

30th Edition, (January – March 2026)

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What's new?

Reserve Bank of India clarifies default loss guarantees provisioning for Non-Banking Financial Company fintech loans

On February 15, 2026, the Reserve Bank of India (“RBI”) [amended its directions](#) to allow Non-Banking Financial Companies (“NBFCs”) to factor Default Loss Guarantees (“DLGs”) into their Expected Credit Loss (“ECL”) calculations. This amendment resolves a long-standing ambiguity stemming from May 2025 informal guidance that required lenders to ignore DLG protection, effectively forcing them to provision for losses already contractually covered by fintech partners. Under the new framework, NBFCs can now net off DLG coverage when computing provisions for digital lending and co-lending arrangements, provided the guarantee is an integral part of the loan structure. By aligning the regulatory treatment of DLGs with the forward-looking logic of the ECL framework, where a fully funded guarantee reduces a lender’s actual loss given default, RBI has significantly enhanced capital efficiency and profitability for the digital lending ecosystem. This policy shift not only makes fintech-NBFC partnerships more viable by reducing the double-counting of risk but also paves the way for more cost-effective credit access for end-borrowers.

Financial Intelligence Unit – India issues Anti-Money Laundering and Countering the Financing of Terrorism Guidelines for Virtual Digital Assets, 2026

On January 8, 2026, the Financial Intelligence Unit – India (“FIU-IND”) overhauled the compliance framework for virtual digital asset service providers by replacing the [guidelines issued in 2023](#) with the ‘[Anti-Money Laundering \(“AML”\) and Countering the Financing of Terrorism \(“CFT”\) Guidelines for reporting entities providing services related to Virtual Digital Assets, 2026](#)’. The new guidelines streamline the regulatory landscape by integrating previously scattered circulars and non-public guidance. While maintaining the core architecture of the previous regime, the 2026 Guidelines shift toward an implementation-heavy approach, introducing the mandatory appointment of a designated director and an India-based principal officer, a formalised end-to-end registration process involving operational readiness checks, and tightened customer due diligence requirements that include technical identifiers like IP addresses and geo-locations. Furthermore, the framework introduces a prohibitory stance against anonymity-enhancing crypto tokens and mixers, mandates annual independent audits of anti-money laundering controls. It also operationalises the “travel rule”, mandating the use of technological solutions for the immediate and secure transmission of originator/beneficiary data, while expressly prohibiting post-facto submissions.

RBI operationalises data protection standards for the financial sector

On March 25, 2026, RBI’s Cyber Security and Information Technology (“IT”) Risk Group issued a [high-level advisory](#) mandating that regulated entities align their data practices with the Digital Personal Data Protection Act, 2023. The framework shifts data privacy to a board-level priority, requiring banks and fintech companies to implement RACI (responsible, accountable, consulted, informed) accountability structures and conduct quarterly board reviews of data risks. Beyond governance, the advisory sets a rigorous technical bar for the data lifecycle, demanding automated classification tools and the adoption of international standards like NIST (National Institute of Standards and

Technology) 800-88 for secure data destruction, addressing a critical gap in domestic technical guidelines for the “right to be forgotten”.

The directive also tightens the screws on third-party ecosystems and emerging tech, prohibiting vendors from storing sensitive data in plain text and requiring their inclusion in mandatory cyber drills. As Artificial Intelligence (“AI”) integration accelerates, RBI now requires layered security controls, including Application Programming Interface (“API”) gateways and Security Information and Event Management (SIEM) -based anomaly detection, to prevent data exposure. Coupled with a mandate for automated grievance redressal systems and tamper-proof audit trails, this move signals a proactive regulatory stance to secure the financial grid as the central bank explores extending its oversight to e-commerce platforms and high-volume Unified Payments Interface (“UPI”) players.

Government and RBI strengthen measures against fraudulent loan applications

In a [formal statement](#) to the Rajya Sabha on March 10, 2026, the Minister of State for Finance, Shri Pankaj Chaudhary, detailed a multi-agency offensive against illegal digital lending platforms. The cornerstone of this strategy is RBI’s digital lending app directory, operational since July 1, 2025, which allows borrowers to verify an app’s credentials against a list of regulated entities. To cut off illegal applications at the source, Ministry of Electronics and Information Technology is invoking Section 69A of the IT Act, 2000, for blocklists, while internet intermediaries must now employ real-time vetting to stop offshore malicious advertisements. Enforcement is further bolstered by the Indian Cyber Crime Coordination Centre (I4C), which monitors these applications *via* the National Cybercrime Reporting Portal and the ‘1930’ helpline. Regulated entities are cautioned that RBI has integrated sample-based compliance checks into its supervisory assessments, with strict enforcement actions pending for those failing to meet digital lending standards.

Quick snapshots

- RBI relaxes NBFC registration and branch expansion norms for sub INR 1000,00,00,000 (Indian Rupees one thousand crore) entities:** RBI has [proposed](#) the exemption of certain NBFCs, with no public funds, no direct customer interface, and asset size not exceeding INR 1000,00,00,000 (Indian Rupees one thousand crore), from the requirement of registration. In parallel, the requirement of prior approval for opening more than 1,000 (one thousand) branches has also been proposed to be dispensed with for such eligible entities, thereby reducing compliance burden and enabling operational scalability.
- National Payments Corporation of India (“NPCI”) Bharat Interface for Money (“BHIM”) Services Limited introduces biometric authentication for UPI transactions on BHIM app:** NPCI BHIM Services Limited, in a [press release](#), has enabled biometric authentication on the BHIM app, allowing users to approve UPI transactions up to INR 5,000 (Indian Rupees five thousand) using fingerprint or facial recognition on supported Android and iOS devices. This feature reduces reliance on UPI PIN for small-value payments, while transactions exceeding INR 5,000 (Indian Rupees five thousand) will continue to require PIN-based authentication.
- India and Israel enter into strategic partnership for UPI integration:** India and Israel, in a [joint statement](#), have executed a Memorandum of Understanding (“MoU”) to integrate the UPI with Israeli digital payment systems. This initiative, spearheaded by NPCI International Payments Limited, will enable Indian travelers to undertake seamless QR code-based Person-to-Merchant (“P2M”) payments across Israel using existing UPI applications, and marks Israel as the 9th country to join the global UPI network.
- NPCI pilots ‘UPI One World Wallet’ service for foreign users:** [NPCI has piloted](#) the ‘UPI One World Wallet’ at the India AI Summit to enable foreign users to undertake P2M UPI transactions without requiring an Indian bank account or SIM. The wallet, accessible *via* the CheqUPI application, is funded through international debit or credit cards and incorporates passport-based Know Your Customer (“KYC”) with selfie verification, addressing prior friction associated with physical KYC requirements. The pilot, conducted for delegates from over 40 (forty) countries at New Delhi Airport and Bharat Mandapam, prescribes a load limit of INR 25,000 (Indian Rupees twenty-five thousand) per transaction and INR 50,000 (Indian Rupees fifty thousand) per month.
- Department of Financial Services (“DFS”) launches Video Customer Identification Process (“V-CIP”) pilot for Non-Resident Indians in Bahrain:** The DFS has [initiated](#) a pilot programme with State Bank of India (“SBI”) to operationalise the V-CIP as a KYC mechanism for NRIs in Bahrain. As part of the pilot, SBI has opened Non-Resident External and Non-Resident Ordinary accounts for a Bahrain-based customer using V-CIP, with the initiative expected to enable remote KYC completion and expedite customer onboarding for NRIs.
- Government of India and RBI explore linkage of UPI with Alipay+:** The Government of India and RBI are [in discussions](#) with Ant International to integrate its cross-border digital payments network, ‘Alipay+’, with the UPI. If implemented, this integration would enable Indian users to undertake seamless cross-border transactions at overseas merchants accepting Alipay+, using their existing UPI applications.
- RBI proposes enhanced customer protection and conduct norms:** RBI has issued [draft proposals](#) aimed at curbing mis-selling and strengthening consumer safeguards across financial services. The proposals seek to restrict third-party product bundling and dark pattern practices, while mandating explicit customer consent for availing financial products. In parallel, RBI has also released draft guidelines to strengthen conduct standards for loan recovery agents and proposed a framework requiring banks to compensate customers for digital payment fraud, with compensation capped at INR 25,000 (Indian Rupees twenty-five thousand).
- India and Malaysia announce initiatives to enhance cross-border payments and remittances:** India and Malaysia have formalised the Malaysia-India Digital Council and [announced](#) plans to integrate the NPCI network with Malaysia’s PayNet payment infrastructure. This initiative is aimed at enabling more efficient and cost-effective cross-border payments and remittances, particularly for tourists, students, and diaspora-linked transactions.

Deals in the FinTech sector

1. Groww AMC is set to receive an investment of INR 580,00,00,000 (Indian Rupees five hundred and eighty crore) (approximately USD 65,000,000 (US Dollars sixty-five million)) from US-based State Street Investment Management for a 23% stake. This deal received the approval from the Competition Commission of India in March 2026, and is structured as INR 381,00,00,000 (Indian Rupees three hundred and eighty-one crore) through secondary sale and INR 199,00,00,000 (Indian Rupees one hundred and ninety-nine crore) *via* primary capital infusion. While State Street's voting rights are capped at 4.99% to ensure domestic control, the partnership aims to introduce global best practices and sophisticated passive, index, and quant-based investment strategies to India's retail market by September 2026.
2. Identity verification leader IDfy has raised INR 476,00,00,000 (Indian Rupees four hundred and seventy-six crore) (USD 53,000,000 (US Dollars fifty-three million)) in a Series F round led by Neo Asset Management. Valued at approximately INR 2,420,00,00,000 (Indian Rupees two thousand four hundred and twenty crore), the company plans to use the primary capital to fuel strategic acquisitions and spearhead an international expansion into Southeast Asia and the Middle East.
3. Banking infrastructure provider Knight FinTech has secured USD 23,600,000 (US Dollars twenty-three million six hundred thousand) in a Series A round led by Accel. The firm, which manages over USD 125,000,000,000 (US Dollars one hundred twenty-five billion) in treasury assets for more than 85 (eighty-five) financial institutions, will deploy the funds to scale its AI-native risk intelligence and automated underwriting engines. With the addition of former Infosys Finacle Chief Executive Officer Sanat Rao as a board advisor, Knight FinTech is now targeting aggressive growth across the Asia-Pacific and Gulf regions.
4. Digital lending platform Olyv (formerly SmartCoin) has raised INR 207,00,00,000 (Indian Rupees two hundred and seven crore) (approximately USD 23,000,000 (US Dollars twenty-three million)) in a Series C round led by Nandan Nilekani's Fundamentum Partnership, with significant participation from the SMBC Asia Rising Fund (contributing INR 87,50,00,000 (Indian Rupees eighty-seven crore fifty lakh) (approximately USD 10,500,000 (US Dollars ten million five hundred thousand))). Already profitable for 11 (eleven) consecutive quarters, the Bengaluru-based fintech plans to utilize the capital to diversify into insurance distribution, UPI-based credit, and business loans.
5. In a major consolidation within the payments sector, BillDesk has entered a definitive agreement to acquire the entire Indian operations of French payments giant Worldline for approximately USD 70,800,000 (US Dollars seventy million eight hundred thousand). The acquisition, expected to close in the second half of 2026 pending RBI approval, will integrate Worldline's on-ground infrastructure including 5,00,000 (five lakh) active Point of Sale (POS) terminals, bank transaction switching, and QR acceptance with BillDesk's dominant online aggregation platform.
6. Rainmatter, the investment arm of Zerodha, has acquired a 51% majority stake in digital pension platform PensionBox for approximately USD 2,000,000 (US Dollars two million). The deal, completed in February 2026, provided a full exit to early investors including 100X.VC and LetsVenture, while founders Kuldeep and Shivam Parashar retain a 48% stake. This strategic move deepens Zerodha's reach into the retirement sector, with PensionBox focusing on an API-driven Corporate National Pension Systemstack for employers while integrating with Zerodha's Coin to serve retail users.

FinTech Practice

JSA is one of India's pioneering law firms in the FinTech space. JSA's FinTech group brings together an integrated multi-practice team to support clients with transactions, disputes and regulatory matters at the intersection of financial services and technology. Our practice leverages the experience and in-depth technology expertise of attorneys across practice areas and allows us to offer clients access to time-tested strategies and holistic advice. Our experienced attorneys are well positioned to assist clients navigate through the complex legal, regulatory and compliance landscape within which these businesses and their technologies operate. Our strong relationships with regulators, banks, insurers, funds, large technology companies and infrastructure and service providers mean that we understand the issues that affect every area of the financial technology ecosystem. This enables us to deliver incisive, informed and innovative advice across the FinTech spectrum. We work with financial institutions, as they adapt and transform, FinTech start-ups, from inception through to all rounds of funding, to IPO and beyond, large technology companies diversifying into FinTech and Investors and strategic acquirers as they identify and secure strategic opportunities in the FinTech space.

Our areas of expertise inter alia include: (a) Prepaid payment instruments and variations thereof, (b) Remittance (person-to-person and person-to-merchant) models and services, (c) Central treasury arrangements and collection agency models, (d) Artificial Intelligence (AI) and Machine Learning (ML) enabled payment systems, (e) Alternative lending and payment platforms, (f) blockchain enabled service offerings, including smart contracts, (g) crowdfunding and crowdsourced investments, (h) Cryptocurrencies, including initial coin offerings, (i) InsurTech products and business models, (j) investments, including PE/VC financing into fintech and financial services companies, (k) Invoice trading and receivable discounting platforms, (l) Payment services and solutions (both cross-border and domestic).

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40 Ranked Lawyers



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15 Practices and
20 Ranked Lawyers



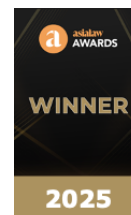
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