The Reserve Bank of India (RBI) has proposed to set up a new pan-India new umbrella entity (NUE) or entities focussing on retail payment systems with a minimum paid-up capital of Rs 500 crore.

**Functions of the new entity**

- The proposed entity **will set up, manage and operate new payment systems especially in the retail space** comprising of, but not limited to ATMs, white label PoS, Aadhaar-based payments and remittance services, develop payment methods, standards and technologies, monitor related issues and internationally, take care of developmental objectives like enhancement of awareness about the payment systems.

- It will **operate clearing and settlement systems**, identify and manage relevant risks such as settlement, credit, liquidity and operational and preserve the integrity of the system, monitor retail payment system developments and related issues in the country and internationally to avoid shocks, frauds and contagions that may adversely affect the system and the economy in general.

**Eligibility criteria to apply as promoter/promoter group**

- As per the RBI, **no single promoter or promoter group should have more than 40 per cent investment in the capital of the entity**.

- The promoters should upfront demonstrate **capital contribution of not less than 10 per cent — Rs 50 crore** — at the time of making an application for setting up of the entity.
The promoter or the promoter group shareholding should be diluted to a minimum of 25 per cent after 5 years of the commencement of business.

A minimum net worth of Rs 300 crore should be maintained always.

The entity eligible to apply as promoter or the promoter group for the NUE should be ‘owned and controlled by residents’ with 3 years’ experience in the payments ecosystem as Payment System Operator (PSO) or Payment Service Provider (PSP) or Technology Service Provider (TSP).

The shareholding pattern should be diversified. Any entity holding more than 25 per cent of the paid-up capital of the NUE will be deemed to be a promoter.

Regulations for setting up of NUEs

The NUE should conform to the norms of corporate governance along with ‘fit and proper’ criteria for persons to be appointed on its board.

The RBI retains the right to approve the appointment of directors as also to nominate a member on the board of the NUE.

The application for setting up the NUE should contain a detailed business plan covering the payment systems proposed to be set-up or operated along with other documents to duly establish its experience in the payments ecosystem.

A proposed organisational strategy in terms of fulfilling its responsibility as an umbrella entity should also be given in the business plan. Such an entity will be a company incorporated in India under the Companies Act, 2013. The Company may be a ‘for-profit’ or a Section 8 company as may be decided by it.