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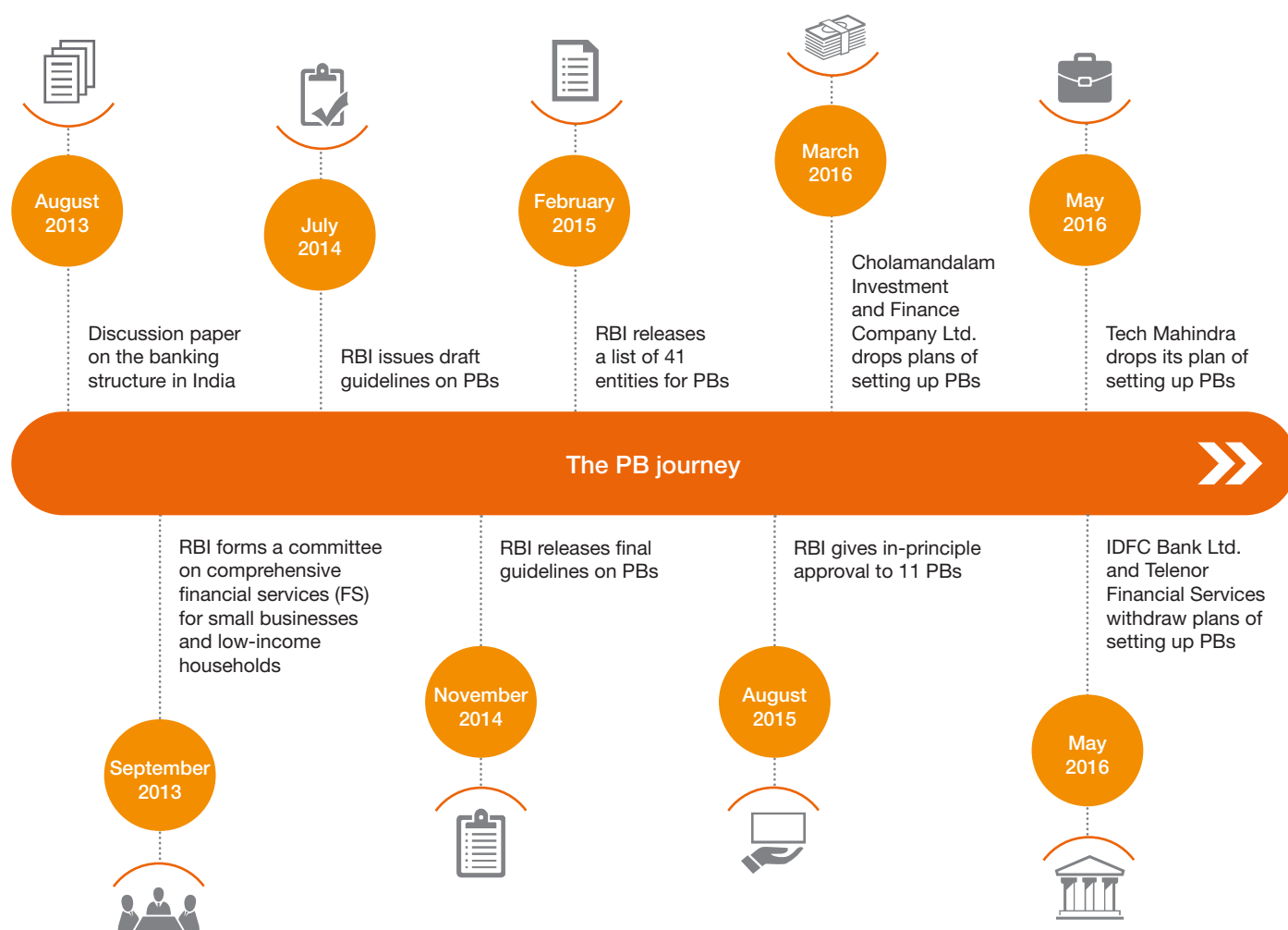
Deciphering the risk universe for payment banks



Evolution of payment banks



How payment banks (PBs) came into existence



*Based on RBI circulars, notifications and updates on the FS ecosystem

As PBs are a high-volume and low-margin business model, the costs need to be balanced with revenue to make the business sustainable.

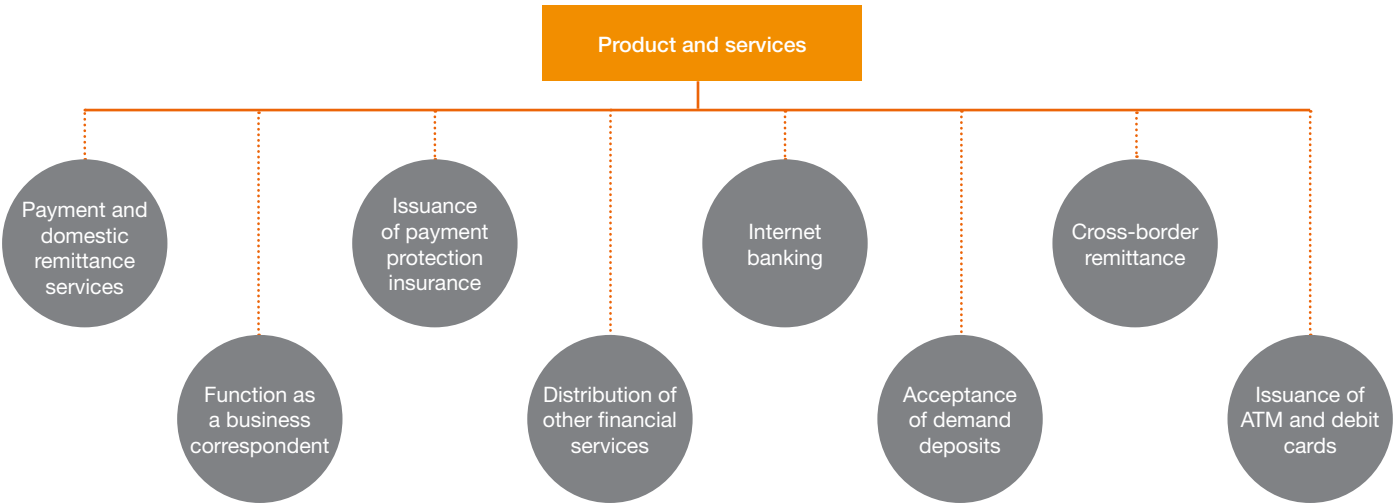
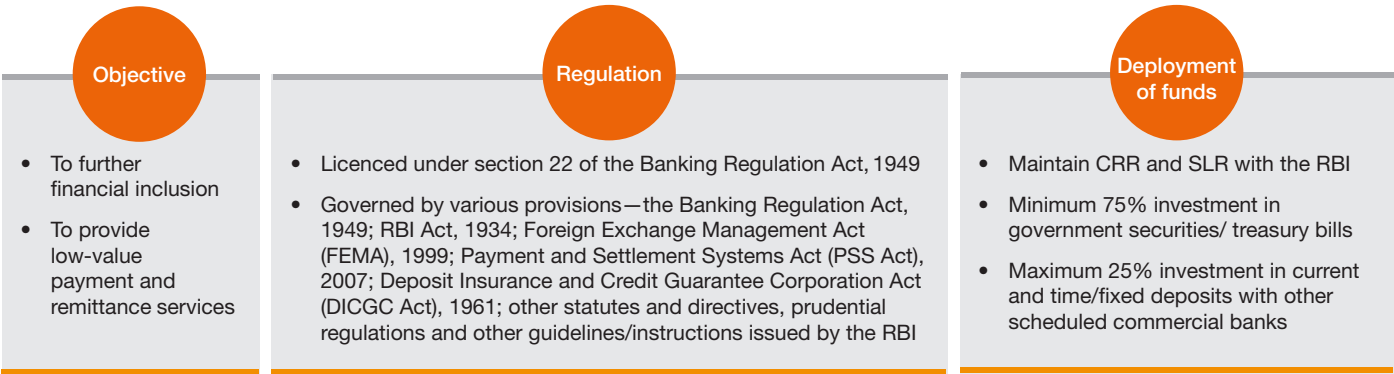
Payment banks: An overview



Understanding the PB landscape

The objective of the RBI guidelines around PBs is to promote financial prudence supplemented by a robust compliance and risk governance culture.

Key regulatory themes	Prudential guidelines	Risk management	Regulatory reporting	Corporate governance	Product guidelines	Customer service and outsourcing	Accounting
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*Based on RBI circulars, notifications and updates on the FS ecosystem

Payment banks: The risks



Risks associated with PBs

PBs operate in a regulatory environment; therefore, balancing risks with business objectives is important.

Support function related risks are as mentioned below:

- Incorrect accounting
- Weak controls over general ledger (GL) code creation
- Weak financial statement close process (FSCP)
- Issues around segregation of duties
- Weak control over authorised signatories
- Payroll-related risks

Key risks:

- Non-compliance with legal documentation
- Failure in delivery of products and services
- Conduct risk/mis-selling risk
- Agent/broker-related disputes

Para-banking services

Key risks:

- Non-compliance with customers' due diligence requirements
- Weak operational framework around KYC refresh
- Anti-money laundering (AML) framework not incorporating all the AML scenarios
- AML reporting non-compliance

Acceptance of deposits

Key risks:

- Money laundering/terrorist financing
- FEMA non-compliance
- Domestic remittance non-compliance
- Volatility in forex rates
- Failure in delivery of services

Remittance services

Risk universe

Payment channel

Key risks:

- Compromise to information security
- Cyber fraud—hacking and skimming of cards
- System downtime risk
- Failure in delivery of transactions

Regulation

Key risks:

- Non-compliance with relevant regulations
- Changes in banking regulations
- Changes in governance set-up
- Changes in government policies

Funds deployment

Key risks:

- Changes in monetary policy
- Changes in interest rate
- Weak behavioural analysis around deposit withdrawals
- Volatility in the securities market
- Static duration management of the fixed income portfolio

*Our viewpoint on PBs in India

Key risk themes

Regulatory risk

Operational risk

Reputational risk

Fraud risk

Information security risk

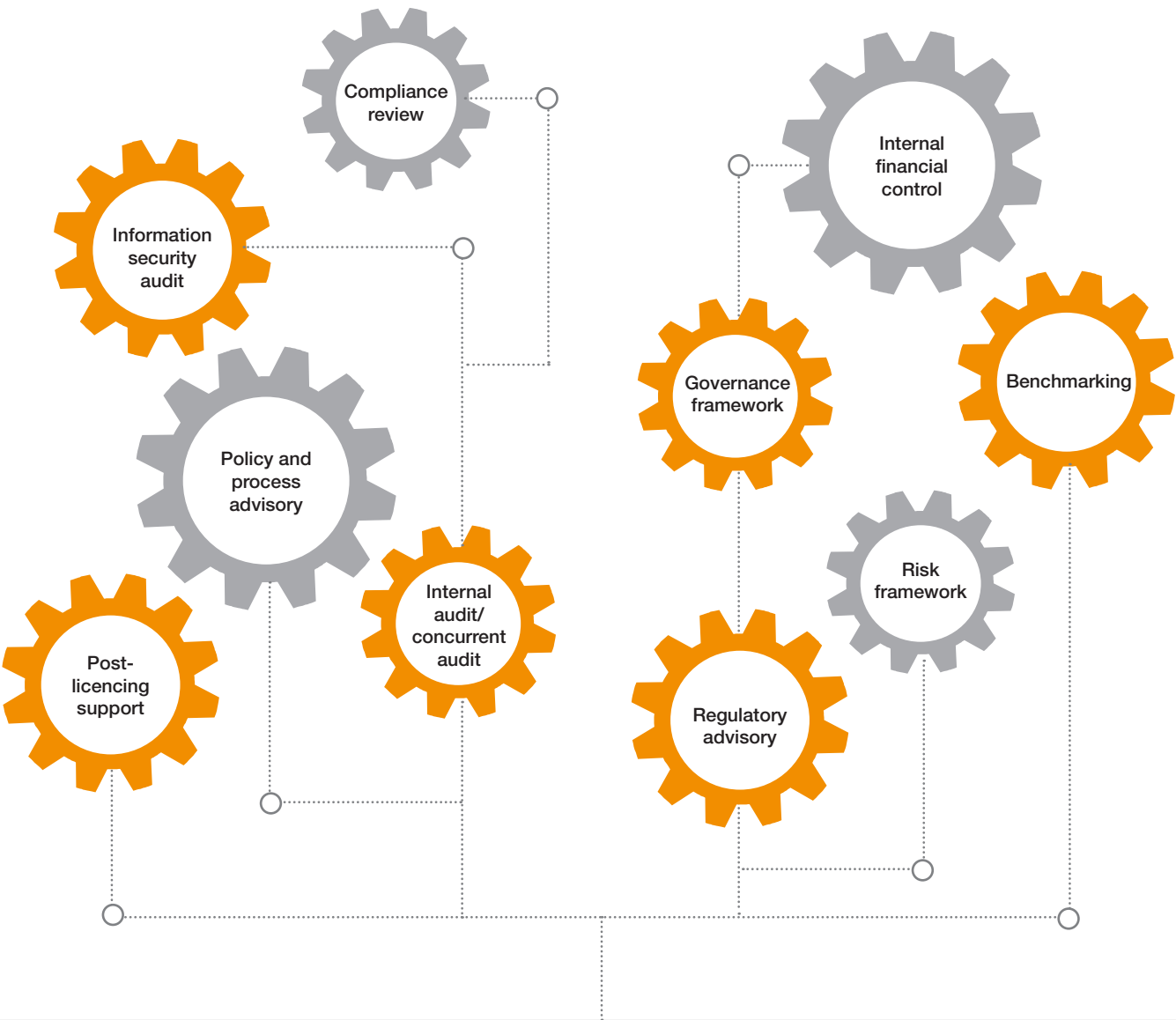
Market/liquidity /credit risk

Strategic risk

Our solutions and offerings



PwC's solutions help build governance blocks to manage inherent risks efficiently.



PwC has a pool of highly experienced professionals to assist you along this governance journey.

Notes

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