

**Comments on collating and defining use cases of Financial Information Users in the Account Aggregator Framework in the Securities Market**

**Summary response to each of the specific points in the consultation paper**

|  |   |
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| Category: whether market intermediary/ participant (mention type/ category) or public (investor, academician etc.) | Industry Body: Not for Profit           |

| SN o. | Extract from consultation paper   | Issues | Proposals / Suggestions  | Rationale  |
|-------|---|--------|--|--|
| 1     | <b>Do any class or type of intermediaries in the Indian Securities market (List of categories of securities market intermediaries is provided in Annexure A) require being excluded from functioning as FIUs? If so, please provide the rationale</b> |        | All classes of intermediaries registered and regulated by SEBI should be allowed to participate as FIUs in the AA Ecosystem. | AA Framework is a Digital Public Infrastructure that has far-reaching use cases and is currently in an evolving stage. There is a potential for new emerging use cases for various classes of intermediaries that may not be active in the Ecosystem currently.<br><br><i>Please refer to Annexure 1 for classes of intermediaries that are live on AA</i> |

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| 2 |  |  | <p>Formalise the process to ensure that as and when a new class of intermediaries goes live on the AA Framework, the use cases are aligned to the charter of the intermediary.</p>  | <p>To ensure that the proposed use cases for various classes of intermediaries are aligned to their charter under SEBI guidelines.</p> <p>Please refer to Annexure 1 for a detailed explanation</p>                                       |
| 3 |  |  | <p>Sahamati can compile and submit a monthly report<sup>1</sup> to SEBI capturing information on the new intermediary classes that have gone live on the AA Framework as FIUs along with details of the proposed or implemented use cases.</p>  | <p>To ensure an informed and phased roll-out with light touch requirements.</p> <p>Please refer to Annexure 1 for a detailed explanation.</p>   |
| 4 | <p><b>What are the potential use cases for the AA framework for SEBI-regulated entities?</b></p> |  | <p><b>Use Cases for classes of intermediaries are currently mapped to the existing purpose codes published by ReBIT (RBI) as follows:</b></p> <p><b>105 (Explicit one-time consent for the accounts):</b> Profiling and bank account verification for Onboarding, Account Opening or redemptions</p> <p><b>103 (One-time, Aggregated Statement):</b> Underwriting and</p> | <p>Please refer to Annexure 2 for details of the sub-use cases against each purpose code.</p> <p>Please refer to Annexure 3 for a table explaining the applicability of each purpose code for various classes of SEBI intermediaries.</p> |

<sup>1</sup> Sahamati, as a part of the process of onboarding FIUs to its Central Registry, requests the FIU to submit the license type, Certificate of Registration and the demo of the proposed use cases. Sahamati also requests the FIU to assert that the proposed use cases are in alignment with the charter specified by SEBI for their respective class of intermediary.

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|   |   |  | <p>assessment of income</p> <p><b>102 (Recurring, Customer Spending Patterns, budget or other reporting):</b> Personal Finance Management based on 360° view of the financial health</p> <p><b>101 - (Recurring, Wealth management service):</b> Advisory based on recurring 360° view of the financial health</p> <p><b>104- (Recurring, Explicit consent for monitoring of the accounts):</b> Regular monitoring post account opening for renewals, risk tracking and collections</p> |  |
| 5 | <b>What are the potential use cases for the AA framework for SEBI-regulated entities?</b> | There is lack of clarity on the applicability of Purpose Code 102 (Recurring, Customer Spending Patterns, budget or other reporting) for various classes of intermediaries: Personal Finance Management based on 360° view of the financial health | <p><b>Intermediaries Types that should be allowed to offer PFM services</b> based on a recurring 360° view of a customer's financial health:</p> <ul style="list-style-type: none"> <li>● Registered Investment Advisors</li> <li>● Registered Portfolio Managers</li> </ul>  | <p>These classes of intermediaries have a clear charter for offering advisory services and hence need a recurring 360° view of an investor's finances.</p> <p><i>Please refer to Annexure 4 for a detailed explanation</i></p> |
| 6 |   |  | <p><b>Intermediaries Types that have requested to be allowed to offer PFM and should be considered to be allowed to offer PFM services</b> based on a recurring 360° view of</p>  | <p>These classes of intermediaries have a charter to promote investor education and sound investment practices. With their significant B2C reach, they have</p>  |

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|          |  |  | <p>a customer's financial health:</p> <ul style="list-style-type: none"> <li>• Registered Mutual Funds</li> <li>• Registered Stock Brokers</li> </ul>                       | <p>the potential to increase the penetration for investment products in the country</p> <p><i>Please refer to Annexure 4 for a detailed explanation.</i></p>   |
| <b>7</b> | <p><b>What are the potential use cases for the AA framework for SEBI-regulated entities?</b></p> | <p>Clarity is required on allowing cross-sell and up-sell using data fetched through the AA Framework, as there are pros and cons on both sides. If it is indeed, allowed, there have to be strong guardrails to ensure customer data privacy and safe marketing practices</p> | <p>Cross-Sell and Up-sell can be allowed as valid use cases for data fetched via AA with adequate guardrails. Please refer to the row below for recommended guardrails.</p> | <p>Cross-Sell and Up-sell hold immense value:</p> <ul style="list-style-type: none"> <li>• For customers to get packaged services from their existing service providers at favorable terms</li> <li>• For the market institutions by helping them increase their revenues/viability per customer</li> </ul> <p><i>Please refer to Annexure 5 for a detailed explanation.</i></p> |
| <b>8</b> |  |  | <p>Stand-alone purpose code for cross-sell and up-sell should be introduced to avoid clubbed consents</p>   | <p>To ensure adequate guardrails while allowing cross-sell and upsell</p> <p><i>Please refer to Annexure 5 for a detailed explanation.</i></p>   |
| <b>9</b> |  |  | <p>The consent for the purpose of cross-sell and up-sell, needs to be taken independently and explicitly in the FIU journey, without allowing it to be</p>                  | <p>To ensure adequate guardrails while allowing cross-sell and upsell</p> <p><i>Please refer to Annexure 5 for a detailed explanation.</i></p>   |

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|    |   |   | clubbed with other purpose codes.  |  |
| 10 |   |   | The consent templates for the purpose of cross-sell and up-sell should be standardized   | To ensure adequate guardrails while allowing cross-sell and upsell<br><br><i>Please refer to Annexure 5 for a detailed explanation</i>   |
| 11 |   |   | Sahamati along with market players to come up with standard consent templates, the process of taking consent and UI/UX for the use case of cross-sell and up-sell in consultation with the entire ecosystem. | Need for standard consent templates to ensure fair use of the purpose code for cross-sell and upsell<br><br><i>Please refer to Annexure 5 for a detailed explanation</i>                         |
| 12 | <b>What are the potential use cases for the AA framework for SEBI-regulated entities?</b> | The scope & use case for purpose code 104 (Recurring, Explicit consent for monitoring of the accounts) is not clearly defined distinctly from the other two recurring purpose codes of 101 (Recurring, Wealth Advisory) | Sahamati along with market players to come up with collection limitations (FI Type, Consent Type and Fetch Frequency) for each of the sub-use cases under purpose code 104                                   | Need for ensuring collection limitation to the requirements of a particular use case to safeguard's customer's data privacy.<br><br><i>Please refer to Annexure 6 for a detailed explanation</i> |

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|           |   | and 102<br>(Recurring,<br>Customer<br>Spending<br>Patterns,<br>budget or<br>other<br>reporting) |  |  |
| <b>13</b> | <b>Are there any additional categories of financial information that may be included under the ambit of the AA framework? If so, please provide the use case/s and rationale.</b> |   | Joint Savings Bank Accounts including minor accounts | To enable access to savings account data for all individual customers via AA.<br><br><i>Please refer to Annexure 7 for a detailed explanation</i>  |
| <b>14</b> |   |   | Non-sole proprietorship current account              | To enable access to current account data for all enterprises (partnerships, corporate), irrespective of the entity type.<br><br><i>Please refer to Annexure 7 for a detailed explanation</i> |
| <b>15</b> |   |   | Income Tax Returns from CBDT                         | To enable the advisors to get a complete view of the finances of the investors.<br><br><i>Please refer to Annexure 7 for a detailed explanation</i>  |
| <b>16</b> |   |   | EPF Statements from EPFO                             | To enable the advisors to get a complete view of the finances of the salaried investors.   |

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|           |   |   |  | <i>Please refer to Annexure 7 for a detailed explanation</i>  |
| <b>17</b> |   |   | Credit Rating Trends from Credit Rating Agencies       | Data with trends of past credit ratings from multiple rating agencies for MSMEs are useful for banks and NBFCs for underwriting.<br><br><i>Please refer to Annexure 7 for a detailed explanation</i>  |
| <b>18</b> |   |   | Price of purchase and price of selling from brokerages | The demat account statement doesn't provide the purchase price of the securities and the actual selling price of the securities, which is an essential input to wealth advisors when it comes to tax planning and giving buy/sell recommendations<br><br><i>Please refer to Annexure 7 for a detailed explanation</i> |
| <b>19</b> | <b>Are there any additional categories of financial information that may be included under the ambit of the AA framework? If so, please provide the use</b> | Apart from use cases, there is a need to include a few additional functionalities in the AA Framework | Allow the sharing of unmasked bank account numbers.    | Reduce the need for SEBI-registered intermediaries for penny drops and for enhanced verification of an investor's credentials.<br><br><i>Please refer to Annexure 8 for a detailed explanation</i>  |

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| 20 | <b>case/s and rationale.</b>                             |  | Allow bank statements fetched via AA as valid address proof under KYC norms           | Once unmasked bank account details are available via AA, SEBI may consider allowing bank statements fetched via AA as a valid KYC document as data through AA is digitally signed and fetched from the banks directly<br><br><i>Please refer to Annexure 8 for a detailed explanation</i>  |
| 21 |  |  | Allow the sharing of details of nominees in all FI Types                              | Enable investors to have a consolidated view of the nominee information across various financial accounts. This feature will go a long way in addressing the system-wide issue of huge amounts of unclaimed assets, across FIs in the four sectors, a significant proportion of which is due to nominee information not being updated in accounts.<br><br><i>Please refer to Annexure 8 for a detailed explanation</i> |
| 22 | <b>Are their safeguards required in the AA Framework</b> | Customer's choice of a particular AA not being | A timeline-based mandate issued by regulators to their respective FIPs to onboard all | To enable the customers a complete choice of linking all their financial accounts to   |



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|           | <p><b>in order to protect the interests of customers in terms of additional data security or to curb potential misuse of the financial information in frauds, misappropriation, mis-selling or unsolicited cross sell/upsell, etc.?</b></p> | <p>supported by the customer's FIP</p>  | <p>operational AAs</p>   | <p>a single AA handle</p> <p><i>Please refer to Annexure 9 for a detailed explanation</i></p>  |
| <b>23</b> |   | <p>Customer's choice of a particular AA not being supported by the customer's FIU</p>   | <p>A "profile-discovery" service to be made available at a Network-Level, so that existing AA handles of any customer can be automatically discovered by FIUs.</p> <p>A timeline-based mandate issued by regulators to their respective FIUs to onboard all operational AAs.</p> | <p>To enable the customers a complete choice of linking all their financial accounts to a single AA handle</p> <p><i>Please refer to Annexure 9 for a detailed explanation</i></p> |
| <b>24</b> |   | <p>Consent journeys designed by AAs not compliant with the spirit of explicit, informed consent and principles enshrined in the DPDP Act, 2023.</p> | <p>A Network-level UX Certification Mechanism to be instituted by market players and facilitated by Sahamati to converge on best practices for consent-journey-design</p>  | <p>To preserve the spirit of explicit and informed consent</p> <p><i>Please refer to Annexure 9 for a detailed explanation</i></p>   |
| <b>25</b> |   | <p>Parameters of consent requests sought by FIUs not compliant with privacy-preserving principles of purpose-limitation,</p>                        | <p>Network-level Consent Templates Repository to be instituted by market-players and facilitated by Sahamati,</p>  | <p>To converge on a set of default parameters per purpose type as best practices</p> <p><i>Please refer to Annexure 9 for a detailed explanation</i></p>                           |

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|           |  | collection-limitation and storage-limitation   |  |  |
| <b>26</b> |  | Lack of specificity in purpose codes makes it challenging to monitor the actual use cases and standardise the consent templates which include the FI types, data life, purpose limitation, and fetch frequency for various use cases | Specific purpose codes that align with the use case and standard consent templates need to be defined in consultation with the market players and facilitated by Sahamati      | To ensure more robust monitoring of data usage and implement collection limitation for use cases at a micro level.<br><br><i>Please refer to Annexure 9 for a detailed explanation</i> |
| <b>27</b> |  | Grey-area purposes, i.e. those without explicit precedence or charter alignment, being employed by FIUs, as bases for seeking consent  | A mapping between class of intermediary and allowed purposes, to be instituted by market players and facilitated by Sahamati as a prerequisite check during network onboarding | To enable guarded use of allowed purposes for various classes of intermediaries<br><br><i>Please refer to Annexure 9 for a detailed explanation</i>                                    |
| <b>28</b> |  | Data inaccuracies and non-compliance to technical specifications   | Adherence to a Network-level Certification mechanism instituted by market-players and facilitated by Sahamati, to converge   | To guarantee compliance to specifications and ecosystem codes-of-conduct   |

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|           |  | ns causing customers to resort back to legacy / non-privacy-preserving means of sharing data   | on a set of standard tests   | <i>Please refer to Annexure 9 for a detailed explanation</i>  |
| <b>29</b> |  | Fear, uncertainty and doubt regarding misuse and safety of data in FIU environments causing customers and other network participants to not adopt AA whole-heartedly | Network-level Data Privacy Audit mechanism to be instituted by market-players and facilitated by Sahamati,   | To converge on a common set of proof-points that guarantee proper and safe use of data in FIU environments.<br><br><i>Please refer to Annexure 9 for a detailed explanation</i> |
| <b>30</b> |  | Fear, uncertainty and doubt regarding misuse and safety of data in FIU environments causing customers and other network participants to not adopt AA whole-heartedly | Network-level, SLA-driven Grievance Redressal and Dispute Resolution mechanism to be instituted by market players and facilitated by Sahamati, including the option of Online Dispute Resolution | To guarantee speedy resolution and disposition of queries, issues and complaints.<br><br><i>Please refer to Annexure 9 for a detailed explanation</i>                           |
| <b>31</b> |  | AA framework is cross-sectoral, and  | Facilitate a central co-ordinating agency like Sahamati that can work with market participants,  | This is required to ensure the Fair Usage of AA, thus strengthening the participatory   |

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|  |  | <p>hence, there is a need for common standards, code of conduct and audit frameworks to ensure Fair Usage of AA across sectors</p> | <p>regulators and policymakers across sectors to build common standards, code of conducts and audit framework.</p> | <p>governance in the AA Ecosystem</p> |
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## Annexure 1

**Question 1: Do any class or type of intermediaries in the Indian Securities market (A list of categories of securities market intermediaries is provided in Annexure (A) require being excluded from functioning as FIUs? If so, please provide the rationale.**

AA, by definition, is a framework that enables consented sharing of an individual's or enterprise's financial information. Any consumer (individual or entity) who has a financial account can use the AA framework to give consent to share his data with a financial institution for the purposes and purpose codes specified by the RBI.

Currently, the early and prominent use cases for AA have been for entities that have a large customer franchise and are B2C in nature. However, there can be several B2B use cases that require financial institutions to collect financial information from other enterprises (customers, partners, vendors) and may result in significant benefits for Financial Institutions as FIUs.

A few examples of early use cases that are B2B in nature and are proposed to be implemented across sectors include :

- Risk assessment of merchants by payment aggregators at the time of onboarding them as partner merchants.
- Reconciliation of end-of-day balances between bank accounts of various Asset Management Companies by the RTAs.

AA Framework is a Digital Public Infrastructure that has far-reaching use cases and is currently in an evolving stage with the potential for new use cases emerging that may not be active in the Ecosystem currently.

### **Sahamati's Recommendation:**

1. *We recommend that all classes of intermediaries registered and regulated by SEBI should be allowed to participate as FIUs in the AA Ecosystem.*
2. *Formalise the process to ensure that as and when a new class of intermediaries goes live on the AA Framework, the use cases are aligned to the charter of the intermediary. Sahamati, as a part of the process of onboarding FIUs to its Central Registry, requests the FIU to submit the license type, Certificate of Registration and the demo of the proposed use cases. Sahamati also requests the FIU to assert that the proposed use cases are in alignment with the charter specified by SEBI for their respective class of intermediary.*
3. *To ensure an informed and phased roll-out, Sahamati can compile and submit a monthly report to SEBI capturing information on the new intermediary classes that have gone live on the AA Framework as FIUs along with details of the proposed or implemented use cases.*

**Current Status of Class of intermediaries wise as FIUs on the AA Framework**

| <b>Class of Intermediaries</b>                        | <b>Type of</b> | <b>Class of Intermediaries already live as FIUs on AA</b> | <b>Class of Intermediaries yet to go live as FIUs on AA</b> |
|---|----------------|---|---|
| Registered Investment Funds                           | Alternate      | <input checked="" type="checkbox"/>                       |   |
| Registered Stock Brokers                              |                | <input checked="" type="checkbox"/>                       |   |
| Banker to an issue                                    |                |   | <input checked="" type="checkbox"/>                         |
| Credit Rating Agency                                  |                |   | <input checked="" type="checkbox"/>                         |
| Registered Custodians                                 |                |   | <input checked="" type="checkbox"/>                         |
| Debenture Trustee                                     |                |   | <input checked="" type="checkbox"/>                         |
| Designated Participants                               | Depository     | <input checked="" type="checkbox"/>                       |   |
| Qualified Participants                                | Depository     | <input checked="" type="checkbox"/>                       |   |
| Registered Participants                               | Depository     | <input checked="" type="checkbox"/>                       |   |
| FPIs/Deemed FPIs                                      |                |   | <input checked="" type="checkbox"/>                         |
| Registered Foreign Venture Capital Investors          |                |   | <input checked="" type="checkbox"/>                         |
| Investment Adviser (RIA)                              |                | <input checked="" type="checkbox"/>                       |   |
| Registered Infrastructure Investment Trusts           |                |   | <input checked="" type="checkbox"/>                         |
| Registered KYC (Know Your Client) Registration Agency |                |   | <input checked="" type="checkbox"/>                         |
| Merchant Bankers                                      |                |   | <input checked="" type="checkbox"/>                         |
| Registered Mutual Funds                               |                | <input checked="" type="checkbox"/>                       |   |
| Registered Managers                                   | Portfolio      | <input checked="" type="checkbox"/>                       |   |

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| Registrars to an issue and share Transfer Agents (RTA) | <input checked="" type="checkbox"/> |                                     |
| Research Analyst (RA)                                  | <input checked="" type="checkbox"/> |                                     |
| Self-Certified Syndicate Banks                         |                                     | <input checked="" type="checkbox"/> |
| Registered Venture Capital Funds                       |                                     | <input checked="" type="checkbox"/> |
| Real Estate Investment Trust                           |                                     | <input checked="" type="checkbox"/> |
| Registered Vault Managers                              |                                     | <input checked="" type="checkbox"/> |

## Annexure 2

### What are the potential use cases for the AA framework for SEBI-regulated entities?

The table below compiles the list of existing and proposed use cases of the AA framework by various classes of intermediaries registered and regulated by the SEBI.

**Table of Intermediary Type mapped with use cases:**

| S. No | Use Case: Broad Category   | Profiling and bank account verification for Onboarding, Account Opening or redemptions                                  | Underwriting and assessment of income   | Personal Finance Management based on 360° view of the financial health      | Advisory based on recurring 360° view of the financial health   | Regular monitoring post account opening for renewals, tracking risk and collections |
|-------|--|---|---|---|---|---|
|       | <b>Purpose Code-published by RBI</b>                                   | 105- One-time<br><br>Explicit one-time consent for the accounts   | 103-One-time<br><br>Aggregated Statement  | 102- Recurring<br><br>Customer Spending Patterns, budget or other reporting | 101 - Recurring<br><br>Wealth management service  | 104- Recurring<br><br>Explicit consent for monitoring of the accounts               |
|       | <b>Specific use cases as implemented or proposed to be implemented</b> | 1) Risk assessment at the time of opening of accounts. For example, the opening of a trading account in the F/O segment | 4) Underwriting and/or verification of income to make a decision to offer a product | 5) Recurring Spend and investment analysis (Personal Finance Management)    | 6) Advisory based on the right mix of income, spending, investments and savings analysis enabled by a | 7) Regular risk assessment post-opening of the account. For example, the regular    |



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|  |  | <p>by DPs.</p> <p>2) One-time Financial profile and risk appetite-based recommendation on instrument, mix and amount at the time of onboarding. For example, a brokerage or an AMC suggests a suitable set of securities or Mutual Funds based on the customers' financial profile.</p> <p>3) Enhanced KYC by ensuring that the name, PAN and address provided in the bank records matches with what is provided by the customer at the time of account opening and redemptions</p> | (loan, insurance) | based on a 360-degree view of an investor's financial health* | recurring 360-degree view of an investor's financial health | <p>income assessment as mandated for trading account in the F/O segment.</p> <p>8) Check balances in the bank account before executing the e-nach mandate for SIPs to avoid bounce penalties on investors and improve renewals.</p> <p>9) End-of-day reconciliation of bank accounts of various AMCs by RTAs.</p> <p>10) Check the financial holdings of an investor on a regular basis to provide revised buy/sell recommendations based on holdings by a Research Analyst</p> |
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**Annexure 3**


**Compilation of use cases by class of intermediary (only the ones that are live as FIUs on AA) under SEBI**

✓ Implemented/Proposed

 Explicit Expression of Interest

✗ Not applicable as per the existing charter/No Explicit Expression of Interest

| SNO: | Use Case: Broad Category              | Profiling and bank account verification for Onboarding, Account Opening or redemptions | Underwriting and assessment of income | Personal Finance Management based on 360° view of the financial health                | Advisory based on recurring 360° view of the financial health | Regular monitoring post opening account for renewals, risk tracking, collections |
|------|---------------------------------------|--|---------------------------------------|---|---|--|
|      | <b>Purpose Code-published by RBI</b>  | 105- One-time<br>Explicit consent for the one-time accounts                            | 103-One-time<br>Aggregated Statement  | 102- Recurring<br>Customer Spending Patterns, budget or other reporting               | 101 - Recurring<br>Wealth management service                  | 104- Recurring<br>Explicit consent for monitoring of the accounts                |
| 1    | Registered Alternate Investment Funds | ✓  | ✗                                     | ✗   | ✗   | ✓  |
| 2    | Registered Stock Brokers              | ✓  | ✗                                     |  | ✗   | ✓  |
| 3    | Designated Depository Participants    | ✓  | ✗                                     | ✗   | ✗   | ✓  |

| SNO: | Use Case: Broad Category                         | Profiling and bank account verification for Onboarding, Account Opening or redemptions | Underwriting and assessment of income | Personal Finance Management based on 360° view of the financial health              | Advisory based on recurring 360° view of the financial health | Regular monitoring post opening for renewals, tracking collections account for risk and |
|------|--|--|---------------------------------------|---|---|---|
| 4    | Qualified Depository Participants                | <input checked="" type="checkbox"/>  | ✗                                     | ✗   | ✗   | <input checked="" type="checkbox"/>   |
| 5    | Registered Depository Participants               | <input checked="" type="checkbox"/>  | ✗                                     | ✗   | ✗   | <input checked="" type="checkbox"/>   |
| 6    | Investment Adviser (RIA)                         | <input checked="" type="checkbox"/>  | ✗                                     | <input checked="" type="checkbox"/>   | <input checked="" type="checkbox"/>                           | <input checked="" type="checkbox"/>   |
| 7    | Registered Mutual Funds                          | <input checked="" type="checkbox"/>  | ✗                                     |  | ✗   | <input checked="" type="checkbox"/>   |
| 8    | Registered Portfolio Managers                    | <input checked="" type="checkbox"/>  | ✗                                     | <input checked="" type="checkbox"/>   | <input checked="" type="checkbox"/>                           | <input checked="" type="checkbox"/>   |
| 9    | Registrars to an issue and share Transfer Agents | <input checked="" type="checkbox"/>  | ✗                                     | ✗   | ✗   | <input checked="" type="checkbox"/>   |
| 10   | Research Analyst (RA)                            | ✗  | ✗                                     | ✗   | ✗   | <input checked="" type="checkbox"/> <sup>2</sup>  |

<sup>2</sup> This is only to facilitate the use case no. 10 (from the annexure 2 table) for RAs to get holdings information to generate custom research reports.

## **Annexure 4**

### **Recommendation on the Use Case Personal Finance Management based on 360° view of the financial health:**

**Purpose Code published by ReBIT-** 102, Recurring

**Purpose Description published by ReBIT:** Customer Spending Patterns, budget or other reporting

One use case that has been proposed by several intermediaries registered and regulated by SEBI under different license types is a presentation of a recurring 360-degree view of a customer's health for recommending the right investment products (limited to the products they are allowed to offer as per their charter type) and educating their customers on sound investment practices

Different SEBI entities have been keen to offer personal finance management services to the customers which entail a **360-degree view of the financial health of their investors on a recurring basis** as a tool to do a recurring need analysis of the investors to offer the right product mix limited to their respective charters as well as run educational campaigns for the investors. The market players also argue that given that the data has been shared with the explicit consent of consumers, it should be the investors' decision to decide the entity they want to entrust with complete details of their financial health. Further, the investors, at any point, can revoke the consent if they wish not to share data with an entity in the future.

The counter-argument to the above proposal has been that, amongst the various intermediaries under SEBI, Registered Investment Advisors and portfolio managers are the only entities that have an advisory charter and have a fiduciary relationship with the investors. Expanding the functionality of recurring 360-degree of the financial health of the investors to all classes of intermediaries may blur the line between personal finance management and advisory and may be counterintuitive to the fiduciary relationship that has to be maintained between an advisor and a customer. This may also result in spam marketing practices and cross-selling, up-selling by various intermediaries.

### **Sahamati's recommendation:**

Based on our discussions and our analysis of the charter, here are our recommendations:

- 1) **Intermediaries Types that have a clear advisory charter and hence, are allowed to offer PFM services** based on a recurring 360° view of a customer's financial health:
  - a) Registered Investment Advisors
  - b) Registered Portfolio Managers

- 2) **Intermediaries Types that have requested to be allowed to offer PFM and hence, can be considered to be allowed to offer PFM services** given their significant B2C reach and their ability and charter to play a crucial role in investor education and promoting sound investment practices:
- a) Registered Mutual Funds
  - b) Registered Stock Brokers

## Annexure 5

### **Clarity on Cross Sell and Upsell of financial products based on customer analytics:**

Another use case that is debatable and needs further deliberation is allowing cross-sell and upselling of financial products based on an analysis of the data submitted by the customer for availing a specific financial product as a fair use of the AA Framework. The argument is that if there is explicit consent from the customer to receive offers for other products and services, it should be considered as a fair use of data shared via AA as it enables financial institutions to provide a comprehensive suite of services and products to their customers.

The counter-argument to this use case is protecting the spirit of “purpose limitation” in the Explicit Consent Framework, under which the customer is assured of the usage of his data is limited to the primary purpose for which he has provided his consent. Further, there is a concern that enabling cross-selling and up-selling of financial products based on customer analytics may promote a culture of spam marketing practices that are detrimental to customers’ data privacy and security.

### **Sahamati’s recommendation:**

**Based on a detailed discussion with market participants and evaluating the pros and cons of cross-selling and up-sell as a valid use case of data fetched via AA, our recommendations are as follows:**

- Cross-Sell and Up-sell **can be allowed as a valid use case** for data fetched via AA as they hold immense value
  - For customers to get packaged services from their existing service providers at favorable terms
  - For the market institutions by helping them increase their revenues/viability per customer
- However to ensure that the market practice doesn’t lead to exploitation of the investors with unnecessary data fetches and spamming, the following guard rails should be implemented.
  - A **stand-alone purpose code** for cross-sell and up-sell should be introduced.
  - The consent for the purpose of cross-sell and up-sell, needs to be taken **independently and explicitly** in the FIU journey, without allowing it to be clubbed with other purpose codes as a combo consent.
  - Further, the consent templates for the purpose of cross-sell and up-sell should be **standardized for various consent parameters** such as purpose description, data life, fetch frequency and others.

|                           |   |
|---------------------------|---|
| <b>Consent Parameters</b> | <b>Proposed Guardrails (to be finalised with market</b> |
|---------------------------|---|

|  | <b>participants)</b>   |
|--|--|
| Purpose Code                           | Standard and Independent Purpose Code  |
| Purpose Description                    | Standard language to be followed by all classes of intermediaries  |
| Data Life                              | Decision needs to be taken for a reasonable data life of a few (day/month/year), post which the FIU cannot process the data for the specific purpose code  |
| Fetch Type                             | Decision needs to be taken for a fetch type (One Time/Recurring) for the purpose code of cross-selling and upsell. There is a strong reason for the fetch frequency type to be limited to one-time consent to avoid unnecessary data fetches, but the same can be decided in discussion with the market players. |
| Fetch Frequency Type & Frequency Value | If recurring fetch is allowed for the purpose code of cross-sell and use-case, then a reasonable fetch frequency of <no of times> per <hour/day/week/month> has to be agreed upon in discussion with the market players  |

- Customers should be provided a clear option to revoke consent or stop subscription to Cross-sell and up-sell offers from an FIU in all its customer-facing interfaces including its website and app.
- Sahamati can come up with standard consent templates describing each of the above parameters for the purpose of cross-selling and upsell, the process of taking consent in the AA journey and UI/UX for the use case of cross-sell and up-sell in consultation with the entire ecosystem

## Annexure 6

### **Recommendation on the Regular monitoring post account opening for renewals, risk tracking, collections**

**Purpose Code published by ReBIT-** 104, Recurring

**Purpose Description published by ReBIT:** Explicit consent for monitoring of the accounts

The scope & use case of the purpose code 104 (Explicit consent for monitoring of the accounts) which is recurring in nature is clearly different from the scope and use case of the purpose code 102 (Customer Spending Patterns, budget or other reporting) and 101 (Wealth Management Service). Use cases under purpose code 104 may require a rather restricted access to FI types, consent types and restricted fetch frequencies compared to use cases under purpose code 101 and 102 which require a 360° view of an investor's financial health.

#### **Sahamati's recommendation:**

Specific purpose codes that align with the micro/sub-use case and standard consent templates need to be defined in consultation with the market players and facilitated by Sahamati, to ensure more robust monitoring of data usage and implement collection limitation.

In this context, various classes of market intermediaries have proposed that there is merit in specifying the FI Type (Financial Information Type) and Consent Type (Profile/Summary/Transaction) for the use cases specified under purpose code 104 for various use cases to ensure collection limitation. The table below provides the collection limitations that can be put in place for various sub-cases under the purpose code 104. This is illustrative, and the same can be finalized by market players along with Sahamati as a uniform code of conduct required for ensuring "Fair Usage of AA" for the ecosystem:

#### **Illustrative:**

| <b>Use Cases</b>   | <b>FI Type</b> | <b>Consent Type</b>                | <b>Frequency</b>                                     | <b>Indicative FIUs by intermediary classes</b>              |
|--|----------------|------------------------------------|--|---|
| Regular risk assessment post-opening of the account. For example, the opening of a trading account for the | Bank Statement | Profile, Summary, and Transactions | As decided by the market players along with Sahamati | Registered Stock Brokers and Registered Investment Advisors |



|  |  |                  |  |                                    |
|--|--|------------------|--|------------------------------------|
| F/O segment.   |  |                  |  |                                    |
| Check balances in the bank account before executing the e-nach mandate for SIPs to avoid bounce penalties on investors and improve renewals        | Bank Statement                         | Profile, Summary | As decided by the market players along with Sahamati | All classes of SEBI intermediaries |
| End-of-day reconciliation of bank accounts of various AMCs by RTAs.  | Bank Statements                        | Profile, Summary | As decided by the market players along with Sahamati | Registrar and Transfer Agents      |
| Check the financial holdings of an investor on a regular basis to provide revised buy/sell recommendations based on holdings by a Research Analyst | Financial Information Types under SEBI | Summary          | As decided by the market players along with Sahamati | Research Analysts                  |

## Annexure 7

**Are there any additional categories of financial information that may be included under the ambit of the AA framework? If so, please provide the use case/s and rationale.**

AA is increasingly being viewed by financial institutions to have as a single channel to get consent from the customer for sharing data for various financial accounts. In this context, the following Financial Information Types will be really powerful for the SEBI SEBI registered and regulated intermediaries:

1. **Joint Bank Savings Accounts, including minor accounts:** This is essential to enable access to savings account data for all individual customers via AA. Joint account activation is pending clarity from ReBIT (RBI) on the approach for obtaining consent from joint account holders.
2. **Non-sole proprietorship current account:** This is essential to enable access to current account data for all enterprises (partnerships, corporate), irrespective of the entity type. Non-sole proprietorship current account activation is pending clarity from ReBIT (RBI) on the approach to obtaining consent from multiple stakeholders.
3. **Income Tax Returns from CBDT:** This is required to enable the advisors to get a complete view of the finances of the investor, primarily self-employed and small businesses.
4. **EPF Statement from EPFO:** This is required to enable the advisors to get a complete view of the finances of the salaried investors and aid in wealth advisory.
5. **Credit Rating Trends from Credit Rating Agencies:** Data with trends of past credit ratings from multiple rating agencies for MSMEs at an enterprise or an instrument level is expected to be extremely useful for lenders while underwriting an MSME borrower
6. **Price of purchase and price of selling from brokerages:** The demat account statement provides the holdings of the investor as well as the trades in terms of the number of units, purchase date, selling date and estimated market price assumed as the closing price of the previous day's trade for the securities. However, the demat account statement doesn't provide the purchase price of the securities and the actual selling price of the securities, which is an essential input to wealth advisors when it comes to tax planning and giving buy/sell recommendations to their investors. Hence, onboarding brokerages as FIPs on AA will complete the financial data for an investor pertaining to its past trades.

## Annexure 8

Based on our regular interactions with the market, there are certain additional functionalities in the AA Framework that can deliver significant value to the entire financial system. A few key recommendations include the following:

- 1) **Allowing the sharing of unmasked bank account numbers** can reduce the need for SEBI-registered intermediaries to do a separate procedure for bank account verification of investors via penny drops and also allow enable enhanced verification of an investor's credentials such as bank number-PAN linkage across all financial accounts.

The reason for masking the bank account numbers has been concerns about the sharing of PII data with the investor. However, the concern is not valid, as the investor is sharing the bank account statements with their own explicit consent and is mandatorily required to share the bank account number with the financial institutions as a part of the bank account verification process.

- 2) **Allowing bank statements fetched via AA as valid address proof under KYC norms:** Given that bank statements fetched via AA are directly fetched from source banks and are digitally signed by the banks, SEBI may consider allowing bank statements fetched via AA as a valid KYC document. However, enabling the availability of unmasked bank account details via AA is a pre-requisite for SEBI to be able to allow bank statements fetched via AA as valid KYC documents.
- 3) **Allowing the sharing of details<sup>3</sup> of nominees in all FI Types** via AA will enable investors to have a consolidated view of the nominee information across various financial accounts, thus giving them an effective tool for ensuring that nominee information is updated across all their financial accounts.

Activating the nominee information feature will also enable market players to educate investors on the importance of keeping their nominee information updated across bank statements. This feature will go a long way in addressing the system-wide issue of huge amounts of unclaimed assets, estimated to be more than Rs 1.25 lakh crore, lying with different financial institutions across the four sectors, a significant proportion of which is due to nominee information not being updated in accounts.

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<sup>3</sup> The nominee details should include, is nominee added (Y/N), name, address, masked mobile number or Aadhaar number

## Annexure 9

**Are their safeguards required in the AA Framework in order to protect the interests of customers in terms of additional data security or to curb potential misuse of the financial information in frauds, misappropriation, mis-selling or unsolicited cross sell/upsell, etc.?**

The privacy-preserving goal of the AA framework could be strengthened through the following additional safeguards, each of which could be mapped to a potential threat to either customer adoption or data-security. Poor customer adoption of AA in itself poses a threat to data security since it would result in customers resorting to legacy means of sharing data, which are inherently unsafe and not privacy-preserving.

| Threat to customer adoption/privacy  | Safeguard recommended  |
|--|--|
| <p>Customer’s choice of a particular AA not being supported by the customer’s FIP</p> <p>As on 28th August 2023, CDSL and NSDL are connected to 9 and 10 AAs, respectively and are in the process of integrating with the rest.</p> <p>However, the RTAs (Kfintech and CAMS) on behalf of AMCs as FIPs are only connected with 1 AA. Till the time RTAs connect with all AAs, a customer cannot use a single AA account to view his consolidated securities holdings.</p> <p>Likewise, till the time FIPs (banks, insurance companies and CRAs) are connected with all AAs, customers will not be able to present a single view of their finances to any wealth advisor or a financial services provider, further limiting the scale-up and of the AA Framework.</p> <p>Technical interoperability in the AA Framework is already addressed by network-level protocols, while legal onboarding has been simplified with common ecosystem participation terms, which are required to be signed by every participant only once and alleviate the need to sign bilateral agreements. Hence, there is no reason for an FIP to delay connecting with all AAs.</p> | <p>A timeline-based mandate issued by regulators to their respective FIPs to onboard all operational AAs to enable the customers a complete choice of linking all their financial accounts to a single AA handle</p> |

| Threat to customer adoption/privacy   | Safeguard recommended   |
|---|---|
| Customer's choice of a particular AA not being supported by the customer's FIU  | <p>A "profile-discovery" service to be made available at a Network-Level, so that existing AA handles of any customer can be automatically discovered by FIUs.</p> <p>A timeline-based mandate issued by regulators to their respective FIUs to onboard all operational AAs.</p>              |
| Consent journeys designed by AAs not compliant with the spirit of explicit, informed consent and principles enshrined in the DPDP Act, 2023.  | A Network-level UX Certification Mechanism to be instituted by market players and facilitated by Sahamati to converge on best practices for consent-journey-design  |
| Parameters of consent requests sought by FIUs not compliant with privacy-preserving principles of purpose-limitation, collection-limitation and storage-limitation  | A Network-level Consent Templates Repository to be instituted by market-players and facilitated by Sahamati, to converge on a set of default parameters-per-purpose-type as best practices  |
| Lack of specificity in purpose codes makes it challenging to monitor the actual use cases and standardise the consent templates which include the FI types, data life, purpose limitation, recurring frequency with the use cases | Specific purpose codes that align with the use case and standard consent templates need to be defined in consultation with the market players and facilitated by Sahamati. to ensure more robust monitoring of data usage and implement collection limitation for use cases at a micro level. |
| Grey-area purposes, i.e. those without explicit precedence or charter alignment, being employed by FIUs, as bases for seeking consent   | A mapping between license types and allowed purposes, to be instituted by market players and facilitated by Sahamati as a prerequisite check during network onboarding  |
| Data inaccuracies and non-compliance to technical specifications causing customers to resort back to legacy / non-privacy-preserving means of sharing data  | Adherence to a Network-level Certification mechanism instituted by market-players and facilitated by Sahamati, to converge on a set of common tests that guarantees compliance to specifications and ecosystem codes-of-conduct   |
| Fear, uncertainty and doubt regarding misuse and safety of data in FIU environments causing customers and other network participants to not adopt AA whole-heartedly  | A Network-level Data Privacy Audit mechanism to be instituted by market-players and facilitated by Sahamati, to converge on a common set of proof-points that guarantee proper and safe use of data in FIU environments.  |

|  |   |
|--|---|
|  | <p>A Network-level, SLA-driven Grievance Redressal and Dispute Resolution mechanism to be instituted by market players and facilitated by Sahamati, including the option of Online Dispute Resolution, to guarantee speedy resolution and disposition of queries, issues and complaints.</p>  |
| <p>AA framework is cross-sectoral, and hence, there is a need for common standards, code of conduct and audit frameworks to ensure Fair Usage of AA across sectors</p> | <p>Facilitate a central co-ordinating agency like Sahamati that can work with market participants, regulators and policymakers across sectors to build common standards, code of conducts and audit framework. This is required to ensure the Fair Usage of AA, thus strengthening the participatory governance in the AA Ecosystem</p> |