



Presentation to Hotels 24

for

Prepaid Payment Instruments (PPI) Application

November 2020

Strictly private and confidential

Statement of Confidentiality

Proprietary Nature Of Proposals

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Engagement Acceptance

This proposal is subject to our standard engagement evaluation and acceptance procedures and signing of the Engagement Letter. This proposal is subject to relevant clearances from our internal risk management team including conflict of interest clearances.

Engagement Contract

This proposal is an offer by KPMG to provide the proposed services and is in all respects subject to negotiation, agreement and signing of a specific engagement contract.

Validity

This proposal is valid for a period of 60 days commencing the date of the proposal.



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1. Regulatory Overview
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Regulatory Overview



Types of PPI

Category	Key Features	Eligible Issuers	RBI Approval
Closed System e.g. lifestyle, pantaloons, etc.	<ul style="list-style-type: none"> Facilitate the purchase of goods and services <u>from the issuer only</u>; Not classified as payment systems Cash withdrawal is not permitted 	Banks / NBFCs / Other persons	No prior RBI approval is required
Semi-Closed System e.g. Mobikwik, Sodexo, etc	<ul style="list-style-type: none"> Facilitate the purchase of goods and services (including financial services) <u>at a group of clearly defined merchant locations / establishments</u> Need to have a specific contract between merchants and the PPI Issuer to accept the PPIs Cash withdrawal is not permitted 	Banks / NBFCs / Other persons	Prior RBI approval / license is required
Open System e.g. debit cards	<ul style="list-style-type: none"> Facilitate the purchase of goods and services (incl. financial services / remittance facilities etc.) <u>at any merchant location</u> Permit cash withdrawal at ATMs / Business Correspondents/ Point of Sale 	Banks	Prior RBI approval / license is required

Key Provisions (1/3)

- The applicant must be a company incorporated in India;
- Capital requirement – Minimum positive net worth of Rs. 5 Crore at the time of application which needs to be increased to Rs. 15 Crore by the end of third year from the date of receiving final authorization and shall be maintained at all times thereafter
- Outstanding balance to be maintained in an escrow account with one scheduled commercial bank only and the balance in the escrow account should not be lower than the value of outstanding PPIs and payments due to merchants
- Only permissible debits and Credits are allowed to be undertaken in the escrow account which *inter-alia* includes payment received towards issuance / loading / reloading, refund for failed transaction, payment to various merchants, etc.
- No interest shall be payable on the amount kept on Escrow account except on Core Portion
- Change in shareholding, control, management will require RBI approval
- No co-mingling of funds originating from any other activity such as Business Correspondent to Banks, payment aggregation, payment gateway etc.
- PPI issuer issuing co-branded PPI shall carry out due diligence in respect of co-branding partner and seek one time approval from RBI

Key Provisions (2/3)

Limit	Key Features	Form	Reloadable
Up to INR 10,000	<ul style="list-style-type: none"> On accepting minimum details of the customer Amount loaded during any month shall not exceed Rs.10,000 & during the financial year shall not exceed Rs.1,00,000 Outstanding amount at any point of time not to exceed Rs. 10,000 Amount debited during any given month shall not exceed Rs. 10,000 To be converted into full KYC semi-closed PPIs within 24 months from the date of issue of PPI Funds transfer from PPI to bank account or PPI of same issuer shall not be permitted i.e. used for only purchase of goods and services 	Only in electronic form including card	Reloadable
Up to INR 1,00,000	<ul style="list-style-type: none"> Only after completing KYC of the PPI holder Outstanding amount at any point of time not to exceed Rs. 1,00,000 The fund transfer limit for pre-registered beneficiaries shall not exceed Rs. 1,00,000 per month and Rs.10,000 per month in all other cases. Shall be used for purchase of goods and services as well as for funds transfer 	Only in electronic form including card	Reloadable

Key Provisions (3/3)

Limit	Key Features	Form	Reloadable
Up to INR 10,000 (with loading only from bank account)	<ul style="list-style-type: none"> On accepting minimum details of the customer - shall necessarily include a mobile number verified with One Time Pin (OTP) and a self-declaration of name and unique identity / identification number of any 'mandatory document' or 'officially valid document' (OVD) as prescribed Amount loaded during any month shall not exceed Rs.10,000 & during the financial year shall not exceed Rs.1,20,000 Amount outstanding at any point of shall not exceed Rs.10,000 Shall be used only for purchase of goods and services and not for funds transfer 	In card or electronic form	Reloadable

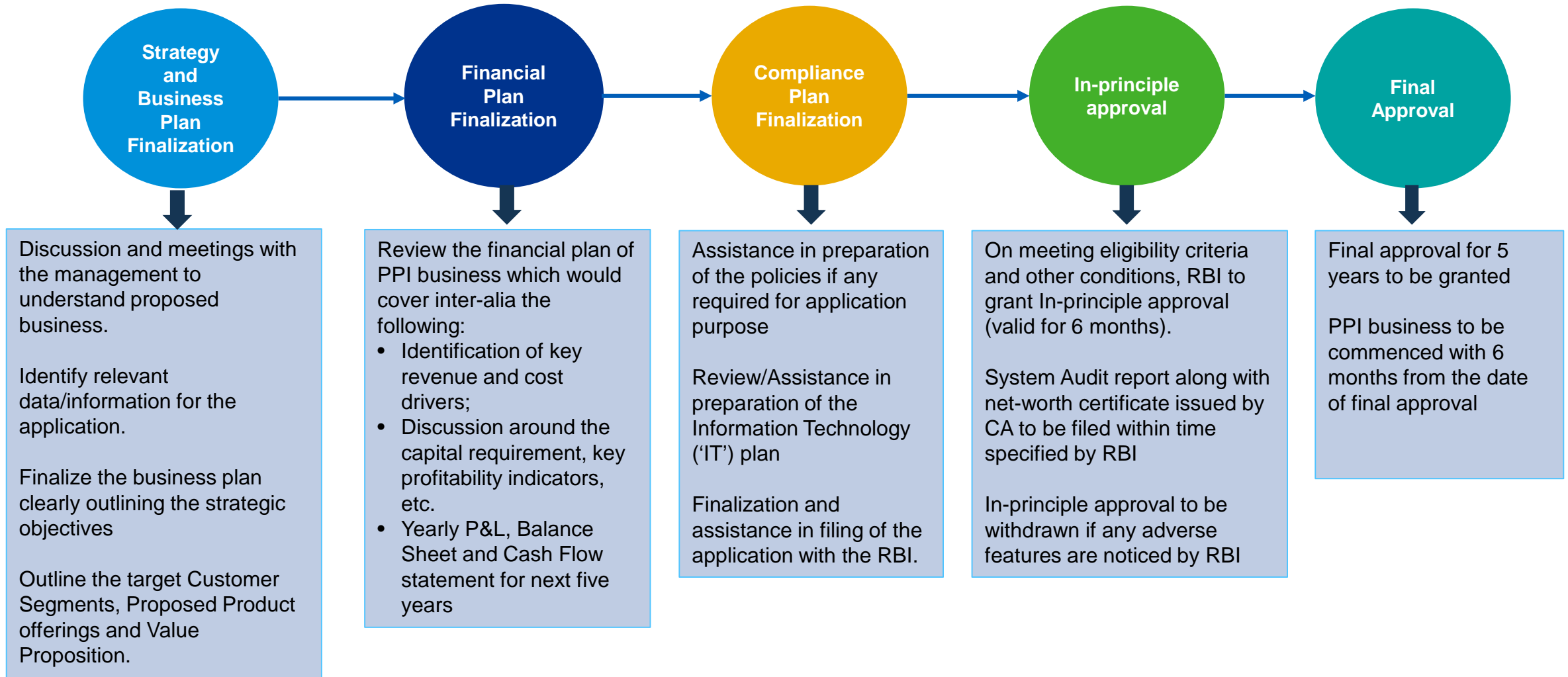
Loading / reloading can be done through cash (upto Rs. 50,000 per month) / debit to bank account / credit & debit card / other PPI



Approach and Methodology

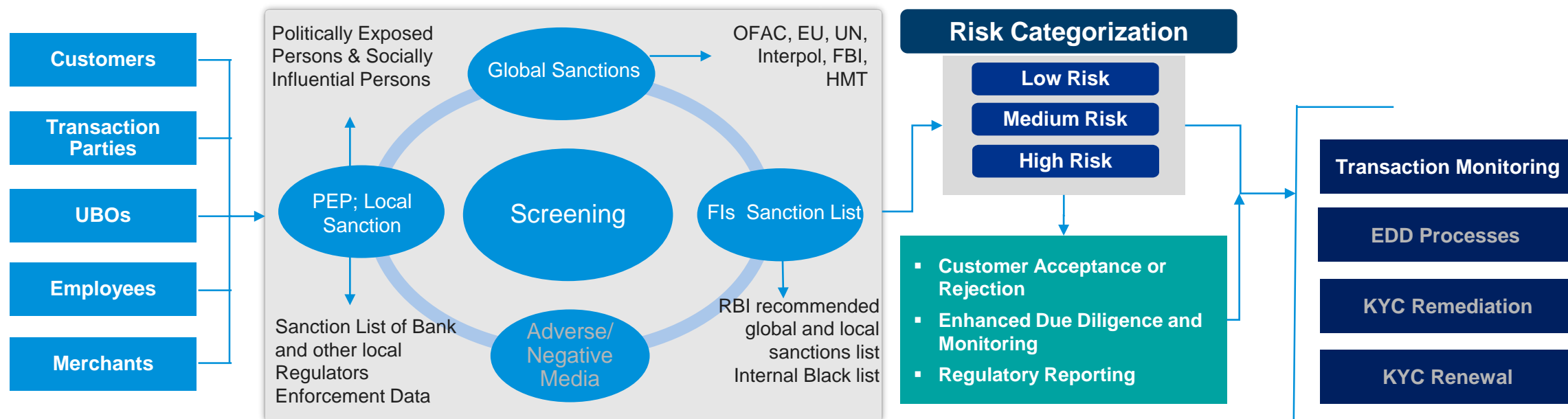


Project Approach



Understanding Sanctions Screening Process

Review of Sanctions Screening Framework



Our assessment will focus on following key elements

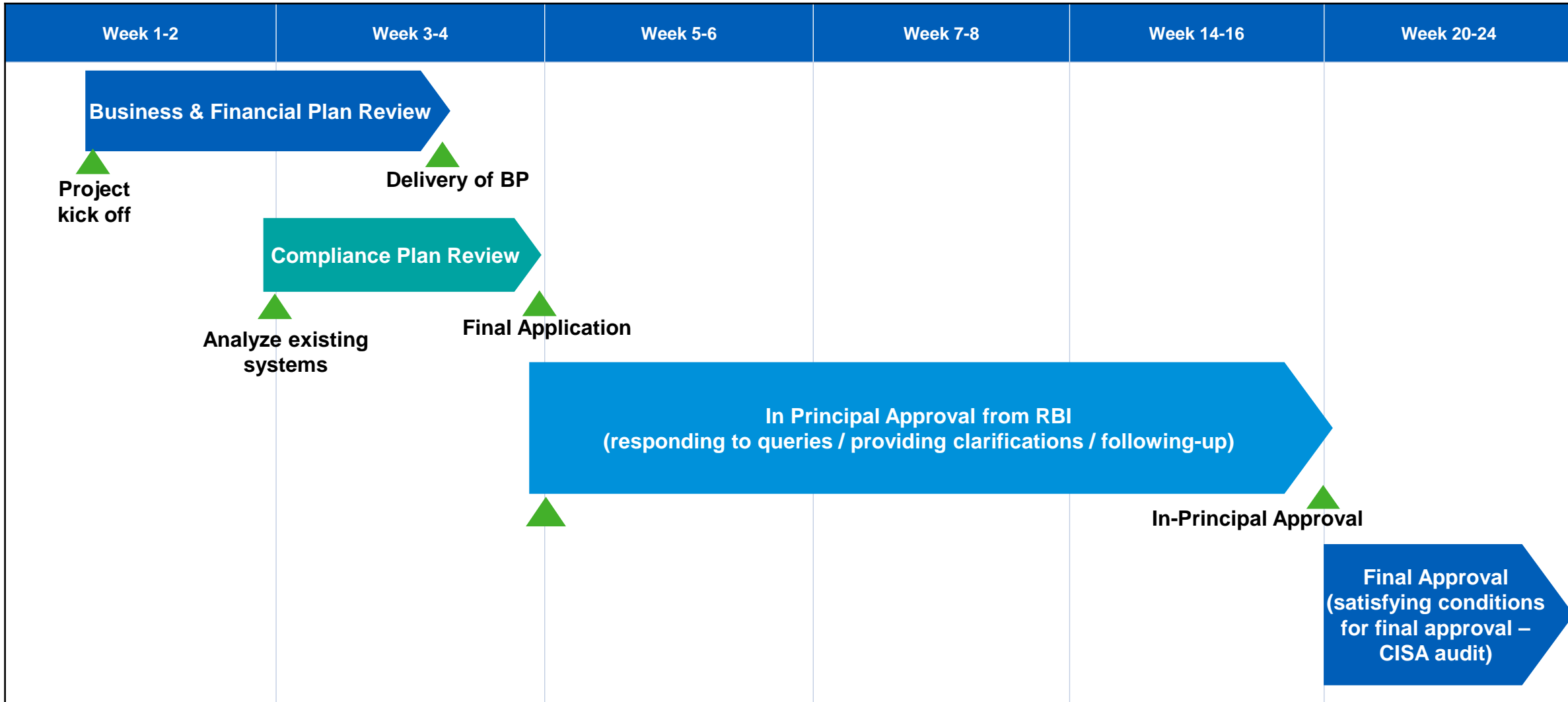
Indicative Checklists

- Threshold score
- Screening coverage
- Screening Identifiers and Parameters

- Comprehensiveness of data
- Real-time screening process
- Centralized screening team
- False positive ratio

- Other system and process dependency
- Data analytics
- Utilization of final outcomes

Timelines and Milestones





Commercials



Fees and Milestones

Our fees for scope of services discussed will be INR 25 lacs (excluding outlays and taxes)

Our fees will be payable on following milestones



20% as mobilisation



50% on filling
of application



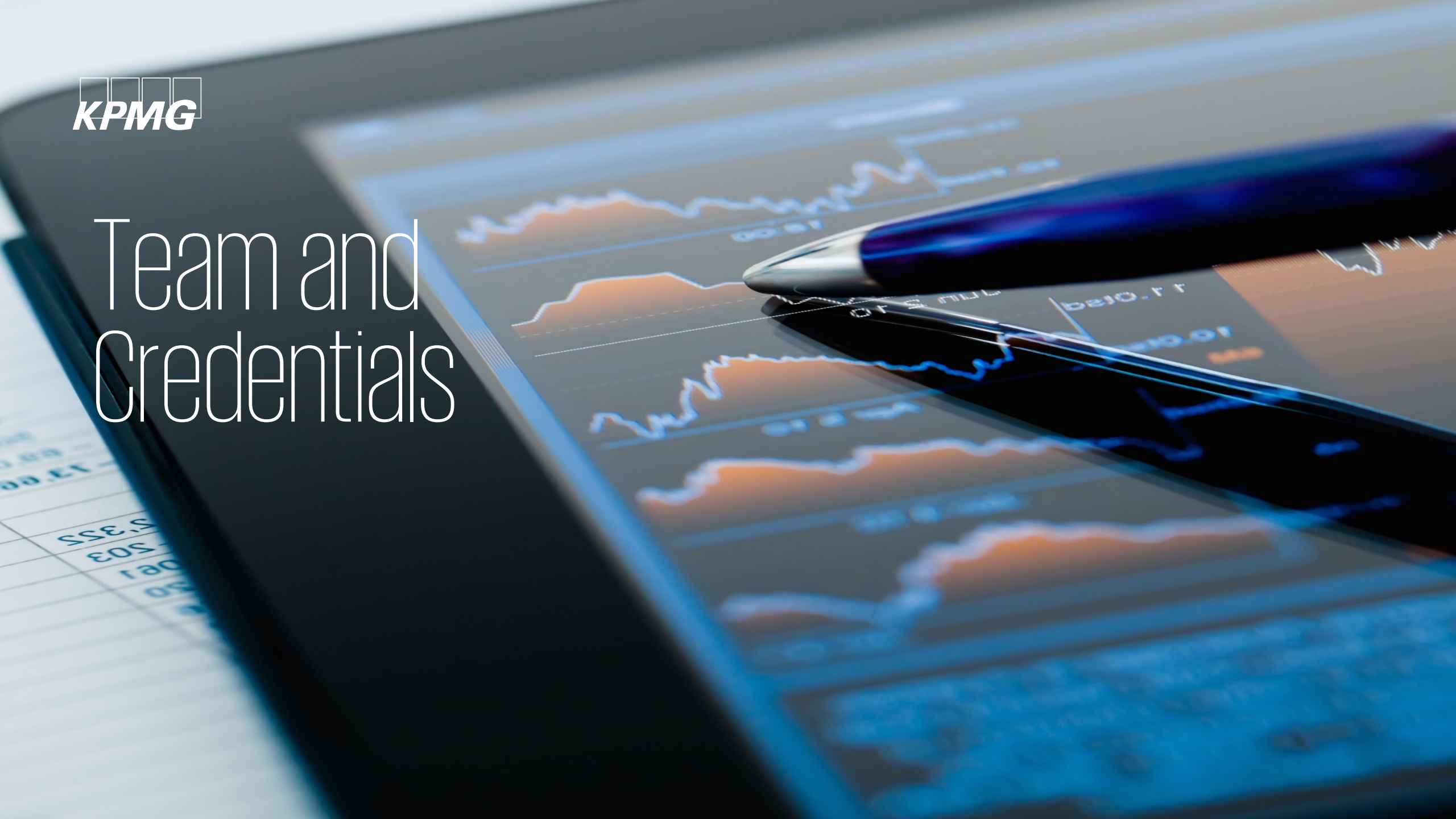
20% on
receiving In-
principle
approval



10% on
receiving final
approval



Team and Credentials



Advisory Board



Harun Rashid Khan
Senior Advisor
Regulatory

- 38+ years of experience at RBI (retired as the senior most Deputy Governor of RBI)
- Has handled diverse areas and spearheaded major projects relating to financial market, foreign exchange management, external investments, banking regulation and supervision, payment and settlement systems and financial inclusion
- Chairman of various committees and has represented RBI / the country in high level international groups



Vinay Baijal
Senior Advisor
Regulatory

- 36+ years of experience at RBI (retired as Chief General Manager, Department of Banking Operations and Development)
- Well versed in dealing with regulatory framework for foreign banks in India and exchange control

Our team



Suveer Khanna
Partner, Advisory
FS- Leader (Forensic)

Over two decades of experience, with a focus on Anti-Money Laundering, Forensic and regulatory investigations, fraud risk assessments and setting up early warning frameworks for financial services clients.

Chartered Accountant, CFE, Accredited Counter Fraud Specialist (UK), B.Com (Hons)



Anurag Jain
Director, Advisory
Financial Services

Over two decades of experience in AML, KYC, Fraud Risk Assessment and Transaction Monitoring. Prior to joining KPMG, Anurag worked with Thomson Reuter as Head of Risk Business, South-East. He is an industry spokesperson on Risk & Compliance and has worked across US, ME and South-East Asia markets.

MBA, CFE, PMP, B.Engineering (Comp Sci)



Rinkesh Devnani
Director, Tax & Regulatory
BFSI

14+ years of experience in advising clients in a number of tax advisory and compliance assignments of large banks, NBFC, Mutual funds, Insurance and finance companies including PPIs. Experienced in advising foreign companies on entry strategy, M&A, due diligence, domestic and international taxation, cross-border taxation, and devising tax-efficient ownership and operating structures.

Chartered Accountant, B.Com (Hons)



Rohan Padhi
Executive Director, Advisory
IT

More than 18 years of experience with expertise in Regulatory Compliance, IT & Process Due Diligence and Process & Application reviews, Program Risk Management, IT Strategy and Governance for Banks, NBFC's, Payment System Providers, AMC's across geographies like India, Europe, Australia, Middle East and US.

He has been an active participant and contributor in industry forums / associations and media publications.

MBA, BTech

Key Credentials (1/2)

#	Service	Nature of Work	Ultimate Client	Geography	# of Clients	Approximate Team Size
1	License application review	Assistance in obtaining license from RBI for acting as a Prepaid Payment System provider / operator	South African company engaged as global platform operator in internet services	South Africa	1	4-6
2	License application review	Assistance in obtaining license from RBI for acting as a Prepaid Payment System provider / operator	A leading Information Technology service provider to large public transport operators	India	1	4-6
3	Regulatory advisory	Regulatory Advisory services around Prepaid Payment Instruments Guidelines	Indian company engaged in issuance of prepaid payment instruments	India	1	4-6
4	License application review	Assistance in obtaining license from RBI for acting as a Bharat Bill Payment Operating Unit	South African company engaged as global platform operator in internet services	South Africa	1	4-6
5	License application review	Assistance in obtaining license from RBI for acting as a Bharat Bill Payment Operating Unit	French company engaged in providing technology in securing electronic payments	France	1	4-6
6	License application review	Assistance in obtaining license from RBI for acting as a Bharat Bill Payment Operating Unit	Indian company engaged in issuance of prepaid payment instruments	India	2	4-6

Key Credentials (2/2)

#	Service	Nature of Work	Ultimate Client	Geography	# of Clients	Approximate Team Size
1	AML Target Operating Model	Supported in developing and enhancing AML/ Financial Crime Target Operating Model	Leading UK Bank Leading Bank in India	UK and India	2-3	8-10
2	AML Program/ Policy Review	AML program review and gap assessment	Leading Banks in India Support to network firms (UK, UK, HK) for Indian Operations	India, US and UK	4-6	4 – 8
3	Sanctions Screening Review	Review of centralized sanctions screening program for 23 geographies based in India global operations	Global Insurance Provider	Europe and ASPAC region	1	4-6
4	Sanctions Screening False Positive Reduction Program	Assisted in segregating and review of sanctions alert for reducing false positives using machine learning	Global UK based Bank – Supported UK firm	Europe and ASPAC region	1	6-8
5	Transaction Monitoring Calibration	Undertook transaction monitoring review and calibration exercise	Leading Japanese Bank European Bank	Japan and EMEA	2	6-8
6	Transaction Monitoring System Review	Performed review of the Anti Money Laundering Transaction Monitoring System (“TMS”) of a leading foreign bank in India.to identify opportunities to improve the effectiveness of the system in volume and quality of the alerts	Leading UK Multinational Bank	India	1	6-8
7	Source of Wealth remediation program	SOW assessment on politically exposed (PEPs) and high net worth (HNIs) customers	Leading UK Bank	UK	1	20
8	AML risk based program assessment	AML risk based program assessment to assess compliance with regulatory guidelines	Leading Banks in Qatar	Qatar	3-4	6-8
9	KYC remediation program	KYC remediation/refresh for Investment Banking and Foreign Correspondent Banking relationships	Leading Banks in UK, US and ASPAC	US, UK, ASPAC, India	5	~100
10	PMO and AML system implementation support	Supported in PMO, business process architecture and undertaking business analyst role for AML system implementation.	Leading Banks in India	India	2	6-8



Thank you



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