



## **Framework for recognising Self-Regulatory Organisations (SROs) for the Account Aggregator Ecosystem**

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## Chapter I – Preliminary

### Introduction

The Reserve Bank (“Bank”) had introduced a regulatory framework for NBFC-Account Aggregator (NBFC-AA) on September 02, 2016. NBFC-AAs undertake the business of account aggregation, i.e., retrieve/ collect specified financial information from Financial Information Providers (FIPs) falling under the purview of various financial sector regulators (FSRs), viz., Reserve Bank of India, Securities and Exchange Board of India, Insurance Regulatory and Development Authority of India, Pension Fund Regulatory and Development Authority and Department of Revenue and aggregate, consolidate and present such information to the customers or Financial Information Users (FI-Us).

2. While the AA ecosystem encompasses wide range of stakeholders, the entities which are directly involved in the transmission of financial information of customers, viz., NBFC-AAs, FIPs, and FI-Us, are regarded as participants of the AA ecosystem. The transfer of information involves multiple entities regulated by various FSRs which makes the AA ecosystem complex and unique. The Reserve Bank has issued a regulatory framework for operations of the NBFC-AAs and Regulated Entities (REs) of the Bank to participate in the ecosystem. Similarly respective regulators have issued specific guidelines for their REs. However, owing to involvement of multiple entities (NBFC-AA, FIP and FI-U) in the transmission of financial information and increase in number of participants resulting in surge in transactions in the ecosystem, several operational issues are expected to continuously emerge among the participants. As the endeavour is to encourage faster adoption of the AA ecosystem on a voluntary basis, it would be desirable to complement the regulatory framework with a market-based mechanism to address these issues.

3. Owing to idiosyncrasies of the AA ecosystem and the need to strike a balance between regulation and innovation, it is felt that a Self-Regulatory Organisation (SRO) for the AA ecosystem could play an important role. In view of the above, it has been decided to recognise SRO(s) for the AA ecosystem (SRO-AA), broadly in line with the comprehensive [‘Omnibus Framework for recognising Self-Regulatory Organisations \(SROs\) for Regulated Entities \(REs\) of the Reserve Bank of India’ issued on March 21, 2024.](#)

## Chapter II – SRO-AA - Characteristics and Objectives

4. The SRO-AA is expected to operate with credibility, objectivity and responsibility under the overall oversight of the Reserve Bank, to promote healthy and sustainable development of the AA ecosystem. The SRO-AA should have the following characteristics to meet the requirements of the AA Ecosystem for its efficient functioning:

**i. True Representation of the AA ecosystem:** The SRO-AA should endeavour to become a true representative of the AA ecosystem, encompassing regulated entities of Financial Sector Regulators acting as NBFC-AAs, FIPs and FI-Us. This representative structure should foster inclusivity and enable the SRO-AA to draw upon the collective expertise and experience of its members, resulting in development of rules that are pragmatic, adaptive and widely accepted within the ecosystem. The term 'members' used in this framework refers to the participants of the AA ecosystem which accept membership of the SRO-AA. The respective membership agreements between SRO-AA and its members will help SRO-AA to define the terms and conditions for efficient functioning of the ecosystem.

**ii. Code of Conduct and Oversight:** The SRO-AA should set ethical, professional and governance codes, in relation to the participation in the AA ecosystem and monitor the compliance of these codes by the members. It should have strong governance mechanisms, including focus on independent board, transparency and adherence to well-defined processes for overseeing activities of their members.

**iii. Development-oriented Activity:** The SRO-AA should adopt a development-focussed approach, actively contributing to the growth and evolution of the ecosystem. The SRO-AA should offer support, expert guidance and capacity building initiatives to enable its members to seamlessly adopt and implement the technical requirements of the AA ecosystem. The SRO-AA should educate public about the aspects related to account aggregation, open finance, etc. The SRO-AA should foster a more resilient, robust and efficiently functioning AA ecosystem.

**iv. Independence from Influence:** It is expected that the SRO-AA functions above self-interest of any sort and addresses larger concerns of the ecosystem and financial

system as a whole. To maintain credibility, the SRO-AA should operate independently, free from the influence of any single member or group of members. This would ensure refined decision-making and prevent the organisation from being swayed by the interests of a dominant few. The SRO-AA should maintain impartiality, avoid conflicts of interest and ensure unbiased oversight over its members. The independence of the SRO-AA would enhance its reputation as a neutral and reliable entity, essential for gaining the trust and confidence of both participants and Financial Sector Regulators. While acting as the industry representative, the SRO-AA is expected to ensure equitable and transparent treatment for all its members.

**v. Grievance Redressal and Dispute Resolution:** The SRO-AA should devise and implement standardised procedures for grievance redressal and handling disputes among members, including processes to resolve these disputes through a transparent and consistent dispute resolution/ arbitration mechanism.

## **Objectives**

5. The SRO-AA is expected to achieve the following objectives:

- i. The SRO-AA, through comprehensive membership agreements, should adopt objective, well-defined and consultative processes to make rules relating to conduct of its members and be able to monitor the compliance of these rules.
- ii. The SRO-AA should promote a culture of compliance of regulatory compliance and public good by the participants of the AA ecosystem.
- iii. The SRO-AA should act as the collective voice of its members in providing suggestions to/ engagements with the Reserve Bank, other Financial Sector Regulators and other stakeholders. The SRO-AA should aim to represent and address broader ecosystem concerns and play a pivotal role in the functioning of the AA ecosystem.
- iv. The SRO-AA should collect and share relevant information with the Reserve Bank to aid in policymaking.
- v. The SRO-AA should undertake/ encourage a culture of research and development within the AA ecosystem to encourage innovation while ensuring highest standards of compliance and self-governance.

## **Chapter III – SRO-AA - Eligibility Criteria and Membership**

### **Eligibility Criteria for the Applicant**

6. In order to ensure that the SRO-AA delivers on its objectives and responsibilities, it is important that its independence and integrity is enshrined in its establishment and composition. The entities intending to function as an SRO shall, therefore, fulfil the following eligibility criteria:

- i. The applicant should be set up as a not-for-profit company registered under Section 8 of the Companies Act, 2013.
- ii. The applicant should have/ demonstrate to achieve a minimum net worth of Rupees two crore within a period of one year after recognition as an SRO-AA by Reserve Bank, or before commencement of operations as an SRO-AA, whichever is earlier. Thereafter, the SRO-AA shall maintain the minimum required net worth on an ongoing basis.
- iii. The shareholding of the SRO-AA should be sufficiently diversified and no entity shall hold 10% or more of its paid-up share capital, either singly or acting in concert.
- iv. The applicant must possess/ demonstrate the ability to create necessary infrastructure to enable it to discharge responsibilities of the SRO-AA effectively and consistently. It must have capability and resources for a robust IT infrastructure and the ability to deploy technological solutions within a reasonable timeframe.
- v. The applicant and key executives must have professional competence and have general reputation of fairness and integrity to the satisfaction of the Reserve Bank. The applicant should not be involved in any legal proceeding, which may have an adverse impact on the interest of the sector. Further, the applicant should not have been convicted of any offence including moral turpitude/ economic offence in the past.

### **Membership Criteria**

7. It is necessary that the SRO-AA operates as a true representative of the ecosystem and its members. In particular, the SRO-AA shall also adhere to the following criteria:

- i. The participants of the AA ecosystem, viz., NBFC-AAs, FIPs and FI-Us, are eligible to become members of the SRO-AA. The REs of all Financial Sector Regulators participating in the AA ecosystem may join SRO-AA as members.
- ii. While the membership for SRO-AA is voluntary, all NBFC-AAs are encouraged to join the SRO-AA for the purpose of efficient development of the ecosystem. Additionally, SRO-AA should ensure that its members should evenly include all the types/ classes of FIPs and FI-Us. To ensure balanced representation, the SRO-AA shall have at least 25 unique entities each from FIPs and FI-Us as its members at all times, subject to review. Failure to maintain the same, would render the SRO-AA liable for revocation of the recognition granted.
- iii. The membership fee structure developed by the SRO-AA should be reasonable and non-discriminatory. While membership fees may vary or be differentiated, based on size, intent, capability, etc., it should be ensured that the membership character remains non-discriminatory.
- iv. The SRO-AA should derive necessary powers through the membership agreements to set rules, codes of conduct, etc. for its members and monitor compliance thereto.

## **Chapter IV – SRO - AA – Governance and Management**

8. The SRO-AA is expected to operate with transparency, professionalism and independence, in order to foster greater confidence in the integrity of the ecosystem. Compliance with the highest standards of governance as prescribed in the Companies Act, 2013 is a pre-requisite for an effective SRO-AA. Additionally, the SRO-AA shall abide by the following guidelines:

### **(a) General**

- i. The SRO-AA shall be professionally managed and have a suitable provision in its Articles of Association (AoA)/ bye-laws to ensure this. AoA/ bye-laws shall clearly provide for the manner in which the Board of Directors (BoD) would function, duly addressing issues of conflict of interest.
- ii. The AoA/ bye-laws of the SRO-AA shall specify the functions it will discharge, as one of its main objects. The AoA/ bye-laws shall also clearly lay down the criteria for admission, expulsion, suspension, re-admission, etc. of members.
- iii. The Board shall, among others, frame a policy on rotation of Directors for important positions in the Board. Any change in the directorship or any adverse information about any Director, shall be immediately reported to the Reserve Bank.
- iv. The Board shall ensure that the SRO-AA has adequately skilled human resources and robust technical capability to effectively discharge its responsibilities. The Board shall follow transparent practices for establishing its governance processes.
- v. The SRO-AA shall ensure compliance by its members with the provisions of relevant Acts, applicable regulations, guidelines, directions or circulars issued by the Reserve Bank/ other Financial Sector Regulators from time to time.

### **(b) Directors**

To uphold good governance and ensure fair representation, composition of the Board of Directors should adhere to the following:



- i. The Directors shall fulfil the 'fit and proper' criteria as framed by the Board of the SRO-AA on an ongoing basis. The views of the Reserve Bank on 'fit and proper' status of the Board of Directors would be final.
- ii. The Directors must have professional competence and have general reputation of fairness and integrity to the satisfaction of the Reserve Bank.
- iii. The Directors should not be involved in any legal proceeding, which may have an adverse impact on the interest of the ecosystem. Further, the Directors should not have been convicted of any offence including moral turpitude/ economic offence in the past.
- iv. At least one-third of members in the Board, including the Chairperson, should be independent and without any active association with the participants of the AA ecosystem.
- v. Not more than one-fourth of the members in the Board shall be nominated by NBFC-AAs.
- vi. To ensure that all sectors/ types of participants of the AA ecosystem are duly represented, the Board should have a good mix of Directors with varied expertise and experience from FIPs and FI-Us. At least one director should possess expertise in regulations of banks and financial services.

**(c) Committees**

- i. The SRO-AA may constitute Committees and Working Groups focused on specific areas with representatives/ experts from members.
- ii. Each of the various Board level Committees of the SRO-AA should have independent Chairperson to the extent feasible and practicable.

## Chapter V – SRO-AA - Functions and Responsibilities

### Functions

9. Primary responsibility of the SRO-AA towards its members would be to promote best business practices and controls. The SRO-AA shall establish minimum benchmarks and conventions for professional market conduct amongst its members. In the interest of its members, the SRO-AA should aim to protect interests of the customers, participants and other stakeholders in the ecosystem. In particular, the SRO-AA should undertake the following functions:

#### a) Codes and Benchmarks

- i. The SRO-AA should frame a code of conduct to be followed by its members along with their outsourced entities like technology service providers and monitor adherence to the code as well as compliance with the regulatory and statutory instructions by its members.
- ii. The SRO-AA should frame standardized model formats taking into account specific requirements, for instance, formats for agreement between the FIPs/ FI-Us and NBFC-AAs as well as the outsourced entities like technology service providers. The formats should meet various regulatory and statutory requirements and act as baseline standards.
- iii. The SRO-AA should promote fair competition in the ecosystem by establishing ecosystem-wide norms and avoid unfair trade practices by the participants through collaborative efforts.
- iv. The SRO-AA should work in collaboration with the Reserve Bank to ensure the responsible usage of financial information by participants of the ecosystem.
- v. The SRO-AA should continually evaluate the requirements of the ecosystem and develop a mechanism to periodically amend the codes to suit the needs of the participants and customers without impacting the functioning of the ecosystem.
- vi. The codes / best practices developed by the SRO-AA should be in compliance with and, within, the applicable statutory / regulatory instructions. These shall not be a substitute to the prescribed regulatory framework for the AA ecosystem.

- vii. The SRO-AA may establish benchmarks for its members regarding various functions by dynamically aligning them with the performance of the ecosystem and actively encourage its members to strive for their achievement.

#### **b) Oversight and Market Discipline**

- i. The SRO-AA should have a structured framework to guide its oversight and market discipline functions. The baseline surveillance standards and oversight framework should meet the regulatory expectations on aspects like fraud prevention, trade practices, dispute resolution, conduct, fair usage, etc., and ensure uniformity, transparency and accountability in the ecosystem.
- ii. The SRO-AA should ensure strict confidentiality of personal data and restrict data collection to essential information required for the development of the ecosystem and in compliance with regulatory and statutory provisions. The SRO-AA shall adhere to relevant data protection laws.
- iii. The SRO-AA should establish clear standards of conduct and specify consequences for violation of agreed rules / codes such as counselling, cautioning, reprimanding, suspending and expelling members. It may be noted that such consequences shall not entail monetary penalties in any manner.

#### **c) Developmental**

- i. The SRO-AA should promote knowledge of statutory/ regulatory provisions and provide necessary resources for exchange of expertise and experience among members. It may also arrange training and awareness programmes for skill development on contemporary issues for its members.
- ii. The SRO-AA should educate the public about aspects related to account aggregation, open finance, grievance redressal mechanisms and dispute resolution mechanisms available to them and also spread awareness in general about the ecosystem.
- iii. The SRO-AA should disseminate sector-specific information through periodicals, bulletins, pamphlets, magazines, etc., from publicly available data, for creating awareness on matters of interest to members. The SRO-AA should submit statistics related to the ecosystem to the Reserve Bank. Such dissemination should also be done through digital mode.

#### **d) Common Services and Infrastructure**

- i. The SRO-AA should provide various permissible common services and infrastructure, depending on the necessity and with prior approval of the Reserve Bank, to the participants of the ecosystem. It should have a scalable technology solution for this purpose.
- ii. The SRO-AA should develop best practices and provide implementation assistance to enable participants' adoption of technical specifications and utilization/usage of common services and infrastructure.
- iii. The SRO-AA should maintain records of participants and technology service providers involved in the ecosystem.
- iv. The SRO-AA should deploy simple, intuitive dashboards/ metrics/ performance indicators for the Financial Sector Regulators including participants and other stakeholders.

#### **e) Grievance Redressal/ Dispute Resolution**

- i. The SRO-AA should establish a grievance redressal mechanism as well as a dispute resolution/ arbitration framework for the participants of the AA ecosystem. The SRO-AA should offer counselling on restrictive, unhealthy and such other practices which may be detrimental to growth of the ecosystem.
- ii. The dispute resolution framework should consistently use efficient, fair and transparent policies and procedures that are in line with the regulatory and statutory requirements and should ensure timely and effective dispute resolution harnessing mediation/conciliation and arbitration.

#### **f) Responsibilities towards the Reserve Bank and other Financial Sector Regulators**

In general, the SRO-AA is expected to complement and supplement the role of the Reserve Bank and other Financial Sector Regulators in ensuring better compliance with the regulatory guidelines, development of the sector, protection of stakeholder interests, foster innovation and detection of early warning signals. The SRO-AA is also expected to act as a bridge between the participants and the Reserve Bank and other Financial Sector Regulators.

In particular, the SRO-AA shall discharge the following responsibilities towards the Financial Sector Regulators:

- i. The SRO-AA should keep the Reserve Bank regularly informed of the developments/ trends/ concerns in the ecosystem to complement the oversight. It shall also promptly inform the Reserve Bank and other Financial Sector Regulators about any violation by its member of the provision of the Acts or the rules/ guidelines/ regulations/ directions issued by the Reserve Bank/ other Financial Sector Regulators, that comes to its notice.
- ii. The SRO-AA should carry out any work assigned to it by the Reserve Bank and examine the proposals or suggestions referred to it.
- iii. The SRO-AA shall provide data/ information, sought by the Reserve Bank/ other Financial Sector Regulators periodically or as advised.
- iv. The SRO-AA should submit an Annual Report to the Reserve Bank and other Financial Sector Regulators, within three months of completion of the accounting year. The SRO-AA shall submit the periodic/ adhoc returns as may be sought by the Reserve Bank/ other Financial Sector Regulators.
- v. The SRO-AA should engage in periodic interactions with the Reserve Bank. It is expected that SRO-AA would look at the larger picture of the ecosystem in offering its views/ inputs/ suggestions.
- vi. The SRO-AA should discharge such other functions and also abide by such other directions as specified by the Reserve Bank from time to time.
- vii. The Reserve Bank may, if it deems necessary, inspect the books of the SRO-AA or arrange to have the books inspected by an audit firm. The SRO-AA shall be obligated to provide the required information to the inspection team for the purpose of conduct of inspection. The expenses of such inspection shall be borne by the SRO-AA.

## Chapter VI – SRO – AA – Application Process

### Application for Recognition

10. The process of recognition of the SRO shall be robust so as to ensure adherence to a set of stringent parameters essential for the critical role it is required to play. An entity aspiring to function as an SRO under this framework shall be required to fulfil the following requirements/ submit the following documents while making an application for recognition. The requirements are as under:

- i. The application made by the applicant shall be accompanied by:
  - a. A copy of the Memorandum of Association relating to the constitution of the SRO-AA;
  - b. A copy of the Articles of Association/ bye-laws of SRO-AA;
  - c. For companies already in existence, the Audited balance sheet for the entire period the company is in existence, or for last three years, whichever is less;
  - d. Details of the constitution of its Board and the Directors, the roles/ responsibilities of management and the manner in which its operations would be undertaken;
  - e. The powers and duties of the office bearers<sup>1</sup> of SRO-AA;
  - f. The application shall be signed by the authorized person, on behalf of the applicant under authority of its Board of Directors;
  - g. The Reserve Bank may require the entity to submit any further such information or clarification as may be deemed necessary.
- ii. Any application, which is not complete in all aspects or does not fulfil the requisite criteria shall be liable to be rejected by the Reserve Bank. However, before rejecting any such application, the Reserve Bank shall give an opportunity to the applicant to address such objections, within 15 days from date of dispatch of intimation by the Reserve Bank.
- iii. Where the applicant is deemed suitable, the Reserve Bank would proceed to issue a “Letter of Recognition” as the SRO-AA. The Reserve Bank reserves the

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<sup>1</sup> including WTD and CEO, by whatever name called, and includes any person authorised as such by the applicant.

right to not grant recognition to any applicant. The decision of the Reserve Bank in this regard shall be final.

### **Conditions for grant of recognition**

11. The recognition granted to SRO-AA shall be valid subject to the following conditions:

- i. Information or particulars furnished by the SRO-AA must be true and not misleading in any material aspects.
- ii. The requirements prescribed in this framework, including that of membership as prescribed, shall be adhered to on a continuing basis.
- iii. The applicant must be fit and proper for the grant of recognition as an SRO-AA, in all other respects.
- iv. The applicant should undertake to function as per the objectives and responsibilities prescribed under this framework. The applicant should not undertake any other activity which could create conflict of interest with the main objectives of the SRO-AA.
- v. The SRO-AA shall ensure adherence to the terms and conditions governing its recognition. The recognition granted to the SRO-AA shall be subject to periodic review by the Reserve Bank, as considered necessary.
- vi. While granting recognition as an SRO-AA, the Reserve Bank may, if deemed necessary, prescribe such other conditions as may be necessary to ensure that functioning of the SRO-AA is not prejudicial to the public interest.
- vii. The Reserve Bank shall revoke the recognition granted to the SRO-AA, if it deems the functioning of the SRO-AA to be detrimental to public interest or any other stakeholder and/ or the SRO-AA is found to be conducting activities which are not in conformity with the objectives of the SRO-AA, after giving due opportunity of being heard.