



# DRAFT MODEL FINTECH SECURITY STANDARDS: CLOSED DOOR CONSULTATION

18th October, 2019 | 16.00-19.30

**The Centre for Internet & Society**

No. 194, 2nd 'C' Cross, Domlur, 2nd Stage, Bengaluru, 560071.

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## CONCEPT NOTE

The financial technology sector in India has been taking great strides in the recent past, especially with the government's push towards a "cashless economy". India is amongst the fastest growing FinTech markets in the world. India ranked second globally in the FinTech adoption rate. The average percentage of FinTech users in the country is 57.9%, behind China's 83.5%, and much higher than developed countries' 34.2%.<sup>1</sup> One must acknowledge the fact that such a high rate of adoption of fintech products by users necessitates a robust security framework for the financial technology sector within the country. Putting in place appropriate frameworks and norms for data protection and security is essential to enable businesses to take advantage of new forms of data analysis and processing available to them, while also promoting consumer privacy, confidence and trust.<sup>2</sup>

In the current regulatory scenario, unless a Fintech entity is regulated and supervised by a specific sectoral regulator such as the RBI, SEBI, or IRDA, it would be governed by the generic data protection laws of India enumerated in the Information Technology Act, 2000, as well as the Information Technology (Reasonable security practices and procedures and sensitive personal data or information) Rules, 2011 (SPDI Rules) issued under it. The problem is that the SPDI Rules lack any specific protocols to be followed by Fintech entities, whereby they can satisfy their obligations under section 43A of the IT Act. The ISO standards, the only protocol specifically mentioned by the SPDI Rules, can sometimes be quite expensive to implement and may not be a cost effective alternative for smaller start-ups. This potentially leaves Fintech entities with a major gap in their risk matrix when trying to assess their liability for a data breach.

It is to fill this gap in the regulatory framework that the Centre for Internet and Society has undertaken an effort to come up with Draft Security Standards for Fintech Entities which are more specific than the requirements of the SPDI Rules. Through this consultation, we hope to

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<sup>1</sup> <https://www.investindia.gov.in/sector/bfsi-fintech-financial-services>

<sup>2</sup> Report of Steering Committee on Fintech Related Issues, 2019, Department of Economic Affairs, Ministry of Finance, Government of India.

further explore these gaps, understand the hurdles that players in the market may face when complying with these requirements and thereby, improve this law before we make it public.

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## **AGENDA**

**1545 - 1600** Arrivals and Tea/Coffee

**1600 - 1630** **Introduction to the Fintech Security Standards**

**Vipul Kharbanda**

Overview of the Security Standards being developed by CIS

**1630 - 1800** **Discussion on the Legal and Policy Aspects**

**Moderator: Arindrajit Basu**

**Presenter: Vipul Kharbanda**

A detailed discussion to be undertaken on the legal aspects of the Rules, including definitions, scope, liabilities, etc.

**1800 - 1815** Coffee and Snacks

**1815 - 1915** **Discussion on Technical Aspects**

**Moderator: Pranav MB**

**Presentors: Vipul Kharbanda, Prem Sylvester**

A detailed discussion on the Schedule containing the actual technical standards to be implemented through these Rules.

**1915 - 1930** **Concluding Remarks**

**Vipul Kharbanda & Arindrajit Basu**

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