

RBI warms up to fintechs for cross-border e-commerce

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The PA-CB guidelines dramatically expand the role of non-bank entities in e-commerce transactions. (Image: Pixabay)

SUMMARY

- *The overhaul by the RBI opens a new chapter in fintech's role in e-commerce, heralding an era of broader participation and innovation in cross-border transactions*

The Reserve Bank of India (RBI) is transforming the landscape of online e-commerce payments. With the introduction of the Regulations for Payment Aggregator – Cross Border (PA-CB Guidelines) on 31 October 2023, fintechs are now empowered to aggregate cross-border payments for the import and export of goods and services. This new framework marks a

significant shift, offering fintechs a well-defined structure for cross-border transactions, which were previously limited.

Shift from bank-centric to inclusive e-commerce payments

Historically, authorized dealer (AD) banks dominated cross-border e-commerce payments. Fintechs were confined to serving as online payment gateway service providers (OPGSPs), limited to facilitating specific transactions under stringent arrangements with banks. This role did not encompass the actual handling or settlement of funds.

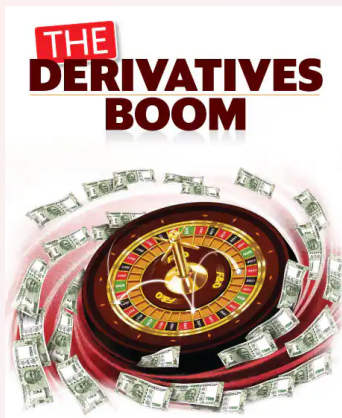
In April 2022, the RBI proposed a draft to overhaul the OPGSP model with online export-import facilitators (OEIFs), aiming for more inclusive processing and settlement of small value export and import payments. Although this draft is not yet law, it has set the stage for broader changes.

New horizons for non-bank entities in e-commerce

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