ("**SEBI Circular**")[10], wherein the FIPs in the securities market are required to enter into a contractual framework with the AAs.

FIPs will have to verify the validity of the consent of customers, specified dates and usage, and the credentials of the AA. After due verification of the consent, the FIPs in the securities markets will digitally sign the financial information and securely transmit the same to the AA. To enable the data flows, the FIPs are required to implement interfaces that allow an AA to submit the consent and authenticate each other to enable a secure flow of financial information to the AA. The FIPs are mandatorily required to disclose the names of the AAs they have partnered with, for this purpose.

SEBI allows e-KYC Aadhaar Authentication services of UIDAI in Securities Market as sub-KYC user agency

SEBI has allowed 155 entities to enter into an agreement with a KYC user agency (**"KUA"**) and get themselves registered with UIDAI as sub-KUAs[11]. The KUAs are required to facilitate the onboarding of these entities as sub-KUAs to provide the services of Aadhaar authentication with respect to KYC. The KUAs are also required to be SEBI registered intermediaries to undertake Aadhaar authentication[vi] of their clients as sub-KUA for the purpose of KYC.

RBI releases discussion paper on charges in payment systems

RBI has always focussed on easing frictions which may arise from infrastructure, procedures, or charges related to payment transaction. In view of this objective, RBI has made several interventions to facilitate ease and safety of transactions and improve payment infrastructure. In furtherance to this, RBI has conducted a comprehensive review of the rules and procedures for levying charges in different payment systems in the country and has released a discussion paper for the public and stakeholders, for views on different dimensions of charges levied in payment systems.

While there are many intermediaries in the payments transaction chain, consumer complaints are generally around high and non-transparent charges.[12] RBI recognises that the charges for payment services should be reasonable and competitively determined for users while also providing optimal revenue stream for the intermediaries. To ensure this balance, it was considered useful to carry out a comprehensive review of the various charges levied in the payment systems by highlighting different dimensions and seeking stakeholder feedback.

The discussion paper covers all aspects relating to charges in payment systems such as IMPS, NEFT, RTGS, UPI as well as debit cards, credits cards, prepaid instruments etc. RBI had requested the industry bodies to share their inputs on the same by October 03, 2022.

Introduction of UPI Plug-in services

National Payment Corporation of India ("**NPCI**") has issued directions[13] to introduce UPI plug-in service to improve payment acceptance and UPI integration for merchants where the sponsor bank extends their participant bank's software to integrate with the merchant's application. In view of the existing participant bank's applications available to users, merchants can provide inline payment experience for users by entering the UPI PIN in the merchant's app and thereafter promote sponsor bank's application for full UPI functionality. For the regulation of this UPI plug-in service, NPCI has issued certain directions that will be required to be complied with by all entities involved in the ecosystem. These, *inter alia*, include prohibition of the merchant to access any sensitive customer data including personal information and sensitive personal information, restriction on the merchants to share the details of UPI transactional data with other entities without prior consent of the participant banks and the NPCI, responsibility of the participant bank to undertake KYC, due diligence, and onboarding of the merchants. Additionally, allaying rumours of additional charges being levied on UPI payments, the Ministry of Finance clarified that UPI is a "digital public good" and there is no consideration to levy any charges for UPI services.[14]

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vi. Authentication" has been defined under Section 2(c) of The Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 as the process by which the Aadhaar number along with demographic information or biometric information of an individual of an individual is submitted to the Central Identities Data Repository ("CIDR") for its verification. The CIDR then verifies the correctness of the information submitted, on the basis of information already available in its systems.

INDUSTRY CHALLENGES

Impact of Lending Guidelines

While RBI's intent of regulating the digital lending space by bringing into effect the Lending Guidelines is well-intentioned, certain provisions of the Lending Guidelines will have significant impact on the day-to-day functioning of the entities in the digital lending business including the REs and LSPs. While the Lending Guidelines have provided the long-awaited explicit go-ahead to the prevalent Buy Now Pay Later ("**BNPL**") model operating in the industry, this approval is limited to only those BNPL transactions which are consummated directly between the RE and the merchant. All other varied models of BNPL such as where the fund is disbursed by the bank to the entity through a third party, including an LSP, will have to be reassessed and restructured.

The Lending Guidelines have directed FLDG to be guided by the regulations on synthetic securitisation under the Master Directions. It is noteworthy that RBI considers present FLDG practices existing in the market to be akin to 'synthetic securitisation' contemplated under the Master Directions, where the credit risk of the financing extended by the REs are transferred to LSPs through guarantee and underwriting structures, whereas the credit risk on paper on the credit facilities continues to vest with the RE. Since FLDG constituted a critical business offering of the LSPs to the REs for years in the absence of any specific regulation in this regard, the implementation of the Lending Guidelines will entail relooking at business offerings of LSPs in the market.

Additionally, the requirement of loan disbursals and repayments to be made only between the bank accounts of the borrower and the RE has obliterated the space for any third-party service provider to facilitate such lending causing restructuring of arrangements between LSPs and REs including phasing out of certain existing arrangements. The historic structures requiring actual collection of loan repayment amounts by third parties were ordinarily adopted to allow such third-parties to recover a pre-agreed percentage of payments made by the borrower towards service fees owed to them. However, now, given that LSPs would not be permitted to collect any fee from the borrowers, these models will fall foul of the law and accordingly necessitate immediate re-examination. Moreover, the data collection, storage, and usage including those in relation to KYC that were in some cases also undertaken by LSPs, would now have to be enabled through an API/SDK (Application Programming Interface/Software Development Kit) integration of the LSP's digital lending app with the RE's digital lending app such that any and all biometric data being provided is directly routed to the RE's non-app-based systems in keeping with the embargo on biometric data collection by the digital lending apps of LSPs and REs. Further, all other data, other than minimal customer data, will be required to be provided by the LSP to the RE immediately on receipt from customer and cannot be stored with the LSPs anymore. The data specific requirements prescribed under the Lending Guidelines will require technical and operational reconfigurations to allow practical implementation of the foregoing.

Impact of Card-on-File Tokenisation

The COFT framework, originally introduced in 2019, followed by a framework for tokenisation in September 2021, has finally been brought into effect. Despite the delayed implementation of COFT framework and repeated extensions provided to the industry for undertaking necessary steps for ensuring compliance, the industry still appears to be facing challenges in solving for use cases such as recurring payments while not being permitted to store card data even as the industry-wide readiness to adopt this framework is perceptibly low. While these may just be teething issues for the industry players, these concerns have been significantly impacting the business of such players. To this end, merchants, including certain top global service providers have reportedly requested the RBI to plug-in such token-flow related issues and require card networks, payment aggregators, and payment gateways to share a status report to demonstrate their readiness to fulfil tokenised transactions across all use cases to ensure a smooth and seamless transition into the tokenisation regime.[15] Additionally, another pertinent concern in relation to the COFT regime is that in case of guest checkout transactions, the 4 days' relief period could potentially be inadequate since most returns / refund policies of merchants allow for a longer period of time ranging from 7 days to 30 days. However, the COFT framework does not provide any clarification on how such post transaction activities are to be completed which could negatively affect the business of such merchants who may have to come up with alternative processes to solve their business concerns whilst ensuring compliance with the COFT framework. Further practical issues and implementation concerns can also be expected in the near future as the readiness and preparedness of the industry is now being tested with the implementation of the COFT regime.

Impact of the ODI Directions

The position for overseas investment by an Indian entity engaged in financial services activity continues to be aligned with the previous regime except for (a) the inclusion of SEBI, the Insurance Regulatory and Development Authority, Pension Fund Regulatory, and Development Authority within the definition of "financial service regulator", and (b) the inclusion of IFSC to the definition of foreign entities whereby investments into entities formed, registered, or incorporated in an IFSC would also be construed as foreign investments. These changes would entail heightened compliance burden as reporting and compliance requirements applicable to investments in foreign entities would now be extended to IFSC ones as well. Further, the challenges that may be anticipated from the ODI Directions are those that are likely to arise in relation to the implementation of the framework that even the non-regulated fintech companies might have to follow despite them not being regulated as part of the existing framework.

Data Protection and SEBI's Account Aggregator Framework

The onus of data protection has been placed on FIPs through the SEBI Circular, ensuring security of the system against unauthorised access by hackers and other third-party individuals wishing to market their products would require operational attention.

Further, to ensure uniformity of consent taking mechanism, SEBI could likely standardise a mechanism to such effect.

Impact of extension of timeline for seeking authorisation under PAPG Guidelines

The RBI had extended the prescribed timeline for submission of the PA applications for non-bank PAs, to September 30, 2022. This extension is only applicable to such non-bank PAs having achieved net worth of INR 15 crores (USD 1.8 million approximately) as on March 31, 2022. While this extension came as a relief to non-bank PAs, who were unable to meet the qualifying criteria within the earlier timelines and have been given an extension to meet such qualifying criteria, this extension may not be beneficial to non-bank PAs that had initiated the process of phasing out as per contemporary guidelines at such time and have resultantly been unable to meet the stipulated minimum net worth threshold as on March 31, 2022.

MARKET UPDATES

The Government and RBI are making moves to normalise digital currencies and level the e-commerce playing field.

Open Network Digital Commerce ("ONDC") has invited comments from the public on its consultation paper geared towards building trust in the ONDC, within October 31, 2022.[16] ONDC is an e-commerce establishment that is notably based on a network model as opposed to a platform-model of e-commerce aimed towards aiding discoverability and reputation transferability of sellers on the network, among other things. The network is based on the Beckn Protocol, much like the feted UPI.[17] Among the several entities that have been onboarded to the network by ONDC are several fintech companies as well. As ONDC continues extensive pilot stage launches and expansion[18], an issue that would require paramount regulatory attention would be the dispute resolution mechanism which is likely to be an online dispute resolution mechanism.

The Central Bank Digital Currency ("CBDC"), India's Digital Rupee, is set to be introduced by the RBI by March 2023. The CBDC will be launched in a phased manner, initially only to be used by wholesale businesses.[19] The CBDC aims to achieve the degree of anonymity that cash possesses by design, in addition to bearing the seal of the sovereign authority as a legal tender.

Enforcement Directorate ("ED") raided apps with alleged Chinese links alleging that certain individuals of Chinese origin formed companies in India and recruited several Indian nationals as directors, translators (for translating Mandarin to English and vice versa), HR Managers, and Tele callers. The entities developed a mobile application and started advertising through WhatsApp and Telegram by offering part time job opportunities to the youths. The mobile application was also linked with another wallet-based investment application involving conversion to crypto through a Chinese crypto-exchange.[20] The absence of definite laws around cross-border crypto payments have left companies at the discretion of AD bankers with a palpable need for regulation around the same.

MAJOR DEALS IN INDIA[vii]

The number of unicorns in India is growing faster than any other country in the world. India currently has 105 unicorns and projected figures indicate that this number is expected to increase by 140% in the next 3 years. By 2025, India may have about 250 unicorns, second only to the United States of America which has 618 unicorns.[21]

This positive trend is highlighted by the fact that as of mid-2022, fintech start-ups have raised USD 3.4 Billion with 191 recorded deals. The positive trend in this sector is highlighted by the fact that individual players are also performing well, with an example being that of **MobiKwik**, which, in September 2022, recorded an increase of 79% revenue from the previous fiscal year.[22]

Additionally, the growth in the industry is not just business-specific now, but also has a social relevance. For instance, Achieving Women Equity, is a gender-centric investment platform recognising the need for capital allocation, has also attempted to promote gender equality.[23] The platform aims to focus on women-led businesses, and has allocated INR 350 Crore (USD 42 million approximately) fund to back Indian start-ups.[24]

However, there may be some cause for caution as well. While the number of deals grew at a rate of 28% in comparison to the numbers in 2021, the increase in cumulative funding amount has been marginal.[25] This may have been further to concerns regarding the profitability of fintech firms due to a lack of regulation within these firms.[26]

The general apprehension surrounding the unregulated nature of fintech companies has become more apparent recently, pursuant to the norms on digital lending released by the RBI, which has disrupted the business models of several fintech companies.[27] While the RBI norms are intended to streamline the process of digital lending and ensure transparency, it has affected the operations of the digital lending market and has raised serious concerns over the future of fintech companies.

With the above context, it is relevant to note that several fintech companies have received funding during the July-September quarter of the financial year of 2022-2023, and some of such major deals have been captured below.

Signzy, a digital banking infrastructure provider has raised USD 26 million in its Series B round. This round was led by Gaja Capital and also saw participation from existing investors such as Vertex Ventures Sea Fund,[viii] Arkam Ventures, and Unitary Fund. The fresh funds are proposed to supplement and grow the company's no-code platform 'Go' that also provides access to an aggregated marketplace of APIs, helping partner financial institutions with operations such as video KYC, credit checks, asset authentication and loan collection.[28]

PoshVine, a payments-linked loyalty and engagement solutions provider, was acquired by Razorpay for an undisclosed amount. With this acquisition, Razorpay will also be operating in the loyalty and reward management segment, with the entire team of PoshVine joining Razorpay and operating its rewards and loyalty vertical.[29]

Zopper, a digital insurance solutions provider raised USD 75 million in a Series C funding round, led by Creaegis Principals LLP. ICICI Venture, Bessemer Venture Partners and Blume Ventures also participated in this round. The fresh funds are to be utilised to scale its engineering and data teams, improving its SaaS platform and data analytics capabilities.[30]

DotPe, an e-commerce enabler backed by Google raised USD 58 million in a Series B funding round, which was led by Temasek. Other investors such as PayU, Prosus, and InfoEdge Ventures, participated in this round with Mitsubishi and Naya Capital joining as new investors. The company proposes to use the funds to enter into financial services and further empower merchants with business loans and credit lines to supplement their growth.[31]

GroMo, which is operated by Vitrak Fintech Pvt. Ltd., raised USD 11 million in a series A funding round led by SIG Venture Capital. Other investors such as Y-Combinator, Das Capital, and Goodwater Capital also participated in this round. The funds are proposed to be utilised to scale hiring across senior management in relevant verticals such as marketing, HR, and technology.[32]

PayU's acquisition of BillDesk has been stalled despite being cleared by the Competition Commission of India ("**CCI**"). Barring such stalling, this is potentially the

vii. To the extent any transactions involve clients of IndusLaw, the information herein is based on statements in the media and not our professional knowledge of the relevant transaction.

viii. IndusLaw advised Signzy, Vertex Ventures Sea Fund, Stellaris Venture Partners India I, and Kalaari Capital in this transaction.

largest consolidation in the fintech segment in India. This deal was announced in August 2021 but had been held up due to CCI seeking additional details from PayU.[33] It appears from news reports that PayU would not be going forward with this deal citing alleged non completion of certain conditions precedent by BillDesk.

Tortoise[ix] a save-now-buy-later platform raised an undisclosed amount from Sriharsha Majety and Lizzie Chapman (co-founder and CEO of Swiggy and ZestMoney respectively) in an extension of the seed funding rounds. The incoming investors would be helping the company strategise and help faster growth.[34]

EarlySalary an online lending platform and operated by Social Work Technologies Pvt. Ltd raised USD 110 million in a Series D round of funding co-led by The Rise Fund and Norwest Venture Partners. The company intends to utilise the fresh funds to enter new markets, strengthen senior leadership roles and skill upgradation.[35]

Jar, which runs an engagement platform for savings and investments and operated by ChangeJar Technologies Pvt. Ltd. raised USD 22.6 million in a Series B funding round led by Tiger Global. Other investors such as Arkam Ventures, Eximius Ventures, and Rocketship Venture Capital also participated in this round. The investment will be utilised to expand the company's workforce and develop the platform run by the company.[36]

Jodo, an educational payments start-up raised USD 15 million in a Series A funding led by Tiger Global. Existing investors, Elevation capital and Matrix Partners India also participated in this round. The fresh funds are proposed to be utilised to accelerate product innovation and sales, which will help in the further growth of the company.[37]

Dezerv, a wealth management start-up raised USD 21 million in a Series A funding, led by Accel Partners, with Matrix Partners and Elevation Capital also participating in this round. The company will utilise the funds towards new investment opportunities and for hiring more professionals.[38]

Jify, a fintech start-up operated by Zeo Fin Technology Pvt. Ltd. raised USD 10 million in a Series A funding round, that was led by Accel and Nexus Venture Partners[x]. The fresh capital is proposed to be utilised for scaling their operations in India along with building their team nationally, offer advanced technology and create innovative product experience.[39]

Twid, operating a payments platform raised USD 12 million in a Series A funding round, that was led by Rakuten Capital. Google, ICMG Partners, JAFCO Asia, and Sequoia India's Surge also participated in this round. The fresh funds will be deployed for scaling its merchant acceptance network, building tech capabilities and shore up hiring.[40]

Spare8, a micro-investment platform that seeks to simplify the way consumers invest, spend, see, and save money, secured pre-seed funding of USD 770,000 led by 2am VC. The round also saw participation from Broom Ventures, Incisive Ventures, Varanium Capital and Magic Fund, with marquee angel investors including Paymate founder, Ajay Adiseshan; Core Media Founder, Anoop Mathur (Core Media founder); head of marketing of Google Cloud India, Jaydeep Deshpande; founder and chief financial officer at 100xVC, Yagnesh Sanghrajka and CEO at BSE EBIX Insurance, Sachin Seth. The startup plans to use the fresh funds to strengthen its growth and marketing initiatives along with building a quality team to scale up its operations.[41]

Jai Kisan, a rural fintech startup aimed at building a financial services platform for rural individuals and businesses, raised USD 50 million in a mix of equity and debt in its Series B funding round. The round saw participation from new investors, GMO Venture Partners, Yara Growth Ventures and DG Daiwa Ventures, and existing investors including Blume Ventures, Arkam Ventures, Mirae Asset and Snow Leopard Ventures. The debt funding was brought in by Northern Arc, Alteria, and publicly-listed MAS Financial. Jai Kisan seeks to use the fresh capital to expand its product suite and strengthen its data science and engineering capabilities, and to expand its team.[42]

Artfi, a non-fungible token ("NFT") focused startup, raised USD 3.26 million from a clutch of investors including Sheikha Hend Al Qassemi, a member of the ruling family of Sharjah, and Raza Beig, director of Landmark Group, United Arab Emirates. Several angel

ix. Tortoise is a client of IndusLaw.

x. IndusLaw advised Accel and Nexus Venture Partners in this transaction.

investors also contributed to the funding round. The NFT startup will use the fresh capital to build its technology and a dedicated marketplace for fine art NFTs. A portion of the funds will also be deployed to strengthen its product and team.[43]

Windo, a software-as-a-service ("SaaS") platform has raised USD 1.5 million in pre-Series A funding round, led by Unicorn India Ventures. The round also saw participation from a clutch of prominent angel investors and family offices including Capri Global; Aravind Sanka, chief executive and co-founder at Rapido; and K Ganesh, co-founder of Portea, among others. The company will use the fresh capital for product development and expanding its overseas footprint.[44]

Crypso, a community-led crypto investing platform has raised USD 3 million (Three million Dollars) from Hashed Emergent, Athera Venture Partners, Better Capital and Whiteboard Capital. The round also saw participation from Polygon founders Sandeep Nailwal and Jaynti Kanani; Cred's founder Kunal Shah and other angel investors. Crypso, will use the fresh funding to grow its user base and increase product offerings and technology.[45]

M2P Solutions, which owns payments infrastructure platform M2P Fintech, has acquired identity verification service provider Syntizen, for USD 10-12 million. The acquisition will bolster M2P Fintech's approach to providing a comprehensive platform for financial institutions.[46]

5ire, a level-1 blockchain network has raised USD 100 million in a Series A round of funding from UK-based conglomerate SRAM & MRAM Group, becoming India's 105th unicorn. The fresh capital will be used for business expansion and extending 5ire's footprint across three continents, including Asia, North America, and Europe, with India as the hub of operations and core area of focus.[47]

Swadesh Digital Pvt. Ltd, a cross-border fintech platform secured a pre-seed funding of USD 2.25 million from Y Combinator, Khosla Ventures, 8VC and Section 32. The San Francisco and New Delhi-headquartered company plans to use the fresh capital to onboard more customers and boost product suite of NRI-focused financial products.[48]

FPL Technologies, the parent company of credit card startup OneCard, raised USD 100 million in a Series D round led by Singapore-based Temasek Holdings, making the company a unicorn. The round also saw participation from Matrix Partners, QED Investors, Hummingbird Ventures, Sequoia Capital, and Sarv Investments.[49]

Innoviti Payment Solutions Pvt. Ltd, which operates an eponymous fintech company, closed its Series D round at USD 45 million, after an additional USD 15 Million infusion by Panthera Growth Partners in the final leg. Innoviti had earlier raised USD 22 million till mid-June as a part of its Series D round. Existing investors Trifecta Debt, Patni Family Office, Bessemer Venture Partners and individual investors, Sanjoy Bhattacharya, and Bharat Jaisinghani also participated in the company's Series D fundraising process. The fintech company seeks to use the funds to expand its mid-market product lines in electronics, fashion, and grocery. It is also looking to build products on top of UPI payment channels in order to enhance product distribution.[50]

PhonePe,[xi] which operates a digital payments platform acquired 100% stake in OSLabs, a mobile platform that enables content and app discovery for users and app developers, for an undisclosed amount. Through this acquisition PhonePe aims to offer services such as payments, messaging, online shopping, grocery delivery, and the like, on one umbrella platform.[51]

Bike Bazaar, a two-wheeler financing startup run by WheelsEMI Pvt. Ltd,[xii] has raised INR 170 crores (approximately USD 21 million) in its ongoing Series D round of funding led by Women's World Banking Asset Management, joining existing investors Elevar Capital, and Faering Capital. The investment is proposed to be used to grow its business across rural India in the two-wheeler segment.[52]

xi. IndusLaw advised PhonePe in this transaction.

xii. IndusLaw advised Elevar Equity, Faering Capital and WheelsEMI Private Limited in this transaction.

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