



New Umbrella Entity

NUEs:

- NUE was supposed to be a non-profit entity that will set-up, manage and operate new payment systems, especially in the retail space such as ATMs, white-label PoS; Aadhaar-based payments and remittance services.
- NUE was supposed to develop new payment methods, standards and technologies as well as operate clearing and settlement systems.
- Further, it was supposed to manage clearing and settlement systems for participating banks and non-banks. It was supposed to monitor developments in the retail payment system and related issues, both in India and abroad, in order to avoid shocks.



Issue

As the traffic builds, it's getting riskier to depend on one system. There's been a rising incidence of internet fraud, cyber-crimes and transactions that got reversed or declined, including at top banks and NPCI.

To address the "risk concentration" of only one platform and offer consumers more options, the Reserve Bank of India in 2020 invited private companies to bid for a license to set up a new platform – NUE.

Reducing the dominance of the National Payments Corporation of India (NPCI) is the RBI's objective.



RBI's framework for the NUE



- The entities were required to have a minimum paid-up capital of INR 500 Cr to support/ address the need of capital for managing risks, invest in technological infrastructure, and for business operations, among others.
- No single promoter/ promoter group could have more than 40% investment in the capital of the NUE.
- The promoter/ promoter group shareholding was also mandated to be diluted to a minimum of 25% after 5 years of the commencement of business of the NUE.

RBI's non-issuance of licenses of NUEs:

- NUE was a good alternative to the NPCI and needed in a large market like India, but given the success and popularity of the NPCI it is a difficult proposition to push through.
- RBI had earlier put its plans to allow private establishments to create alternative digital payment platforms. But it has been put on hold owing to data safety concerns.

