

Paytm's Rebirth



Paytm's Problems

Non-Compliance

**Licensing
Breaches**

**Data Security
Vulnerabilities**

**Reputational
Damage**

Operations Halted

Problem Statement





Paytm Payments Bank faces regulatory scrutiny by the RBI due to compliance issues, including KYC* and AML** norms. Urgent action is needed to address these challenges and restore trust.



*KYC: Know Your Customer

**AML: Anti-Money Laundering

Business Objectives

-  **Reinstate the business(PPBL)**
Regain Regulatory Compliance
-  **Restore Customer Trust**
-  **Strengthen Internal Controls and Security**
-  **Introduce New Features to elevate business**



Why now?

The Reserve Bank of India and the Securities and Exchange Board of India (SEBI) have issued a final regulatory notice to PPBL. This notice follows a series of prior warnings concerning non-compliance with KYC* , AML**.

The notice stipulates that PPBL*** has a period of six months to take corrective action. Failure to do so within the stipulated time frame will result in the disqualification of PPBL for future license reinstatement.

*Know Your Customer
**Anti-Money Laundering
***Paytm Payments Bank Ltd



OKRs

To reinstate the halted business operations

Objectives	Key Results	Owner
Regain Regulatory Compliance	<ul style="list-style-type: none">→ Achieve 100% compliance with KYC (Know Your Customer) regulations by the end of 6 months→ Resolve outstanding issues identified by the RBI audit by the end of 6 months	CEO, CFO
Restore Customer Trust	<ul style="list-style-type: none">→ Resolve the customer complaints and inquiries clearly and promptly→ Transparency with the customer in terms of the issues faces and actions taken	CTO, CMO
Strengthen Internal Controls and Security	<ul style="list-style-type: none">→ Achieve SOC* 2 compliance for data security (third party) by the end of the fiscal year	CISO, CTO

*SOC - System and Organization Control



Competitive Analysis

Metric	Market Share	Revenue INR (bn)	Transaction Value (bn)	App Downloads (M+)	App rating	Total Users (M)
Paytm	10%	79.9	1225	500	4.6	300
PhonePe	49%	16.46	10,016	500	4.3	500
Google Pay	33%	14.67	6,941	500	4	150
Amazon Pay	7%	20.93	68	500	4.5	300

[1]Transaction Value, <https://www.npci.org.in/what-we-do/upi/upi-ecosystem-statistics>

[2]Market Share, <https://inc42.com/buzz/phonepe-google-pay-paytm-process-94-of-upi-transactions-march-2023/>

[3]App Downloads, https://play.google.com/store/apps?hl=en_US&gl=US

SWOT Analysis



Strengths

- **Brand Recognition:** Paytm Bank is highly recognized in India's digital payments sector, building strong customer trust and loyalty.
- **Diversified Services:** Offering a wide range of financial products beyond basic banking, Paytm Bank effectively meets diverse customer needs.
- **Strong Merchant Network:** With a solid network of merchants, Paytm Bank facilitates seamless transactions and enhances customer convenience.
- **Large User Base:** Leveraging its extensive digital payments user base, Paytm Bank has a ready-made customer pool for its banking services.



Opportunities

- **Financial Inclusion:** Paytm Bank can boost inclusion by offering accessible banking to underserved populations, expanding its customer base.
- **Rural Market Focus:** Paytm Bank sees a big chance in rural areas, with custom banking solutions for unmet financial needs.
- **Global Expansion:** Leveraging its brand and tech strength, Paytm Bank could enter new markets for growth and diversification.
- **Technological Innovation:** Innovating in tech can set Paytm Bank apart in fintech, appealing to tech-savvy users.



Weaknesses

- **Reliance on Indian Market:** Paytm Bank's heavy dependence on the Indian market could limit its growth potential beyond the country's borders.
- **Regulatory Changes:** Adapting to frequent regulatory changes poses a challenge for Paytm Bank, requiring continual adjustments to operations and compliance strategies.



Threats

- **Competition:** Paytm Bank faces strong competition from established banks (e.g., HDFC, ICICI) and emerging fintech firms (e.g., PhonePe, Google Pay), which poses a significant threat to its market share and growth prospects.
- **Cybersecurity Threats:** Paytm Bank faces risks like data breaches and cyber attacks that could harm its operations and customer trust.

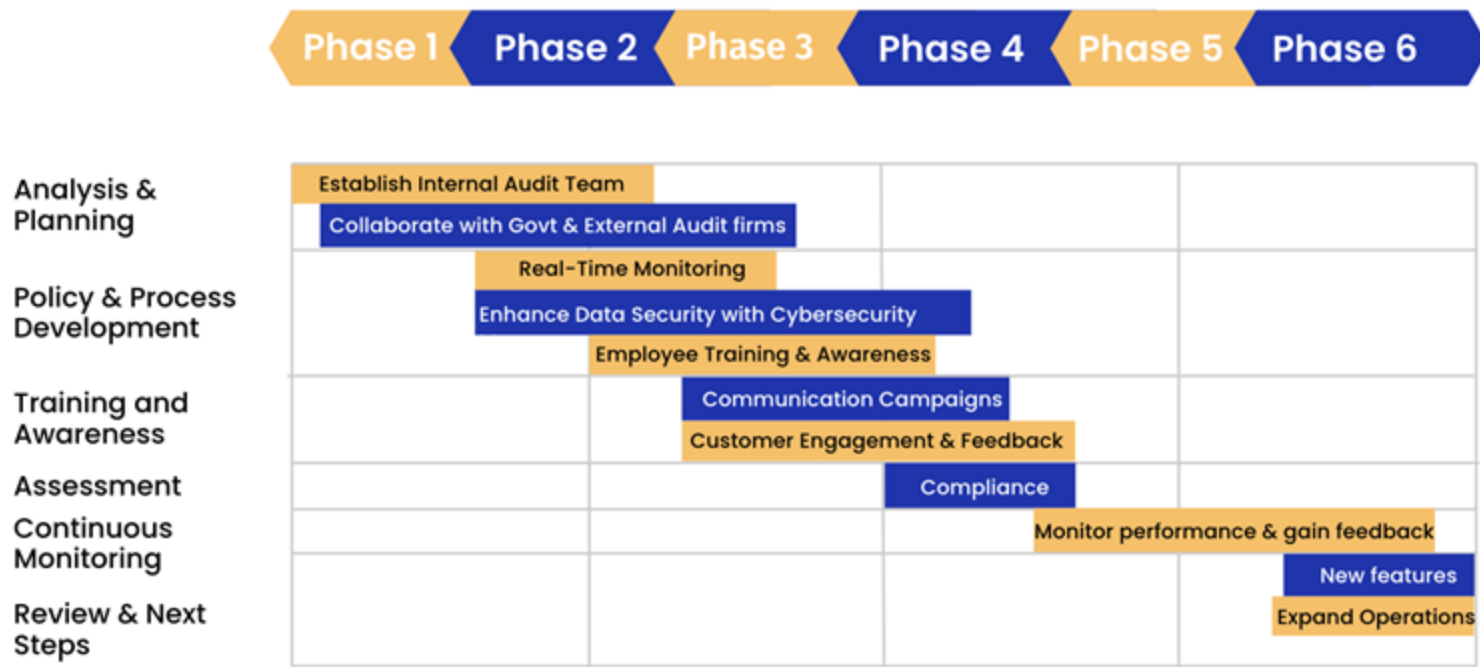
Gap Analysis



Aspect	Current State	Future Challenges and Opportunities	Gap Analysis
Regulatory Compliance	Facing scrutiny and penalties for KYC violations, technology lapses, money laundering accusations	Addressing concerns about money laundering, corruption, fraud; enhancing compliance measures	Gap between current compliance status and future regulatory requirements
Profitability and Scaling	Challenges with profitability, questions about scalability, concerns about being a "cash guzzler"	Demonstrating a clear path to profitability, optimizing operational efficiency, diversifying revenue streams	Gap between current financial performance and future growth expectations
Customer Trust	Negative publicity affecting trust and user retention	Improving transparency, addressing customer concerns, enhancing service quality	Gap between current reputation and required trust to retain user base
Lending Partnerships	Facing challenges in maintaining trust and confidence among lending partners	Strengthening risk management, ensuring regulatory compliance, fostering transparent communication	Gap between current partnership status and required trust for long-term partnerships



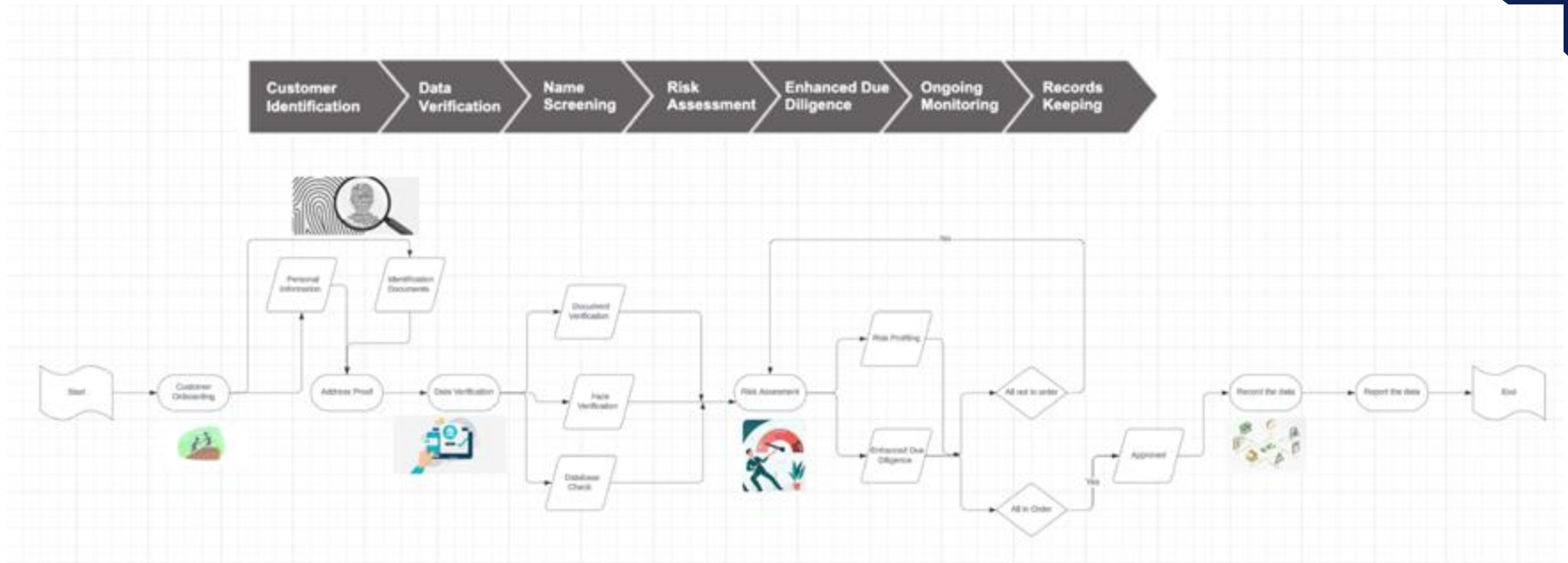
Compliance Roadmap



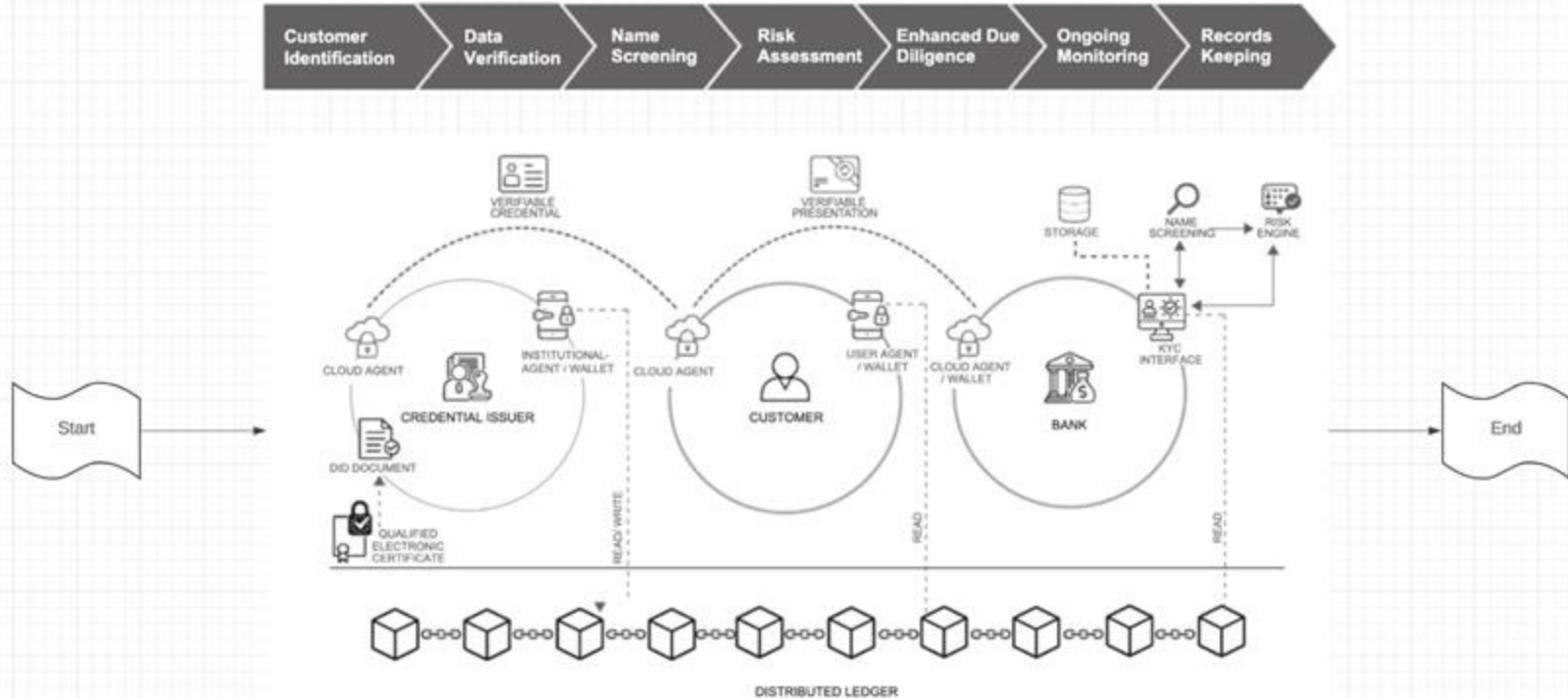
Personas

Personas	Characteristics	Pain Points
<p><u>Persona 1</u> Name: Ramesh Patel</p> <p>Role: Small Business Owner</p> <p>Description: Ramesh owns a small electronics store in a bustling market area. He relies on PPBL for daily transactions, receiving payments from customers and making supplier payments.</p>	<p>Tech-Savvy: Uses mobile apps for banking.</p> <p>Time-Conscious: Prefers quick and efficient services.</p> <p>Budget-Conscious: Seeks affordable banking solutions.</p>	<p>1) Regulatory Compliance: Worries about regulatory impact on PPBL's services, fearing disruptions.</p> <p>2) Transaction Fees: Unhappy with high fees affecting profitability.</p> <p>3) Trust Issues: Concerned about fund safety due to compliance challenges.</p>
<p><u>Persona 2</u> Name: Ananya Gupta</p> <p>Role: Senior Compliance Officer</p> <p>Description: Ananya is responsible for ensuring that PPBL complies with all regulatory requirements set forth by governing bodies such as the RBI. She oversees KYC processes, anti-money laundering (AML) measures, and other compliance-related activities within the bank.</p>	<p>Detail-oriented: Ensures compliance by closely following regulatory guidelines and updates.</p> <p>Analytical: Utilizes data analysis tools to assess compliance effectiveness and pinpoint areas for enhancement.</p> <p>Proactive: Addresses compliance issues preemptively to prevent escalation.</p>	<p>1) Regulatory Scrutiny: Ensures PPBL meets evolving regulatory standards.</p> <p>2) Resource Constraints: Manages compliance with limited resources and manpower.</p> <p>3) Stakeholder Expectations: Balances internal demands for efficiency with regulatory compliance.</p>
<p><u>Persona 3</u> Name: Rajesh Kumar</p> <p>Role: Banking Supervision Officer</p> <p>Description: Rajesh works in the banking supervision department of the RBI, responsible for monitoring and regulating the activities of banks and financial institutions, including PPBL.</p>	<p>Regulatory Expertise: Understands RBI banking regulations deeply.</p> <p>Investigative Skills: Conducts rigorous inspections for regulatory compliance.</p> <p>Accountability: Enforces regulations to maintain banking system integrity.</p>	<p>1) Compliance Challenges: Ensuring banks like PPBL adhere to evolving digital banking and fintech regulations.</p> <p>2) Resource Constraints: Limited resources and manpower to supervise numerous banks and financial institutions.</p> <p>3) Stakeholder Pressure: Balancing government, banking industry, and public expectations while maintaining financial stability and consumer protection.</p>

Current KYC Model



Digital KYC built on Blockchain



Value Chain Analysis

Inbound Logistics

- Digital Onboarding
- KYC Compliance
- Technology Integration

Operations

- Payment Services
- Banking Services
- Customer Support & Experience

Outbound Logistics

- Transaction Processing
- Data Management
- Risk Management

Marketing and Sales

- Brand Promotion
- User Acquisition
- Merchant Acquisition

Human Resources

- Training & Development
- Compliance & Legal Issues
- HR Information System (HRIS)

Firm Infrastructure

- Governance
- Corporate Social Responsibility
- Financial Inclusion & Management

Change Management

What Needs to Change?

- **Regulatory Scrutiny:** Paytm Payments Bank faces regulatory scrutiny by the RBI due to compliance issues, including KYC and AML norms.
- **Loss of Trust:** Compliance issues have led to a loss of trust among customers and stakeholders.
- **Operational Efficiency:** There is a need to improve internal controls and operational efficiency to prevent future compliance breaches.
- **Business Sustainability:** To ensure long-term sustainability and profitability, Paytm Payments Bank must align with regulatory standards and customer expectations.

Who Needs to Change?

- **Senior Management:** Leadership must drive the change, ensuring alignment with regulatory requirements and strategic business objectives.
- **Compliance Team:** The compliance team needs to adopt and implement new processes and systems to meet regulatory standards.
- **IT and Security Teams:** These teams must enhance the security infrastructure and internal controls to safeguard against compliance breaches.
- **Customer Service Team:** Frontline staff must be trained to handle customer concerns and maintain high standards of service.

Why Do We Need to Change?

- **Compliance Processes:** Update and strengthen KYC and AML compliance processes to meet regulatory standards.
- **Internal Controls:** Enhance internal controls and security measures to prevent compliance issues and fraud.
- **Customer Relationship:** Rebuild customer trust through transparent communication and improved service.
- **Product Offerings:** Introduce new features and services to enhance the customer experience and business growth.
- **Staff Training:** Train staff on compliance requirements and customer service best practices.

When and how Can We Make This Happen?

- We incorporate this plan in 6 months
- **Stakeholder Engagement:** Communicate the need for change to all stakeholders, including employees, customers, and regulatory bodies, and seek their support.
- **Implement New Compliance Systems:** Invest in technology and systems to streamline KYC and AML processes and enhance internal controls.
- **Conduct Training Programs:** Provide comprehensive training for employees on new compliance requirements and customer service standards.
- **Monitor and Evaluate Progress:** Regularly monitor the implementation of changes and evaluate progress against set objectives and key results (OKRs).

Policies, Regulation, Privacy

1. Regulatory Reports:

KYC (Know Your Customer) compliance reports, Suspicious transaction reports (STRs)
AML (Anti-Money Laundering) reports (per Prevention of Money Laundering Act (PMLA), 2002, Data privacy compliance reports (per PCI DSS*)

2. SOC** 2 Compliance:

Security, Availability, Processing Integrity, Confidentiality, and Privacy of Customer Data (third party usage)

3. SOX` Auditing:

Strong internal controls, transparency in financial reporting

4. Financial Reports:

Balance sheet, income statement, and cash flow statement.

Providing updates on financial performance and key metrics

Financial events or transactions: Including mergers, acquisitions, or large investments

*Payment Card Industry Data Security Standard

**Systems and Organizations Control

`Sarbanes and Oxley Act

Risks and Mitigation

Risk	Mitigation
Difficulty achieving 100% KYC compliance within timeframe	Streamline KYC process, incentivize user completion, partner with third-party verification services
Inefficient issue resolution impacting customer satisfaction	Implement a robust customer service system, provide multi-channel support options, invest in employee training for complaint handling
Delays in achieving SOC 2 compliance	Partner with experienced security consultants, invest in robust security infrastructure, prioritize employee awareness training on cybersecurity
Data breaches leading to customer information leaks	Implement robust data encryption protocols, conduct regular security audits, prioritize vulnerability management, enforce data access controls



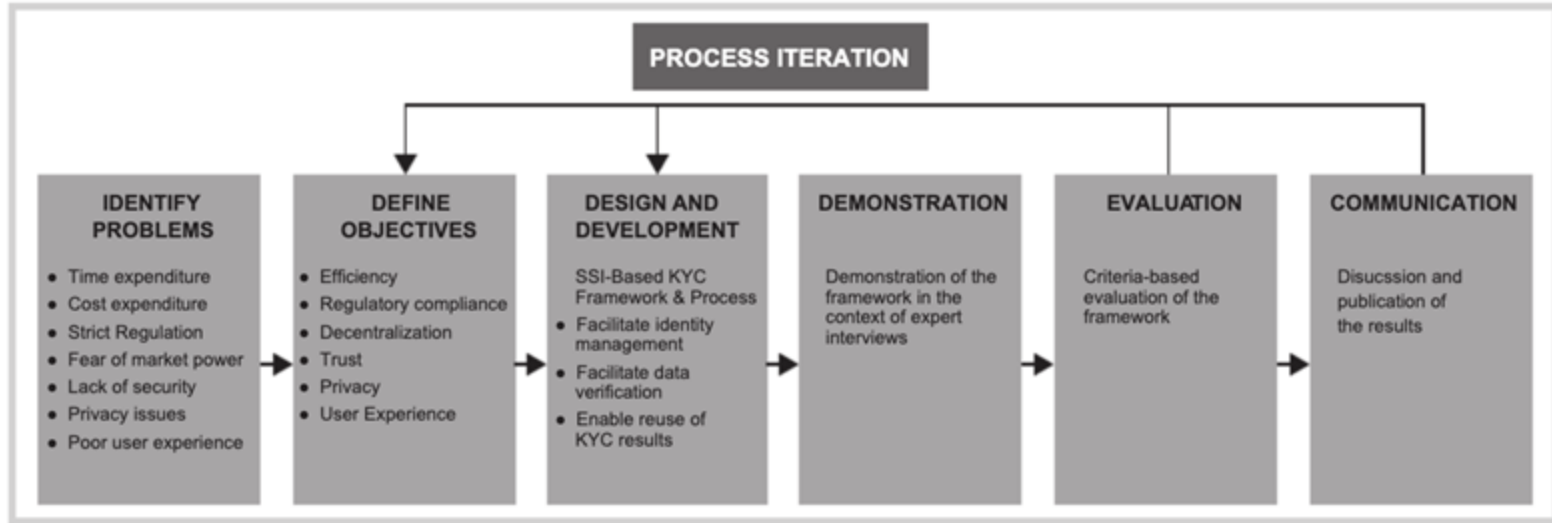


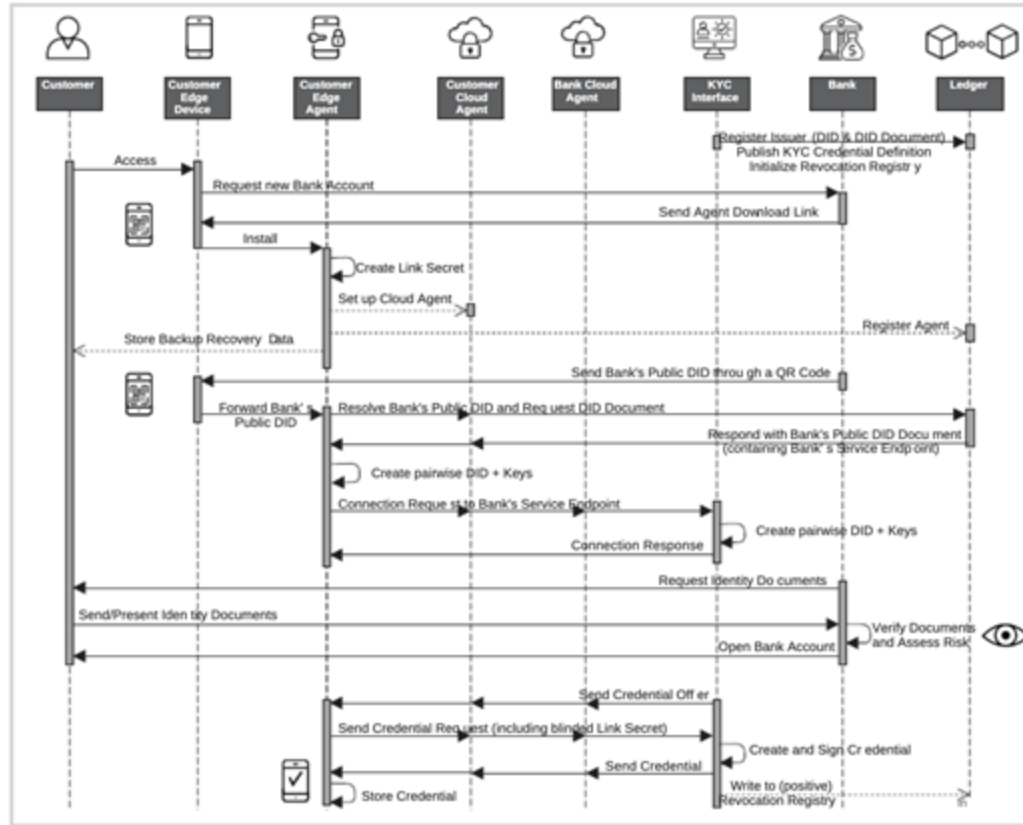
Thank you!



Appendix







Evaluation Metrics

Objective	Metric	Description	Target	Priority
Regain Regulatory Compliance	KYC Compliance Rate	Percentage of accounts compliant with KYC regulations	100% by end of 6 months	Critical
	Regulatory Issues Resolved	Number of issues identified by RBI audit resolved	100% resolution by end of 6 months	Critical
Restore Customer Trust	Customer Complaint Resolution Time	Average time taken to resolve customer complaints	< 24 hours	High
	Customer Satisfaction Score	Customer feedback score on complaint resolution	≥ 90% satisfaction rate	Medium
Strengthen Internal Controls and Security	SOC 2 Compliance Achievement	Status of achieving SOC 2 compliance for data security	Achieved by end of fiscal year	Critical
	Internal Audit Scores	Scores from internal audits evaluating internal controls and security measures	Quarterly improvement	High
Customer Engagement	Active User Growth	Monthly growth rate of active users	≥ 5% monthly growth	Medium
Innovation and New Features	New Feature Adoption and User Retention Rate	Percentage of users adopting new features and retained users over a 6-month period	≥ 20% adoption rate, ≥ 80% retention rate	Medium

https://www.researchgate.net/publication/355747337_Designing_a_Framework_for_Digital_KYC_Processes_Built_on_Blockchain-Based_Self-Sovereign_Identity

