

**RBIND/R/2019/53705**

<b>Sr No</b>	<b>Information Sought</b>	<b>Reply</b>
1.	A copy of minutes of meeting held on October 10 with payment service providers in Mumbai on the issue of data localisation.	A copy of the minutes of the meeting convened by RBI on October 10, 2018 with major payment system operators is enclosed. The names of the participants of the meetings are not being disclosed as
2.	List of people present at meeting held on October 10 with payment service providers in Mumbai on the issue of data localisation	these are personal information for the purpose of RTI Act, 2005.



Reserve Bank of India  
Department of Payment & Settlement Systems  
Oversight Division, Central Office

**Storage of Payment System Data – Minutes of the meeting held with major non-compliant Payment System Operators on October 10, 2018**

As announced in the First Bi-Monthly Monetary Policy Statement for 2018-19 dated April 05, 2018, a circular was issued by the Reserve Bank on April 06, 2018 on 'Storage of Payment System Data' requiring all system providers to ensure that, within a period of six months, the entire data relating to payment systems operated by them is stored in a system only in India. All non-bank payment system operators (PSOs) were advised vide e-mail dated June 1, 2018 to submit fortnightly progress reports.

2. To take stock of the situation, major non-bank PSOs who had not reported compliance with the requirements as per the latest fortnightly status reports received from them were invited for a meeting. NPCI and Indian Software Products Industry Round Table (iSPIRT) were also present. [REDACTED]

3. At the outset, Shri P. Vasudevan, Chief General Manager extended a warm welcome to the participants. Shri B. P. Kanungo, Deputy Governor (DG) gave a background of the primary requirements of the circular and the discussions held with various entities since issuance of the circular. Storage of data 'only' in India and the timeline of 6 months from the date of the circular are non-negotiable aspects and need to be strictly complied with. He further added that –

- On the issue of FAQs / clarifications not being released, Shri S. Ganesh Kumar, Executive Director (ED) had met the entities in May 2018 and had clarified that the circular contents were clear and did not necessitate any clarifications.
- Sufficient time of 6 months has been given and the entities should have started the process of compliance soon after the circular was issued.
- Of the 78 operational authorized non-bank PSOs, 60 had already complied with the requirements and only 16 were non-compliant as per the updates received as on September 28, 2018.
- Major entities such as Visa and Mastercard had confirmed that they have initiated measures to ensure compliance. AMEX, however, admitted that they have not initiated any measures in India so far in this regard.
- Purpose of the meeting was mainly to understand if the entities were encountering any technological glitches / issues hindering implementation of requirements. iSPIRT would help the entities in addressing such issues, if required.



4. NPCI indicated that although they were fully compliant with the guidelines for all systems operated by them, their participants, especially those handling UPI transactions, were partially compliant as they had implemented data mirroring; and that they were following up with them to ensure full compliance of storage of data only in India.

#### Key issues raised

5. The issues and concerns raised by Card Networks and PPI Issuers were :
- i. Option to mirror data may be permitted instead of the requirement of storing data only in India, as mandating data storage "only" in India would lead to:
    - a) Requirement of new architecture with impact on various existing downstream applications for Indian as well as global operations.
    - b) Requirement to ensure comparable security, fraud monitoring and risk management standards for decentralized data pertaining to India operations.
    - c) Isolation of Indian customers from rest of the world and thus losing out on latest technological developments (tokenization, etc.).
    - d) Significant effort required in deletion of data, though mirroring of data is no less technologically cumbersome.
    - e) Storage in India with processing of transactions overseas will mean additional hops and could lead to latencies and drops, thus breaking customer experience and trust.
  - ii. Full compliance will be ensured but adhering to the timeline is a challenge with the downside of having a rushed-through situation. Extension of timeline will ensure stability and minimize disruptions while implementing a robust solution with concomitant fraud monitoring and risk management operations.
  - iii. Modification in architecture would impact processing capability of downstream applications atleast for the present.
  - iv. Mandate of domestic data storage is not present in any other jurisdiction including Europe and Russia. The present RBI mandate would be first of its kind in the world; there being no precedence / global architecture, this could cause data integrity issues.
6. The issues / concerns raised by Cross Border MTSS Operators were :
- i. Transactions originate offshore and receiver and beneficiary details also form part of the foreign leg and thus needs to be stored abroad.
  - ii. There is need to comply with requirements of regulators in the jurisdictions they operate.
  - iii. Screening against international watchlists, etc., is centralized and thus monitoring would not be possible.
  - iv. Can comply with mirroring solution.
7. DG reiterated the regulatory requirement of storage of data only in India and hence the option of mirroring does not exist. Supervisory access does not merely mean access to data



but implies having complete control over payment data in India. He advised AMEX that permission accorded to them to store data overseas was when there was no specific regulation in place; with issuance of the circular under discussion, AMEX as an authorised PSO cannot but comply.

8. ED clarified that since MTSS operators were permitted to store data pertaining to foreign leg of the transaction outside, entities would be compliant as long as they ensure that the data is stored in India as well.

9. Representatives of iSPIRT highlighted that data localization was very much technologically feasible and could be implemented in multiple ways; the entities should seize this opportunity and benefit from the first mover advantage by redesigning not just storage but localize the processing architecture in India as well. They also volunteered to assist and if necessary, collaborate with the technology teams of the entities to arrive a feasible solution within the regulator mandated timeline.

#### **Suggestions**

10. The card networks indicated that the cost involved, and technological feasibility of implementation was not a deterrent for storage of data in India. Reimagining the entire architecture and risk management process was a long-term project. VISA also suggested that the entities may be permitted to provide well-defined timelines for compliance with the guidelines and get an audit conducted from independent auditors periodically to demonstrate compliance to the RBI.

#### **Concluding Remarks**

11. DG advised that, at this point in time, a few days before the compliance deadline, there was no scope for any relaxation. There was no point in requesting for blanket extension with the expectation that requirements would be relaxed. He emphasized the need to ensure that there was no laxity in putting in place proper risk management and fraud risk monitoring mechanisms. While the data localization requirement should be complied within the prescribed timeline, any other changes in architecture could be undertaken over a period of time. In case of non-compliance, an internal review would be undertaken, and appropriate regulatory action would ensue, he concluded.

