FINTECH FLYER

APRIL – JUNE 2026

RBI CONSOLIDATES THE PSO LICENSING REGIME: MASTER DIRECTIONS ON AUTHORISATION TO OPERATE A PAYMENT SYSTEM

On 15 June 2026, the RBI issued the Master Directions on Authorisation to Operate a Payment System, with immediate effect. The Master Directions consolidate and repeal the separate instruments that previously governed the lifecycle of a Payment System Operator ("PSO") authorisation, including the on-tap authorisation framework, perpetual-validity instructions, the cooling-period circular, the voluntary-surrender frameworks, the net-worth computation methodology and the restrictions on investment from FATF non-compliant jurisdictions.

(a) **On-Tap Applications and Perpetual Validity**: Applications continue to be accepted year-round against consolidated eligibility criteria; new authorisations carry perpetual validity, and existing operators may obtain perpetual validity at renewal, subject to compliance.

(b) **Voluntary Surrender**: Surrender of a certificate of authorization requires settlement of all outstanding liabilities to customers, merchants, agents and banks, certified by the auditor.

(c) **Cooling-Off**: A one-year cooling-off period may be imposed on entities whose authorisation is revoked, not renewed or voluntarily surrendered, or whose application is rejected, during which they may not re-apply for any payment system authorisation.

(d) **FATF Investment Cap**: Investors from FATF non-compliant jurisdictions remain capped below 20% of aggregate voting rights.

LEX TAKEAWAY

Every authorised PSO, including payment aggregators, PPI issuers, card networks, TReDS platforms, Bharat BillPay operating units, and every applicant now works from a single rulebook. Applicants should re-map eligibility and net-worth computations to the Master Directions; investors structuring rounds in PSOs should note the codified FATF-jurisdiction voting cap; and any entity contemplating exit should plan for the auditor-certified liability settlement that now conditions surrender.

PERPETUAL VALIDITY

VOLUNTARY SURRENDER

COOLING-OFF

RBI RELEASES DISCUSSION PAPER ON SAFEGUARDS IN DIGITAL PAYMENTS TO CURB FRAUD

The Reserve Bank of India has released a Discussion Paper titled "Exploring Safeguards in Digital Payments to Curb Frauds" ("Discussion Paper") inviting stakeholder views on proposed additional safeguard mechanisms for digital payment transactions. The Discussion Paper, issued by the Department of Payment and Settlement Systems, is consultative in nature and does not constitute a binding regulatory direction.

Key Proposed Safeguard Options

(a) **Credit for Authorised Push Payments**

The Discussion Paper proposes introducing a mandatory one-hour lag at the payer's bank for all APP transactions above ₹10,000 directed to individual accounts, sole proprietorships, and partnership firms. The rationale is the "golden hour" principle in fraud-risk management: the initial period following a fraudulent transaction is critical to prevent the dissipation of funds. During this one-hour window, the payer's account would be provisionally debited, and the payer would retain an unconditional right to cancel the transaction. The payer's bank would be required to seek reconfirmation if the transaction appears suspicious. Certain transactions are proposed to be excluded, including all merchant transactions (via UPI, cards, net banking), recurring e-mandate and NACH payments, and cheque-based transactions. A whitelisting mechanism by specific transaction or by payee would allow payers to bypass the lag for time-sensitive transfers.

The RBI notes that transactions above ₹10,000 account for approximately 45% of reported fraud cases by volume, but 98.5% by value.

(b) **Trusted Person Authentication for Vulnerable Customers**

The Discussion Paper proposes a "trusted person" authentication mechanism for high-value digital transactions by vulnerable customer segments. This safeguard would be mandatory for citizens aged 70 years and above and persons with disabilities, and optional for all other individual customers. The proposal applies to APP transactions to bank accounts exceeding ₹50,000 per transaction a threshold chosen because approximately 92% of the value of frauds reported on NCRP are above this limit. Any change of a designated trusted person would require a mandatory 24-hour cooling period, as would opt-out requests, with banks required to explain the associated risks prior to processing opt-outs. Merchant transactions, e-mandates, NACH, and cheque payments are proposed to be exempt.

(c) **Credit Ceiling for Low Credit Turnover Accounts**

To address the use of bank accounts as "mule accounts" for routing proceeds of digital frauds, the Discussion Paper proposes a regulatory ceiling on aggregate annual credits in accounts where no additional proof of genuine business requirement for higher credits has been obtained. The RBI proposes a ceiling of ₹25 lakh per annum for such low credit turnover accounts.

Banks may set a lower internal limit, and accounts would be flagged accordingly. Credits above the ceiling would require documentary evidence of business necessity from the customer.

(d) **Customer-Induced Controls**

The Discussion Paper also contemplates expanding customer-induced transaction controls empowering account holders to set self-imposed limits, restrict certain transaction types, or activate additional authentication layers as a complementary customer-empowerment measure to the other options.

International Benchmarks: The Discussion Paper draws upon comparable frameworks in the United Kingdom (Payment Services (Amendment) Regulations, 2024 allowing PSPs to hold payments for up to 72 hours on fraud suspicion), Singapore (MAS Enhanced Anti-Scam Framework 12-hour cooling-off periods on high-risk account actions), and Sweden (coordinated package with cooling-off periods and additional payee confirmation steps).

LEX TAKEAWAY

The Discussion Paper represents the RBI's most comprehensive policy exploration to date on structural anti-fraud measures for digital payments, moving beyond transaction monitoring and authentication improvements towards introducing friction at the point of payment itself. The proposed one-hour lag, while operationally challenging for payment infrastructure, directly targets the psychological manipulation at the core of APP fraud. The trusted person mechanism raises important questions about the legal status of an authenticator who holds no account interest an issue that banks and fintech platforms will need to address carefully in their product and compliance architectures. The ₹25 lakh annual credit ceiling for low-turnover accounts is likely to have significant implications for mule-account detection frameworks. As the proposals are at consultation stage, Payment System Providers, banks, and fintech lenders should actively participate in the stakeholder engagement process to shape the final framework.

AUTHORISED PUSH PAYMENT FRAUD

TRUSTED PERSON AUTHENTICATION

MULE ACCOUNTS

NCRP

PAYMENT SYSTEM PROVIDERS

GOLDEN HOUR

RBI ISSUES ADVERTISING AND MARKETING CONDUCT DIRECTIONS FOR REGULATED ENTITIES

On June 15, 2026, RBI issued ten sets of Second Amendment Directions under the Responsible Business Conduct framework, governing the advertising, marketing, and sale of financial products and services by Regulated Entities ("REs") (collectively, the "Advertising Directions"). The Advertising Directions, which came into force on January 1, 2027, amend the respective Responsible Business Conduct Directions applicable to the following ten categories of REs: (i) Commercial Banks; (ii) Small Finance Banks; (iii) Payments Banks; (iv) Local Area Banks; (v) Regional Rural Banks; (vi) Urban Co-operative Banks; (vii) Rural Co-operative Banks; (viii) All-India Financial Institutions; (ix) Non-Banking Financial Companies (NBFCs); and (x) Housing Finance Companies (HFCs).

Key Highlights

(a) **Scope and Application**

The Advertising Directions impose substantively identical obligations across all ten categories of REs. The framework applies comprehensively to advertising, marketing, and sale of both own and third-party financial products and services, and explicitly extends to activities conducted through Direct Selling Agents ("DSAs") and Direct Marketing Agents ("DMAs") on behalf of REs.

(b) **Comprehensive Internal Policy Requirement**

Each RE is required to put in place a comprehensive advertising, marketing, and sales policy covering, inter alia: (i) criteria for determination of suitability and appropriateness of products/services offered to customers; (ii) a feedback mechanism; and (iii) customer compensation in cases of mis-selling. Before selling or marketing any product or service to a specific customer, the RE must determine its suitability and appropriateness for that customer on the basis of an analysis of product features, risk-return attributes, time horizon, complexity, and fee structure.

(c) **Prohibition on Compulsory Bundling**

The Advertising Directions introduce a formal definition of “compulsory bundling” the practice of making the availment of one product or service by a customer conditional upon the availment of another product or service, whether own or third-party. Compulsory bundling is expressly prohibited across all ten RE categories. Where the sale of an RE's own product is contingent on the purchase of a third-party product, the customer must be provided the option to purchase the third-party product from any provider of their choice.

(d) **Prohibition on Dark Patterns**

The Advertising Directions prohibit the use of dark patterns deceptive or manipulative design techniques in digital interfaces that nudge customers into unintended actions. The directions follow the Central Consumer Protection Authority ("CCPA") guidelines on dark patterns issued in November 2023 and extend equivalent prohibitions into the regulated financial services domain. Illustrative examples of prohibited dark patterns include false urgency, basket sneaking, confirm shaming, and forced action.

(e) **Explicit Customer Consent Requirement**

REs are required to ensure that all products and services whether own or third-party are offered and sold to customers only with their explicit consent, defined as a specific, informed, and unambiguous indication of agreement. Commercial communications and promotional alerts regarding own or third-party products may be sent to a customer only if the customer has given explicit consent to receive such communications.

(f) **Code of Conduct for DSAs and DMAs**

Each RE must put in place a Code of Conduct for marketing and sales of financial products, applicable to both its own employees and its DSAs/DMAs.

Prior to assigning any marketing or sales activity to a DSA or DMA, the RE must obtain a formal undertaking from the DSA/DMA to abide by the Code of Conduct. REs must establish eligibility criteria, due diligence processes, training protocols, performance evaluation standards, and monitoring and control mechanisms for DSAs/DMAs. No direct or indirect incentive from a third party may be received by RE employees engaged in the marketing or sale of third-party products.

(g) **Mandatory 30-Day Customer Feedback Mechanism and 100% Mis-Selling Refund**

REs must establish a mechanism to seek customer feedback within 30 days from the date of sale of any product or service, to ensure the customer has understood the product's features and associated risks. Where mis-selling is established upon receipt of a complaint from a customer, the RE is required to refund the entire amount paid by the customer for purchase of the product or service and intimate the customer about cancellation of the sale, wherever applicable. The Advertising Directions clarify that a product sale shall be treated as mis-selling even where the customer's explicit consent was obtained, if the product is neither suitable nor appropriate in view of the customer's profile.

(h) **Prohibition on Loan-Funded Product Purchases**

REs are prohibited from funding the purchase of any product or service by a customer whether own or third-party out of a loan facility sanctioned to that customer, without the customer's explicit consent.

RESPONSIBLE BUSINESS CONDUCT

COMPULSORY BUNDLING

DARK PATTERNS

MIS-SELLING

LEX
TAKEAWAY

The Advertising Directions represent the most comprehensive conduct-based regulatory framework ever issued by the RBI for the advertising, marketing, and sale of financial products. Critically, the ten sets of directions are substantively uniform across all RE categories from commercial banks to HFCs deliberately closing the regulatory arbitrage that previously existed between different entity types in the financial products distribution chain. The explicit 100% refund obligation upon establishment of mis-selling, combined with the prohibition on incentive-driven sales practices and the Code of Conduct requirement for DSAs/DMAs, creates a significantly heightened risk of operational and reputational liability for REs that have historically relied on cross-selling as a material revenue stream. Banks, NBFCs, and fintech platforms operating as DSAs or DMAs must comprehensively review their marketing workflows, product suitability frameworks, digital interface designs, and third-party referral arrangements ahead of the January 1, 2027 effective date.

RBI ISSUES AUTHENTICATION DIRECTIONS FOR DIGITAL PAYMENT TRANSACTIONS

The Reserve Bank of India's directions on authentication mechanisms for digital payment transactions (the "Authentication Directions") have now come into force with effect from April 1, 2026 for all Payment System Providers and Payment System Participants, including banks and non-bank entities. For a detailed analysis of the scope, key exemptions, framework and other key features of the Authentication Directions, please refer to our Fintech Flyer – September to December 2025.

RBI ISSUES DIGITAL PAYMENTS – E-MANDATE FRAMEWORK, 2026

RBI issued the Digital Payments – E-mandate Framework, 2026 ("Framework") vide circular no. RBI/CO.DPSS.POLC.No.S56/02.14.003/2026-27 dated April 21, 2026, in exercise of its powers under Sections 10(2) read with Section 18 of the PSS Act. The Framework came into force with immediate effect upon issuance.

The Framework is applicable to all Payment System Providers and Payment System Participants in respect of processing of recurring transactions, domestic or cross-border, using cards, Prepaid Payment Instruments ("PPIs"), and Unified Payments Interface ("UPI"). It consolidates and repeals the entire suite of circulars on e-mandates issued between 2019 and 2024, including, inter alia, the circulars dated August 21, 2019, January 10, 2020, December 4, 2020, March 31, 2021, June 16, 2022, December 12, 2023, and August 22, 2024.

Key Highlights:

(a) **Mandatory AFA-Backed Registration**

A customer opting for the e-mandate facility must complete a one-time registration process, which shall be effected only upon successful AFA validation in addition to the issuer's normal process. Every e-mandate must carry a specified validity period. Customers retain the right to modify the validity period or withdraw the e-mandate at any time, with any such modification requiring AFA validation.

(b) **Variable Amount Cap**

E-mandates may be registered for either a pre-specified fixed amount or a variable amount subject to the overall cap fixed by the RBI. For variable e-mandates, issuers must provide the customer with a facility to specify the maximum value of any single recurring transaction.

(c) **Mandatory 24-Hour Pre-Transaction Notification**

An issuer must send a pre-transaction notification to the customer at least 24 hours prior to the actual charge or debit. This notification must, at a minimum, specify the merchant's name, transaction amount, date and time of debit, reference number of the e-mandate, and reason for the debit. The Framework requires the issuer to provide customers a facility to opt out of any particular transaction or the e-mandate altogether, with such opt-out requiring AFA validation. By exception, pre-transaction notification is not required for e-mandates registered to auto- replenish balances of FASTag and National Common Mobility Card (“NCMC”).

(d) **Post-Transaction Notification**

An issuer must also send a post-transaction notification to the customer following each recurring debit. This notification must, at a minimum, specify the merchant's name, transaction amount, date and time of debit, reference number of the transaction and e-mandate, reason for the debit, and details on grievance redressal.

(e) **Transaction Limits and AFA Requirements**

All recurring transactions may be authorised without AFA up to ₹15,000 per transaction. Transactions above this amount are subject to AFA. By exception, payment of insurance premiums, subscription to mutual funds, and credit card bill payments may be made without AFA up to ₹1,00,000 per transaction.

(f) **Zero Consumer Charges and Extended Liability Norms**

No charges may be levied on customers for availing the e-mandate facility for recurring transactions. The RBI's existing instructions on limiting customer liability for unauthorised transactions are expressly extended to apply to recurring transactions under e-mandates. In case of cards, existing e-mandates may be mapped to reissued cards.

LEX
TAKEAWAY

The E-Mandate Framework, 2026 replaces a decade-long accretion of piecemeal circulars with a single, unified instrument and materially strengthens customer protection in the recurring payments space. The mandatory 24-hour pre-debit notification window with an AFA-secured opt-out right addresses the central concern of subscription-trap architectures deployed by digital merchants. The extension of customer liability protections to auto-debit loops is a significant regulatory clarification that Payment System Providers, acquiring banks, and fintech subscription platforms must immediately factor into their grievance redressal frameworks. The preservation of the FASTag and NCMC exemption reflects a considered balance between consumer protection and transport-infrastructure continuity.

RECURRING TRANSACTIONS

ADDITIONAL FACTOR OF AUTHENTICATION

PRE-TRANSACTION NOTIFICATION

POST-TRANSACTION NOTIFICATION

NCMC

CUSTOMER LIABILITY

RBI ISSUES DRAFT MASTER DIRECTION ON PREPAID PAYMENT INSTRUMENTS, 2026

RBI placed on its website, for public comments until May 22, 2026, the Draft Master Direction on Prepaid Payment Instruments (PPIs), 2026 ("Draft PPI Direction"), to be formally titled RBI (Prepaid Payment Instruments) Directions, 2026 upon finalisation. The Draft PPI Direction, if finalised, will govern all PPI issuers and system participants under the PSS Act and will consolidate and replace the existing Master Directions on Prepaid Payment Instruments (PPIs) dated August 27, 2021.

Note: The Draft PPI Direction is currently at the public consultation stage and has not yet been notified as a final direction.

Key Highlights

(a) **Definition and Regulatory Scope**

A PPI is defined as a payment instrument in which money is loaded and which facilitates subsequent transactions using that money. For the purposes of the Draft PPI Direction, money is denominated in Indian Rupees (INR) and does not include digital currency. The issuance by an entity (other than a marketplace) of an instrument solely for facilitating purchase of goods or services from that entity alone is not considered as a payment system and does not require RBI authorisation.

(b) **Simplified Two-Category PPI Classification**

The Draft PPI Direction proposes a rationalised two-category framework:

(i) General Purpose PPIs, comprising:
- Full-KYC PPIs; and
- Small PPIs.

(ii) Special Purpose PPIs, comprising:
- Gift PPIs non-reloadable instruments typically utilised for gifting purposes for purchase of goods or services at merchants;
- Transit PPIs instruments used only for payments across modes of public transport (metro, buses, rail, waterways, tolls, and parking);
- PPIs for Foreign Nationals or Non-Resident Indians (NRIs) INR-denominated instruments issued to foreign nationals and NRIs visiting India; and
- Any other specific purpose PPI issued with prior RBI approval.

(c) **Prohibition on Cross-Border Transactions**

The Draft PPI Direction proposes to prohibit the use of PPIs for cross-border transactions, reflecting a significant tightening from the existing framework which permitted Full-KYC PPI holders to make cross-border payments.

(d) Cash Loading Restrictions

The Draft PPI Direction permits loading of Full-KYC PPIs by debit to a bank account or another PPI, or by cash. Notably, a Full-KYC PPI holder's cash loading is capped at ₹10,000 per month. Small PPIs may not be loaded by cash. This tightens the existing framework which permitted a broader range of cash loading methods.

(e) **Interoperability**

The Draft PPI Direction defines interoperability as the capability that enables participants of one payment system to transact with participants of another allowing PPI holders to make or receive payments from or in the PPI through another independent payment system. PPI issuers must facilitate interoperability with card networks or UPI for Full-KYC PPI holders.

(f) **KYC Framework Alignment**

Definitions relating to the Central KYC Records Registry (“CKYCR”), Officially Valid Documents (“OVDs”), digital KYC, and Video-based Customer Identification Procedure (“V-CIP”) are aligned with the standards under RBI (Commercial Banks – Know Your Customer) Directions, 2025.

(g) **Usage and Debit Limits for Full-KYC PPIs**

The Draft PPI Direction proposes that Full-KYC PPIs be subject to a maximum outstanding balance of ₹2,00,000, a monthly aggregate debit cap of ₹2,00,000, and a monthly Person-to-Person (“P2P”) transfer sub-limit of ₹25,000. The P2P sub-limit operates within and does not run independently of overall monthly debit cap which is P2P transfers are counted towards, and compound against the ₹2,00,000 ceiling rather than being an additional separate allowance.

(h) **One Full-KYC PPI Per Holder**

The Draft PPI Direction also proposes that no more than one Full-KYC PPI may be issued to a single holder by an issuer at any point in time.

Challenges

(a) The proposed ₹2,00,000 monthly debit cap together with the ₹25,000 P2P sub-limit may constrain high-throughput Full KYC PPI use cases, including corporate expense management, healthcare payments and partner-led programmes.

(b) The proposed restriction of one Full KYC PPI per holder may affect purpose tagged payment programmes where multiple instruments are used for operational segregation, expense management and enhanced audit under a single verified KYC identity.

(c) The Draft PPI Direction does not recognise a distinct category for Corporate Expense PPIs, resulting in corporate-funded programmes being subject to retail thresholds.

(d) Medical tourism payments may exceed the proposed ₹5,00,000 monthly limit within a single treatment cycle, forcing patients to split payments across cash, cards, and transfers.

(e) Credit-card loading is blocked for Full-KYC PPIs, even though credit cards (unlike credit lines/loans) are already independently regulated.

(f) The proposed limitation on the role of co-branding partners may affect fintech-led programme management, BaaS and SaaS operating models.

(g) Furthermore, three smaller frictions include no cash purchase of gift cards, no re-issuance of expired Small PPIs, and marketplaces losing their exemption for internal refund/loyalty credit.

LEX TAKEAWAY

The Draft PPI Direction reflects RBI's intent to streamline and tighten the PPI framework via simplified classification, enhanced interoperability, and greater regulatory consistency. While The proposed cross-border transaction prohibition and cash-loading restrictions are the most commercially significant changes. The Public consultation also flagged the need for a risk-calibrated approach for certain Full-KYC PPI use cases particularly corporate expense, healthcare, and fintech-enabled payment programmes. Fintech platforms and wallet issuers whose architectures depend on cross-border PPI flows will need to fundamentally rework their structures if the prohibition survives into the final direction. The two-category simplification and mandatory interoperability point to a longer-term policy objective of integrating PPIs into the broader digital payments ecosystem under unified standards However, the consultation also emphasises the importance of balancing innovation and operational flexibility with robust customer protection and risk management. With the consultation now closed, regulated entities should closely monitor finalisation of the direction.

DRAFT PPI DIRECTION

PREPAID PAYMENT INSTRUMENTS

GENERAL PURPOSE PPI

SPECIAL PURPOSE PPI

CROSS-BORDER RESTRICTION

CASH LOADING

INTEROPERABILITY

RBI FINANCIAL STABILITY REPORT (JUNE 2026) FLAGS RISING DELINQUENCIES IN FINTECH SMALL-TICKET PERSONAL LOAN PORTFOLIOS

RBI released its Financial Stability Report ("FSR"), June 2026 on June 30, 2026. The FSR identifies the rapid growth of fintech-driven small-ticket personal lending and accompanying deterioration in asset quality as an area of macro-financial concern, warranting regulatory attention.

Key Highlights:

(a) **Fintech Dominance in Small-Ticket Personal Loans**

Fintech firms classified on the basis of a digital-first lending approach and/or membership of industry bodies such as FACE, UFF, and IAMAI have significantly strengthened their position in the small-ticket personal loan segment (defined as loans below ₹50,000). Their market share in this segment increased to 56.8% by March 2026, accompanied by credit growth of 41.6% well above the overall segment growth of 20.1% during the same period. This compares to a market share of 30.7% held by NBFCs (including HFCs) and approximately 10.1% held by banks by March 2026.

(b) **Rising Delinquency Rates**

The FSR records that delinquency rates (measured as the percentage of loan outstanding balances 90 to 179 days past due to total loan balance outstanding) in fintech small-ticket personal loan portfolios rose to 6.4% in March 2026, up from 5.7% in March 2025 and approximately 4.1% in March 2024. This accelerating delinquency trend is identified as a signal of potential asset quality risk.

(c) **Concentration in Unsecured and Young-Borrower Portfolios**

Unsecured loans constitute approximately 70.5% of fintech firms' total loan books in this segment, with approximately half of these credit lines extended to borrowers under 35 years of age a demographic cohort with relatively limited credit history and heightened vulnerability to cyclical employment or income stress.

(d) **Commercial Bank Retraction**

The FSR notes that banks have substantially reduced their exposure to small-ticket personal loans, with their market share declining from approximately 20.1% in March 2024 to 10.1% by March 2026. This retraction has been mirrored by the corresponding expansion of fintech firms' market share over the same period.

LEX
TAKEAWAY

The FSR's identification of rising delinquencies against the backdrop of hyper-growth in fintech small-ticket lending is consistent with the RBI's broader regulatory posture towards consumer credit since 2023. The combination of a 41.6% credit growth rate, a 56.8% market share, and a 6.4% delinquency rate concentrated in an unsecured portfolio overwhelmingly extended to borrowers under 35 constitutes a materially vulnerable risk profile. The FSR's observations function as a regulatory signal ahead of potential intervention: fintech lenders and their co-lending bank partners should expect enhanced scrutiny of underwriting standards, credit concentration norms, and provisioning adequacy for this segment.

FINANCIAL STABILITY REPORT

FSR JUNE 2026

FINTECH LENDING

SMALL-TICKET PERSONAL LOANS

DELINQUENCY RATES

UNSECURED RETAIL CREDIT

MARKET SHARE

NBFC

ASSET QUALITY

SYSTEMIC RISK

REGULATORY ACTIONS TAKEN BY RBI

Sr. No	Name of Bank	Order Date	Violation & Reason	Penalty
1.	Bandhan Bank Limited	21 April 2026	Contravention of Section 20(1)(b)(iii) of the Banking Regulation Act, 1949 (restriction on loans and advances) and non-compliance with RBI directions on Know Your Customer. The Statutory Inspection for Supervisory of the bank was conducted by RBI with reference to its financial position as on 31 March 2025.	₹41,80,000
2.	Yes Bank Limited	8 May 2026	Non-Compliant with certain provisions and directions issued by RBI on Know Your Customer. The Statutory Inspection for Supervisory of the bank was conducted by RBI with reference to its financial position as on 31 March 2025. Statutory authority: Section 47A(1)(c) read with Section 46(4)(i) of the Banking Regulation Act, 1949	₹31,80,000
3.	Appnit Technologies Private Limited	15 May 2026	Non-compliance with: (a) RBI directions on 'Prepaid Payment Instruments' in respect of not having a system of periodic review of risk categorisation of accounts and (b) RBI's KYC Directions failed carry out identifications of the account holders. Statutory authority: Section 30(1) read with Section 26(6) of the Payment and Settlement Systems Act 2007.	₹5,80,000
4.	City Union Bank Limited	20 May 2026	Non-compliance with: (a) RBI directions on 'Priority Sector Loan Account' levied loan related charges on certain agricultural priority sector loans; and (b) RBI directions on Reporting of Self-Help Group (SHG) member level data to Credit Information Companies (CICs). Statutory authority: Section 47A (1) (c) read with section 46(4)(i) of the Banking Regulation Act, 1949 and section 25(1)(iii) read with section 23(4) of the Credit Information Companies (Regulation) Act, 2005.	₹10,10,000

Sr. No	Name of Bank	Order Date	Violation & Reason	Penalty
5.	Canara Bank	5 June 2026	Non-compliance with: (a) RBI directions on 'Know Your Customer (KYC)' and (b) 'Unclaimed Deposits / Inoperative Accounts in banks' failed to upload KYC records of certain customers onto Central KYC Records Registry (CKYCR) within the prescribed timeline and bank classified certain accounts as inoperative, despite the last customer induced transaction being less than one year. Statutory authority: Section 47A(1)(c) read with Section 46(4)(i) and 51(1) of the Banking Regulation Act, 1949.	₹41,80,000
6.	Five-Star Business Finance Limited	18 June 2026	Non-compliance with certain provisions of Know Your Customer (KYC) Directions' and the directions issued by RBI on 'Fair Practice Code' as failed to put in place a robust software for effective identification and reporting of suspicious transactions and did not disclose the approach for gradation of risk and rationale for charging different rate of interest to different categories of borrowers in the application forms and the sanction letters Statutory authority: Section 58G(1)(b) read with Section 58B (5) (aa) of the Reserve Bank of India Act, 1934.	₹6,20,000

SEBI EX-PARTE INTERIM ORDER - TRADING IN CERTAIN SCRIPS THROUGH STOCK RECOMMENDATIONS GIVEN ON SOCIAL MEDIA PLATFORMS

By an ex parte interim order dated 22 May 2026, SEBI initiated proceedings against Hemant Gupta, Rohan Gupta, Aniket Gupta, Sharon Gupta, Leana Gupta, Rajani Gupta, and Purvangi Gupta (collectively, the "Noticees") concerning trading in securities based on stock recommendations disseminated via social media. During its market surveillance of X, SEBI observed accounts operated by or connected with the Noticees publishing posts intended to influence investors to trade in specific securities, predominantly those listed on the SME Platform. SEBI alleged that the Noticees accumulated positions in these securities before issuing favourable recommendations, inducing public investors to buy in, artificially inflating prices, and then offloaded their holdings at the elevated prices for wrongful gains.

Regulatory Background – SEBI Act, 1992, the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 ("PFUTP Regulations") and the SEBI (Research Analyst) Regulations, 2014 ("RA Regulations"). SEBI prima facie observed that the conduct of the Noticees involved the use of manipulative and deceptive devices, fraudulent and unfair trade practices, and a course of conduct operating as a fraud upon investors, in contravention of the PFUTP Regulations. SEBI further alleged that the Noticees were providing research analysis and stock recommendations through social media without obtaining registration as Research Analysts under the RA Regulations, while influencing the investment decisions of a large number of retail investors.

SEBI Directions: SEBI, exercising its powers under Sections 11(1), 11(4), 11B (1) and 11D of the SEBI Act, passed an urgent ex parte interim order to protect investors, preserve market integrity and prevent the dissipation of alleged wrongful gains pending completion of its investigation. The order directs the impounding of alleged wrongful gains amounting to INR 20.25 crore. The Noticees must deposit the specified amount in interest-bearing fixed deposits with a lien in favour of SEBI within 15 days. SEBI has also frozen their bank and securities accounts, restricted the disposal of assets without prior approval, and required them to furnish a complete inventory of their assets. Additionally, Noticees have been restrained from providing stock recommendations or acting as unregistered research analysts through X or any other social media platform. SEBI reiterated that investors should avoid relying on recommendations from unregistered entities and exercise due diligence before acting on social media stock tips. The directions take immediate effect and will remain in force until further orders. The Noticees have 21 days to file their replies and seek a personal hearing, while SEBI's investigation continues. The interim findings are without prejudice to any final action, including disgorgement, penalties or other directions.

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APRIL – JUNE 2026

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