TeamLease RegTech
Helping India Comply

REGTRACK

Digitising RBI Compliances for Financial Institutions

ABOUT

TEAMLEASE REGTECH

TeamLease RegTech is India's leading regulatory technology company transforming Compliance. Its solution helps Corporate India stay on the right side of the law with a real-time environment that is trusted by over 2600 entities and 50,000 enterprise users in 50 industries.

TeamLease RegTech over the last 10 years has worked towards an industry leading cloud based, multi-tenant, web and mobile Compliance SAAS solution that tracks all compliances and now has advanced workflows for automation of Labour and Secretarial compliance. A subsidiary of Teamlease Services, and the company envisions a national open compliance grid towards a cashless, paperless and presenceless compliance in digital India.

TeamLease Regtech also provides organisations with Compliance Services. With 75+ strong in-house Legal, and Compliance experts, TL Regtech Caters end to end Labour compliances , Industrial Licensing and vendor compliance services for over 450 clients across India.

ABOUT
TEAMLEASE REGTECH

TeamLease RegTech is India's leading Regulatory Technology (RegTech) solutions company focusing on Governance, Risk and Compliance (GRC) Platforms and enabling Ease of Doing Business for over 2,600 legal entities across 28 States and 9 Union Territories. TeamLease RegTech offers state of the art multi-tenant, SAAS solution on its web and mobile platforms, enabling a transparent, accountable and efficient risk, compliance and audit management.

The company envisions a cashless, paperless, presence-less and a simplified compliance administration as the building blocks of Compliance 3.0. The Platform helps enhanced corporate governance for Enterprise and MSME employers by enabling digitization and helping Professional Firms in digitizing their Service Delivery capabilities.

TeamLease RegTech has been recognized by Start Up India and has won "EODB Grand Challenge 2019" award by DPIIT for "Labour Compliance Automation".

COMPLIANCE COVERAGE

Compliance is Complex

3 LEVELS

Central | State | Local

07 CATEGORIES

Labour | Finance & Taxation | Commercial | Secretarial | EHS | Industry Specific | General

3 TYPES

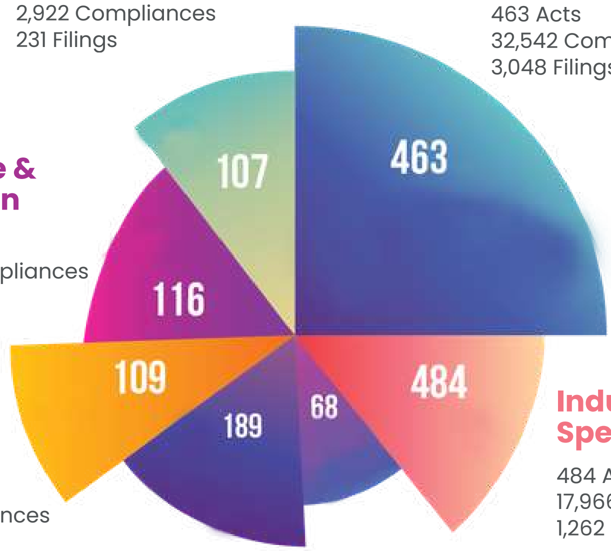
Time Based | Event Based (Secretarial / Non-Secretarial) | Check listed

India's Regulatory Complexity

EHS
107 Acts
2,922 Compliances
231 Filings

Labour
463 Acts
32,542 Compliances
3,048 Filings

Finance & Taxation
116 Acts
3,284 Compliances
990 Filings



Industry Specific
484 Acts
17,966 Compliances
1,262 Filings

General
109 Acts
2,065 Compliances
122 Filings

Commercial
189 Acts
6,928 Compliances
472 Filings

Secretarial
68 Acts
3,526 Compliances
493 Filings

1,536+ Acts | **69,233** Compliances | **6,618** Filings

Types of Compliances*

Licenses | Registrations | Permissions | Consent Orders | Returns | Displays

Registers | Challans | Payments | Remittances | Renewals | Notices

REGULATORY FRAMEWORK
FOR FINANCIAL INSTITUTIONS

Depending on their business's size and scale, financial institutions regulated by the Reserve Bank of India (RBI), also called regulated entities (REs), are subject to various regulatory requirements overseen by multiple regulators, including RBI, UIDAI, Directorate of Enforcement (PMLA), IRDAI, FIU IND, NPCI, CKYCR, MCA, and SEBI. These REs include, but are not limited to, commercial banks, rural banks, co-operative banks, All India Financial Institutions, Non-Banking Financial Companies (NBFCs), Asset Reconstruction Companies (ARCs), Payment System Providers (PSPs), and and Prepaid Payment Instrument Issuers.

In addition to their customary activities of lending and investing, REs, particularly NBFCs, are expanding their operations into non-financial activities permitted by RBI. They acquire Corporate Agent licenses from IRDA to sell insurance products, regulated by IRDAI. They can issue co-branded credit cards and prepaid payment instruments, as well as act as a UPI Third Party Application Providers (TPAP), all regulated by RBI and NPCI. Furthermore, they can also act as a mutual fund distributor, regulated by SEBI. Considering the complex operations, the compliance requirements can be broadly classified into six main categories: Policy, Procedures, Disclosures, Customer Communication, Reporting, and Automation. Further, the regulatory framework for REs encompasses guidelines and regulations issued by multiple regulators, as detailed below:

RESERVE BANK OF INDIA (RBI) GUIDELINES

The Reserve Bank of India (RBI) serves as the primary regulatory authority overseeing the operations of financial institutions in India. The RBI consistently issues various guidelines, circulars, and master directions, each with stringent deadlines that REs must adhere to. Failure to comply with these regulations carries severe penalties. For instance, some key RBI master directions relevant to NBFCs include the Filing of Supervisory Returns Directions, 2024, Scale-Based Regulation Directions, 2023, Securitization of Standard Assets Directions, 2021, KYC Direction 2016, and Anti-money laundering regulations.

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA

The RBI has permitted NBFCs to engage in non-financial activities, provided that such activities do not become the primary focus of the NBFC. Furthermore, when an NBFC expands its operations and obtains Corporate Agent licenses from IRDA for selling insurance products, it falls under the governance of IRDAI and its relevant guidelines. Key IRDAI guidelines applicable include the Registration of Corporate Agents Regulations, 2015, Protection of Policyholders' Interests Regulations, 2017, Master Circular on Insurance Advertisements 2019, and Cyber Security Guidelines, 2023. Critical compliance measures include ensuring that NBFCs do not compel customers to purchase insurance products, that the risk of insurance business is not transferred to the NBFC's core operations, and obtaining a No Objection Certificate (NOC) from the RBI before applying to become a corporate agent.

DIRECTORATE OF ENFORCEMENT (PMLA)

As RBI-regulated financial institutions play a significant role in India's financial sector, they are subject to regulations under the Prevention of Money Laundering Act (PMLA), Know Your Customer (KYC) guidelines, and anti-money laundering provisions. These regulations aim to prevent the misuse of funds for money laundering and terrorist financing activities. REs are obligated to verify the identity of clients and beneficial owners, categorize customers based on risk, maintain records, and report suspicious and cash transactions exceeding specific thresholds to the Financial Intelligence Unit-India (FIU-IND).

MINISTRY OF CORPORATE AFFAIRS (MCA)

REs are also governed by MCA and are required to comply with Companies Act 2013 and its rules, which mandates compliance with several provisions. These include maintaining statutory registers and filings, conducting board and shareholder meetings, adhering to corporate governance standards, monitoring related party transactions, fulfilling Corporate Social Responsibility (CSR) obligations, submitting financial reports among many others.

SECURITY AND EXCHANGE BOARD OF INDIA (SEBI)

Once an RE lists its designated securities on recognized stock exchanges, it falls under the regulatory oversight of SEBI. Additionally, REs serving as mutual fund distributors are regulated by SEBI as well. The regulatory requirements vary depending on the type of security listed on the exchanges. Under the SEBI LODR regulations of 2015, companies are obligated to make timely disclosures and intimations to NSE, BSE, and SEBI. These disclosures encompass various aspects such as shareholding pattern, corporate governance, financial results, grievance redressal mechanisms, related party transactions, secretarial compliance reports, among others. For companies involved in mutual fund distribution, adherence to guidelines such as the AMFI code of ethics, Revised Code of Conduct for Mutual Fund Distributors, and AMFI Best Practices Guidelines is imperative.

NATIONAL PAYMENTS CORPORATION OF INDIA (NPCI)

REs have also started providing UPI services and have obtained authorization from NPCI to operate as UPI Third Party Application Providers (TPAP). This designation pertains to entities facilitating UPI payments initiation and receipt for both customers and merchants through their applications or platforms. Such entities are obligated to adhere to circulars and compliance standards set by NPCI. These requirements include fulfilling Merchant Onboarding criteria, addressing customer complaints, incorporating mandatory Interoperability features, overseeing transaction limits, ensuring Information Security (Infosec) and risk monitoring, as well as managing settlement and reconciliation of statements, among other obligations.

Scale based regulations

The NBFC sector went through a major regulatory overhaul in 2021, when RBI notified the "Scale Regulation (SBR): A Revised Regulatory Framework for NBFCs" to align the regulatory requirements for NBFCs because of the change in their risk profiles, and their evolution in terms of size and complexity. The framework came into effect from 01.10.2022 and has reclassified NBFCs into 4 layers - Base Layer (BL), Middle Layer (ML), Upper Layer (UL), and Top Layer (TL). Previous classifications of NBFC-Infrastructure Investment Company, Core Investment Company, Microfinance Institution, Systemically Important/ Non-Systemically Important, Deposit-taking/Non-deposit taking etc. have been done away with.

Sr.No	Layer	Description
1	**Base (BL)**	(a) Non-deposit taking NBFCs below the asset size of ₹1000 crore and (b) NBFCs undertaking the following activities- (i) NBFC-Peer to Peer Lending Platform (NBFC-P2P) (ii) NBFC-Account Aggregator (NBFC-AA) (iii) Non-Operative Financial Holding Company (NOFHC) (iv) NBFCs not availing public funds and not having any customer interface
2	**Middle (ML)**	(a) all deposit taking NBFCs (NBFC-Ds), irrespective of asset size, (b) non-deposit taking NBFCs with asset size of ₹1000 crore and above and (c) NBFCs undertaking the following activities: (i) Standalone Primary Dealers (SPDs) (ii) Infrastructure Debt Fund - Non-Banking Financial Companies (IDF-NBFCs) (iii) Core Investment Companies (CICs) (iv) Housing Finance Companies (HFCs) (v) Infrastructure Finance Companies (NBFC-IFCs) (vi) Investment and Credit Companies (NBFC-ICCs) (vii) Micro Finance Institutions (MFIs) (viii) NBFC-Factors (ix) Mortgage Guarantee Companies (NBFC-MGCs)
3	**Upper (UL)**	The Upper Layer shall comprise of those NBFCs which are specifically identified by the Reserve Bank as warranting enhanced regulatory requirement based on a set of parameters and scoring methodology as provided in the Appendix to this circular. The top ten eligible NBFCs in terms of their asset size shall always reside in the upper layer, irrespective of any other factor.
4	**Top (TL)**	The Top Layer will ideally remain empty. This layer can get populated if the Reserve Bank is of the opinion that there is a substantial increase in the potential systemic risk from specific NBFCs in the Upper Layer. Such NBFCs shall move to the Top Layer from the Upper Layer.

RBI holds the authority to move NBFCs into the top 2 layers based on certain parameters set by them from time to time. In addition, the top 10 eligible NBFCs in terms of their asset size will always remain in the UL regardless of any other factor. The TL will consist of companies from the UL that have seen a substantial increase in their potential systemic risk. NBFC-BLs are required to put in place a Boardapproved policy on the grant of loans to directors, senior officers, and relatives of directors. They must now also make disclosures related to their types of exposure, related party transactions, loans to Directors/ Senior Officers and customer complaints. NBFCs in the BL, ML, and UL are required to make disclosure on their exposure in specific fields in their annual financial statements. These statements also need to present information on related parties and complaints. NBFC-ULs must determine internal exposure limits on important sectors to which credit is extended. These institutions are also required to maintain Common Equity Tier 1 Capital of at least 9% of the Risk Weighted Assets. There needs to be a Board approved policy in place for the adoption of the enhanced regulatory framework with an implementation plan. The implementation plan has to be shared with RBI. In addition, both UL and ML institutions are required to put in place a Compliance Function and appoint a Chief Compliance Officer (CCO) by 01.10.2023.

Different types of NBFCs

MICROFINANCE

NBFC-MFI is a non-deposit-taking NBFC that has at least 85% of its assets in the nature of qualifying assets. Qualifying assets need to fulfil these conditions:

- Loan disbursed to a borrower with a rural household's annual income not exceeding ₹ 1,00,000 or urban and semi-urban household income not exceeding ₹ 1,60,000
- Loan amount does not exceed ₹ 50,000 in the first cycle and ₹ 1,00,000 in subsequent cycles
- The total indebtedness of the borrower does not exceed ₹ 1,00,000
- Tenure of the loan not to be less than 24 months for loan amount in excess of ₹ 15,000 with
- Prepayment without penalty
- Loan to be extended without collateral
- The aggregate amount of loans given for income generation is not less than 50 per cent of the total loans given by the MFIs
- The loan is repayable in weekly, fortnightly or monthly instalments at the choice of the borrower.

An illustrative list of critical compliances for MFIs

- Submission of Statutory Auditor's Certificate
- NBFC-MFIs must maintain a capital adequacy ratio consisting of Tier I and Tier II Capital, which cannot be less than 15% of their aggregate risk-weighted assets.
- Large NBFC-MFIs ((loans portfolios exceeding Rs.100 crore) need to maintain margin caps of not exceeding 10%
- NBFC-MFIs need to ensure that the average interest rate on loans during a financial year does not exceed the average borrowing cost plus the margin.
- MFIs are required to provide timely and accurate data to a Credit Information Company (CIC)
- MFIs are obligated to review their back office operations and make the necessary investments in Information Technology and systems to achieve better control, simplify procedures and reduce costs.
- They must also ensure a minimum moratorium between the grant of the loan and the due date for repayment of the first instalment.

- The loan card provided to the borrower must reflect-
  - the effective rate of interest charged
  - all other terms and conditions attached to the loan
  - the information which adequately identifies the borrower
  - acknowledgements by the NBFC-MFI of all repayments, including instalments received and the final discharge

NBFCS PROVIDING GOLD LOANS

NBFCs that provide gold loans can either be specialised entities that provide loans only against gold collateral or can be MFIs that accept gold jewellery, coins, or other forms of gold as collateral against loans.

An illustrative list of critical compliances for Companies providing Gold Loans

- NBFC-ND-SIs must maintain Loan-to-Value (LTV) Ratio not exceeding 75% for loans granted against the collateral of gold jewellery.
- NBFC-ND-SIs primarily engaged in lending against gold jewellery (such loans comprising 50% or more of their financial assets) are required to maintain a minimum Tier I capital of 12%.
- Auction of the gold pledged must be held in the same town or taluka in which the branch of NBFC-MFIs has extended the loan.
- NBFC-MFIs must make disclosures in the balance sheet regarding the loans granted against the collateral of gold jewellery and their total assets.
- NBFC-ND-SIs are mandated to keep a record of verification of the ownership of gold jewellery of more than 20 grams.
- NBFC-ND-SIs are required to Issue certificates to the borrower while accepting gold as collateral against a loan.
- NBFCs must implement a Board-approved policy for lending against gold that, inter alia, covers adequate steps to ensure compliance with the KYC guidelines stipulated by RBI. They must also ensure adequate due diligence is carried out on the customer before extending any loan.
- NBFCs must ensure that the loan agreement discloses details regarding the auction procedure when lending against gold jewellery collateral.

DIGITAL LENDING

As per RBI, Digital Lending is a remote and automated lending process, largely by use of seamless digital technologies for customer acquisition, credit assessment, loan approval, disbursement, recovery, and associated customer service. Fintech start-ups are collaborating with Regulated Entities (conventional financial institutions) and offering a suite of financial services digitally.

An illustrative list of critical compliances for Digital Lending

- Explicit consent of the borrower has to be taken before sharing personal information with any third party for instances where such sharing is not required under any statute or regulation
- The registered entities must provide a Key-Fact-Statement (KFS) to the borrower before the execution of the contract in a standardised format
- The registered entities cannot levy any fees, charges, etc., which are not mentioned in the KFS to the borrower at any stage during the term of the loan
- Borrowers must be informed about the features of the financial product, loan limit, cost, among others, during the onboarding stage or sign-up process

- Upon execution of the loan contract or any related transaction, information must be sent to the borrowers on their verified email or through SMS. The information must be sent on the letterhead of the regulated entity (bank/ RE). It must contain a KFS, a summary of the loan product, and customer data privacy policies of the lending service providers(LSPs) or digital lending apps (DLAs), among other details
- The banks and NBFCs must mention on their websites the digital lending apps used by them
- Details of nodal grievance redressal officers must be displayed on the websites of banks, NBFCs, LSPs, DLAs, and also on the KFS
- Registered entities are required to record the economic profile of the borrowers, covering their age, occupation, income, etc., before extending any loan over their own DLAs and/or through LSPs engaged by them to assess the borrower's creditworthiness.
- Registered entities will be responsible for guiding LSPs acting as recovery agents and ensuring that they comply with the extant instructions around loan recovery practices.
- Registered entities must report any lending done through their DLAs and/or DLAs of LSPs to CICs (Credit Information Companies)
- Registered entities are to ensure that all loan servicing, repayment, etc., are executed by the borrower directly in the registered entity's bank account without any pass-through account/ pool account of any third-party
- The disbursements to the borrower will always be made into their bank account. Registered entities cannot disburse the amount to a third-party account, including the accounts of LSPs and their DLAs

FEATURES

RegTrack Offers Automation of Compliance Processes

RBI Requirement	RegTrack	Description
Provide a platform for effective communication and collaboration among all the stakeholders (business, compliance and IT teams, Senior Management, etc.)	✔ **Reminders and escalations via emails from the product, & comments within the product.**	It should incorporate workflow mechanisms for the maker checker concept, facilitating transparency and accountability. Additionally, the system should provide tools for digital collaboration and maintain a comprehensive digital ledger of all actions taken, ensuring regulatory compliance and effective internal management.
Identify, assess, monitor and manage compliance requirements	✔ **Compliance applicability assessment**	Involves a compliance applicability assessment. Through this assessment, the system can determine which regulations are applicable to the business and prioritize them accordingly. This ensures that the organization remains aware of its compliance obligations and can take proactive measures to address any gaps or risks.
Escalate issues of non-compliance	✔ **Email Notification Engine**	The compliance management system should include a robust notification engine to escalate issues of non-compliance efficiently. This engine should trigger reminder emails containing all critical compliance information, including entity/location, regulatory act, compliance description, period, due date, and risk assessment By integrating this notification engine, the system ensures that relevant stakeholders are promptly alerted to compliance issues, enabling timely action and resolution.
Ask for recorded approval from a competent authority for any deviations/ delays in compliance submissions/ filings	✔ **Maker checker concept**	It should feature a workflow ensuring reviewer approver, visible status tracking for management, and digitally published compliance certificates, enhancing credibility and verification efficiency.
Provide a unified dashboard view to Senior Management on the compliance position of the Regulated Entity as a whole	✔ **Colour coded Smart Dashboard with drill down capabilities**	This dashboard should offer customizable widgets based on risk, regulatory acts, and categories. It should also allow for configurable views by financial year, entity/location, periods, users, acts, and risk levels. Additionally, the system should present compliance status information by risk, user, entity/location, category, and role, enabling easy assessment.

Financial Institution Specific features

Reopening of Compliances

A specialized feature tailored for REs' (such as banks and NBFCs) internal audit and compliance teams which enables them to review regulatory compliance thoroughly. Additionally, it facilitates seeking clarification on compliance documents. Should the provided clarification be unsatisfactory, the team can reopen the compliance by documenting their observations.

Deviation Workflow

A feature which is being developed as per the RBI circular where the users will be empowered with the capability to request deviations in case of delayed or partially completed compliance. This functionality will involve a structured workflow encompassing specific compliance status, remarks, reports, and tracking of additional deadlines, all deviations will be approved by the competent authority which can be chief compliance officer or director.

Compliance Categorization

The regulatory compliance framework for RBI Regulated Entities encompasses six main categories: Policy, Procedure, Disclosures, Customer Communication, Reporting, and Automation. Each compliance requirement will be linked to one of these broader categories, visible across all dashboards and reports. This tagging aids the compliance team and senior management in effectively focusing on specific categories as needed.

User Friendly Compliance Descriptions

An additional column for compliance description which allows customers to update compliance actionable in their own language. This will be visible to users, helping them understand the legal requirements and expectations in a simplified manner.

Task Module

The task module facilitates breaking down a primary compliance into multiple tasks, which can then be assigned to various departments. Ultimately, users will be able to view compliance documents for each department, compile them, and share the final compliance document with the regulator.

Comparative Analysis

A dedicated column to capture the compliance IDs from previous notifications and link them to the relevant new notifications. This linkage facilitates viewing the complete compliance history and its documents for all relevant compliances, encompassing both old and new notifications.

SECURITY & SUPPORT

Security

- Highly secure access with dual factor authentication & account lock-out process
- IP range based access control
- Role based access control mechanism with access to need to know data only
- Effective Backup, Business Continuity & Disaster Recovery Program with periodic testing
- Mobile app access control
- Data at rest and Data in motion encrypted by AES 256 bit symmetric key algorithm & TLS 1.2 and TLS 1.3 standards;
- HTTP Strict Transport Security (HSTS), encrypts all the communication between you and our server
- State of the art web application firewall

Support

- Dedicated team for research and technical queries
- On-call support for assistance on product features
- Configuration/closures of new plants/branches for establishment
- All types of ad hoc reports and requests are provided within a quick timeline
- Periodic system clean ups to remove duplication and other redundancies
- Available on real time chat, IVR, Emails & Support ticket system
- Assignment or reassignment of compliances to users
- On call support for feature related queries and product training

ASSOCIATED BRANDS

BAJAJ FINSERV	Hero FINCORP	HeroHousing Finance	MAX FINANCIAL SERVICES	Thirumalai Chemicals Ltd.
INDOSTAR	Aadhar Housing Finance Ltd	motilal oswal Wealth Management	InCred Borrow. With Confidence.	EarlySalary
HINDUJA LEYLAND FINANCE		TOYOTA FINANCIAL SERVICES	Aavas FINANCIERS LTD SAPNE AAPKE, SAATH HAMAARA	
APACFIN	nivara HOME FINANCE LTD	Edelweiss Ideas create, values protect ECL Finance Ltd.		AVANSE FINANCIAL SERVICES ASPIRE WITHOUT BOUNDARIES
Edelweiss Ideas create, values protect	Samunnati®	Sub-K SAB KE LIYE SAMRUDDHI LAYE	navi	sa re ga ma
VASTU HOUSING FINANCE	CAPITAL FLOAT	SATIN	ANANYA Going Beyond Finance	SG FINSERVE Converting constraints into opportunities

and many more...

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