





भारतीय रिजर्व बैंक RESERVE BANK OF INDIA

RBI/2024-25/63 DoR.FIN.REC.35/03.10.124/2024-25

August 16, 2024

All Non-Banking Financial Company – Peer to Peer Lending Platforms

Dear Sir/ Madam,

Review of Master Direction - Non-Banking Financial Company - Peer to Peer Lending Platform (Reserve Bank) Directions, 2017

Please refer to the <u>Master Direction - Non-Banking Financial Company – Peer to Peer Lending Platform (Reserve Bank) Directions, 2017</u> (the Directions).

- 2. The Directions envisaged the Non-Banking Financial Company Peer to Peer Lending Platform (NBFC-P2P Lending Platform) to act as an intermediary providing online marketplace / platform to the participants involved in peer to peer lending. Accordingly, the Directions had laid down clear guidelines regarding various aspects of functioning of NBFC-P2P Lending Platforms. However, it has been observed that some of these platforms have adopted certain practices which are violative of the said Directions. Such practices include, among others, violation of the prescribed funds transfer mechanism, promoting peer to peer lending as an investment product with features like tenure linked assured minimum returns, providing liquidity options and at times acting like deposit takers and lenders instead of being a platform. Such violations, when observed, have been dealt with bilaterally by the Reserve Bank of India for remediation.
- 3. In view of the above, it has been decided to elaborate and clarify certain provisions with some modifications for proper implementation of the Directions. The amended provisions of the Directions are enclosed in the <u>Annex</u> to this circular.

विनियमन विभाग, केंद्रीय कार्यालय ,द्वितीय तल ,मुख्य भवन, शहीद भगत सिंह रोड ,फोर्ट, मुंबई -400001 Department of Regulation, Central Office, 2nd Floor, Main Building, Shaheed Bhagat Road, Fort, Mumbai-400 001 Email: cgmicdor@rbi.org.in

- 4. The amended provisions contained in this circular except item I(f)(ii) of the enclosed Annex shall come into effect immediately. Item I(f)(ii) of the Annex shall be effective from ninety days of the date of this circular.
- 5. The <u>Master Direction Non-Banking Financial Company Peer to Peer Lending</u>

 <u>Platform (Reserve Bank) Directions, 2017</u> stands modified accordingly.

Yours faithfully,

(J.P. Sharma) Chief General Manager

Annex

I. Amendment to the existing provisions of the Master Direction (MD)

S.No.	Para of MD	Existing Provision	Amended Provision
a.	6(1)(iv)	An NBFC-P2P shall not provide or arrange	An NBFC-P2P shall not provide or arrange any
		any credit enhancement or credit	credit enhancement or credit guarantee. NBFC-
		guarantee.	P2P shall not assume any credit risk, either
			directly or indirectly, arising out of transactions
			carried out on its platform. In other words, entire
			loss of principal or interest or both, if any, in
			respect of funds lent by lenders to borrowers on
			the platform shall be borne by the lenders and
			adequate disclosures to this effect shall be
			made to lenders as part of fair practices code
			specified in para 12 of the MD.
b.	6(1)(vii)	An NBFC-P2P shall not cross sell any	An NBFC-P2P shall not cross sell any product
		product except for loan specific insurance	except for loan specific insurance products. It
		products.	may be noted that NBFC-P2P shall not cross
			sell any insurance product also which is in the
			nature of credit enhancement or credit
			guarantee.
C.	7(2)	The aggregate exposure of a lender to all	The aggregate exposure of a lender to all
		borrowers at any point of time, across all	borrowers at any point of time, across all P2P
		P2P platforms, shall be subject to a cap of	platforms, shall be subject to a cap of
		Rs.50,00,000/- provided that such	Rs.50,00,000 provided that the amount lent by
		investments of the lenders on P2P	the lenders on P2P platforms is consistent with
		platforms are consistent with their net-	their net-worth. In case, the amount lent by a
		worth. The lender investing more than	lender is more than Rs.10,00,000 across P2P
		Rs.10,00,000 across P2P platforms shall	platforms, the lender shall produce a certificate
		produce a certificate to P2P platforms from	to P2P platforms from a practicing Chartered
		a practicing Chartered Accountant	Accountant certifying minimum net-worth of
		certifying minimum net-worth of	Rs.50,00,000.
		Rs.50,00,000.	
d.	8(1)(iii)	NBFC-P2P shall have a Board approved	NBFC-P2P shall have a Board approved policy
		policy in place - Setting out the rules for	in place - Setting out the rules for matching/

S.No.	Para of MD	Existing Provision	Amended Provision
		matching lenders with borrowers in an	mapping lenders with borrowers in an equitable
		equitable and non-discriminatory manner.	and non-discriminatory manner.
e.	8(3)	No loan shall be disbursed unless the	No loan shall be disbursed unless the lenders
		individual lender/s have approved the	and the borrowers have been matched/ mapped
		individual recipient/s of the loan and all	as per the board approved policy framed in
		concerned participants have signed the	terms of paragraph 8(1)(iii), the individual
		loan contract.	lender(s) have approved the individual
			recipient(s) of the loan and all concerned
			participants have signed the loan contract.
f.	9	Fund transfer between the participants on	(i) Fund transfer between the participants on the
		the Peer to Peer Lending Platform shall be	Peer to Peer Lending Platform shall be
		through escrow account mechanisms	through escrow account mechanisms which
		which will be operated by a bank promoted	will be operated by a bank promoted trustee.
		trustee. At least two escrow accounts, one	At least two escrow accounts, one for funds
		for funds received from lenders and	received from lenders and pending disbursal
		pending disbursal, and the other for	(i.e., Lenders' escrow Account), and the other
		collections from borrowers, shall be	for collections from borrowers (i.e.,
		maintained. All fund transfers shall be	Borrowers' escrow Account), shall be
		through and from bank accounts and cash	maintained. Under this prescribed funds
		transaction is strictly prohibited. The	transfer mechanism, funds from the lenders'
		mechanism as described in the Annex-I	bank accounts shall only be transferred to the
		may be adopted by the NBFC-P2P.	Lenders' Escrow Account and shall only be
			disbursed to the specific borrower's bank
			account after ensuring compliance to the
			paragraph 8(3) of these Directions. The
			borrower shall transfer the amount towards
			repayment of loan from his bank account to
			the Borrowers' Escrow Account, from where
			the funds shall only be transferred to the
			respective lender's bank account. Funds from
			'Lenders' Escrow Account' shall not be used
			for repayment of loans and funds from
			'Borrowers' Escrow Account' shall not be

S.No.	Para of MD	Existing Provision	Amended Provision
			used for disbursement of loans. All fund
			transfers shall be through and from bank
			accounts and cash transaction is strictly
			prohibited. The pictorial depiction of the
			Funds Transfer Mechanism as described in
			the <u>Annex-I</u> shall be adopted by the NBFC-
			P2P.
			(ii) The funds transferred into the Lenders'
			Escrow Account and Borrowers' Escrow
			Account shall not remain in these Escrow
			Accounts for a period exceeding 'T+1' day,
			where 'T' is the date on which the funds are
			received in these Escrow Accounts.
g.	11(1)(i)(a)	An NBFC-P2P shall be required to disclose	An NBFC-P2P shall be required to disclose the
		the following:	following:
		(i) to the lender	(i) to the lender
		(a) details about the borrower/s including	(a) details about the borrower(s) including
		personal identity, required amount, interest	personal identity with his/ her consent (which
		rate sought and credit score as arrived by	should be kept on record), required amount,
		the NBFC-P2P.	interest rate sought and credit score as arrived
			by the NBFC-P2P.
h.	11(1)(iii)(d)	An NBFC-P2P shall be required to disclose	An NBFC-P2P shall be required to disclose the
		the following:	following:
		(iii) publicly disclose on its website:	(iii) publicly disclose on its website:
		(d) portfolio performance including share of	(d) portfolio performance including share of
		non-performing assets on a monthly basis	non-performing assets (NPAs) on a monthly
		and segregation by age; and	basis and segregation by age. It may be noted
			that such disclosures shall also include all
			losses borne by the lenders on principal or
	10(0)	NDFO DOD I II I	interest or both; and
i.	12(2)	NBFC-P2P shall be required to obtain	NBFC-P2P shall be required to obtain explicit
		explicit declaration from the lender stating	declaration from the lender stating that he/she
		that he/she has understood all the risks	has understood all the risks associated with the

S.No.	Para of MD	Existing Provision	Amended Provision
		associated with the lending transactions	lending transactions and that P2P platform does
		and that P2P platform does not assure	not assure return of principal/payment of
		return of principal/payment of interest. The	interest. The declaration shall also state that
		declaration shall also state that there exists	there exists a likelihood of loss of entire principal
		a likelihood of loss of entire principal in	in case of default by a borrower. The P2P
		case of default by a borrower. The platform	platform shall not provide any assurance or
		shall not provide any assurance for the	guarantee for the recovery of loans. Further, the
		recovery of loans. Further, the platform	P2P platform shall not promote peer to peer
		shall display a caveat that "Reserve Bank	lending as an investment product with features
		of India does not accept any responsibility	like tenure linked assured minimum returns,
		for the correctness of any of the statements	liquidity options, etc.
		or representations made or opinions	
		expressed by the NBFC-P2P, and does not	
		provide any assurance for repayment of	
		the loans lent on it".	
j.	Annex VI -	NBFCs which choose to outsource	NBFC-P2Ps which choose to outsource any of
	2	financial services shall, however, not	their functions shall, however, not outsource
		outsource core management functions	core management functions including Internal
		including Internal Audit, Strategic and	Audit, Strategic and Compliance functions,
		Compliance functions and decision-	pricing of services/ fees to be charged to
		making functions such as determining	borrowers/ lenders and decision-making
		compliance with KYC norms for opening	functions such as determining compliance with
		deposit accounts, according sanction for	KYC norms. However, for NBFC-P2Ps in a
		loans (including retail loans) and	group/conglomerate, these functions may be
		management of investment portfolio.	outsourced within the group subject to
		However, for NBFCs in a	compliance with instructions in Para 6. Further,
		group/conglomerate, these functions may	while internal audit function itself is a
		be outsourced within the group subject to	management process, the internal auditors can
		compliance with instructions in Para 6.	be on contract.
		Further, while internal audit function itself	
		is a management process, the internal	
		auditors can be on contract.	

${\rm I\hspace{-.1em}I}$. New provisions added in the MD

- (i) Para 6(1)(xi) An NBFC-P2P shall not deploy lenders' funds in any manner other than as specified in these Directions.
- (ii) Para 6(1)(xii) NBFC-P2P shall not utilize funds of a lender for replacement of any other lender(s).
- (iii) Para 8(4) The pricing policy shall be objective and NBFC-P2P shall disclose the fees liable to be charged, ab initio, i.e., at the time of lending itself. The fees shall be a fixed amount or a fixed proportion of the principal amount involved in the lending transaction. The fees shall not be dependent upon the repayment by the borrower(s).
- (iv) Para 8(5) The practice of matching/ mapping the participants within a closed user group, whether sourced through an outsourced agency or otherwise, is not permitted. Examples of 'closed user group' include borrowers/lenders sourced through an affiliate/service provider to the NBFC-P2P.
- (v) Para 11(4) NBFC-P2P shall explicitly and prominently mention its name (as mentioned in the Certificate of Registration) along with its brand name, if any, in all its touch points/ customer interfaces including promotional material and any communication with stakeholders/ participants.
- (vi) Para 12(6) The platform shall display a caveat prominently on its website, mobile/web applications including any other promotional material used by it that "It is an NBFC-P2P lending platform registered with the Reserve Bank. However, Reserve Bank does not accept any responsibility for the correctness of any of the statements or representations made or opinions expressed by the NBFC-P2P and does not provide any assurance for repayment of the loans lent on it".

Annex - I of MD **Funds Transfer Mechanism** Platform The Platform will undertake listing of lenders and borrowers. It will act as marketplace for exchange and information instructions between the trustee, lenders and borrowers. It may be provided 'view only' access to escrow accounts for monitoring and Flow of Flow of reporting purposes. Instructions Instructions Flow of Instructions The Lender The lender will transfer the The Borrower amount from his bank The borrower will transfer account to Lenders' Escrow the repayments from his Account maintained with a bank account to Borrowers' bank and operated by the Escrow Account maintained Lenders' trustee. with a bank and operated by Escrow The lender will issue Funds the trustee. Account instructions to the trustee Transfer Borrowers' The borrower will issue maintained via platform or otherwise to Escrow with a instructions to the trustee transfer the funds to bank Account bank via platform or otherwise to account of the specific maintained transfer the funds to bank **Funds** borrower(s). with a account of the specific Transfer The funds shall not remain bank lender(s). in the Escrow Account for a The funds shall not remain period exceeding 'T+1' day. in the Escrow Account for a period exceeding 'T+1' day. Operation by Operation by the Trustee the Trustee Flow of Flow of Instructions Instructions Trust Trust will be mandatorily promoted by a Trust will **operate** the escrow accounts for transfer of the funds based on the instructions received from the lenders platform and borrowers via otherwise.

'T' is the date on which the funds are received in the respective Escrow Accounts.