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E-Newsletter
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ACQUIRING LICENSE FOR ONLINE LENDING PLATFORM

Online lending platform means offering loans that are applied for, disbursed, and managed through digital channels, in which lenders use digitized data to inform credit decisions and build intelligent customer engagement. It originates and matches one borrower with many lenders for an origination fee; the lender and borrower then enter into a bilateral agreement. It provides information on various loan products of different lenders to the clients. So, an online lending platform is a search utility to help a client to avail several loan products through an electronic e-quote form. There is no definite Online Lending Platform regulation in India hence it is regulated under Master Direction- Non-Banking Financial Company - Account Aggregator (Reserve Bank) Directions, 2016.

Eligibility criteria for registration of Online Lending Platform:

For granting the certificate of registration as an Online Lending Platform the following criteria have to be satisfied:

1. The first process is the existence of a Company. A company must be incorporated under the Companies Act, 2013
2. Secondly, the company has to obtain a certificate of registration from the Bank (RBI) to carry on the business of Online Lending. Such companies, which have applied to the Bank for registration, shall be permitted to continue the business of an Online Lender till their application for issue of Certificate of Registration is rejected or twelve months from date of the application, whichever is earlier.
3. Every company seeking registration with the Bank as an Online Lender shall have a net owned fund of not less than rupees two crore, or such higher amount as the Bank may specify.

Process of Registration

The company shall make an application for registration to the Department of Non- Banking Regulation, Mumbai of the Bank. The Bank shall for the purpose of considering the application for registration shall require certain conditions to be satisfied that are mentioned in direction [4.2.2] of the Master Direction NBFC Account Aggregator Directions, 2016. Once the conditions have been satisfied the Bank may grant in-principle approval for registering as an Online Lending Platform, the validity of which will be twelve months from the date of granting such in-principle approval.

Within the period of twelve months, the company shall put in place the technology platform, enter into all other legal documentations required to be ready for operations and report position of compliance with the

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terms of grant of in-principle approval to the Bank. The Bank may, after being satisfied that the company is ready to commence operations and in compliance with the registration requirements, grant it a Certificate of Registration subject to such conditions as it may consider fit to impose.

Revocation of Certificate of Registration-

The Bank may cancel the certificate of registration granted to an Online Lending Platform, if such company:

- a) ceases to carry on the business of an Online Lending Platform; or
- b) has failed to comply with any condition subject to which the certificate of registration has been issued to it; or
- c) it comes to the notice of the Bank that the Online Lending Platform is no longer eligible to hold the certificate of registration; or
- d) at any time fails to fulfill any of the conditions referred to in clause 2 and 5 of process of registration for obtaining license as online lending platform; or
- e) Fails to comply with any direction issued by the Bank; or maintain accounts, publish and disclose its financial position in accordance with the requirements of any law or any direction or order issued by the Bank; or submit or offer for inspection its books of account or other relevant documents when so demanded by the Bank.

Other Important Requirements:

- a) Business of an Online Lending Platform will be entirely Information Technology (IT) driven. Online Lending Platform shall adopt required IT framework and interfaces to ensure secure data flows.
- b) Access by the Online Lending Platforms to customer's information shall only be based on consent-based authorization.
- c) The Online Lending Platform shall have in place a Board approved policy for handling/ disposal of customer grievances/ complaints.
- d) The Online Lending Platform shall constitute an Audit Committee, consisting of not less than three members of its Board of Directors, a Nomination Committee consisting of not less than three members of its Board of Directors and a Risk Management Committee consisting of not less than three members of its Board of Directors.
- e) Online Lending Platform shall ensure that the providing of services to a customer shall be backed by appropriate agreements/ authorizations between the Online Lending Platform, the customer and the financial information providers.

For any clarification/information please contact-

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