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THE FUTURE OF ELECTRONIC PAYMENTS: REGULATIONS AND REFORMS

Anjali Sah*

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ABSTRACT

The contemporary system of payments in India has revolutionized its way through tangible exchange of cash to modern interchange of money through digital gateways. The confluence of finance and technology has secured a medium for individuals to transact money through quick, efficient ways without involving the dire processes of actual settlement. However, this alacrity in procedure is supplemented with open-ended consequences, unprecedented in nature that threaten innovation and fair practice. The electronic payment system in India needs a modernised framework to guard and regulate the recently forged market of virtual wallets to deflect possibilities of consumer rights violation. In India, the system of electronic payments is governed by the Payment and Settlement Systems Act, 2007, a broad legislation providing for the regulation and supervision of payment systems in all fields. The context here warrants an urgent recollection and analysis of the Act and whether it adequately befits the need of electronic payment systems and service providers. The need for rejuvenation in the decrepit piece of law stems from the lack of timely provisions present in the PSS Act for regulating the ever-rising digital payment portals. The first part of this article presents a thorough background of electronic payment systems in India, including but not limited to an overview of the present legislation. Compartmentalizing a context would help us commence the discussion on revamping the unworking parts of law. The second part discusses the contingencies imposed by daunting loopholes of the PSS Act and its cathartic impact on the Indian payment processing system. Identifying the bridging caps would help visualize a solution

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on reformatory grounds. In the third part, the author contemplates and conceives potential structures of amendments in the existent system to produce an ever inclusive, state-of-the-art legislation and governing machines to protect perseverance, orderliness, and interest of consumers.

Keywords: *Electronic Payments, Payment and Settlement Systems Act, 2007, Digital Wallets, Regulatory Reform.*

1. INTRODUCTION

The system of payments in India has traversed the course of development to match footsteps with the present age of digitalization, and the reforms will only get more mutational. The journey of electronic payment system started early on in 1998 when Industrial Credit and Investment Corporation of India (ICICI) piloted internet banking services for the first time in India[1]. The refinement and restructuring of the payment and settlement infrastructure was further immortalized by the National Payment Corporation of India (NPCI) in 2016, formed by the Reserve Bank of India and Indian Banks' Association (IBA), which launched the present-day digital payment gateways Aadhar Enabled Payment System, Bharat Bill Payments System (BBPS), BHIM and Cheque Transaction System[2]. The dynamic intersection of the fields of finance and technology has laid out vast possibilities for accessorial growth, which demands desperate attention toward its control and regulation. The usage of digital wallets and e-payment facilities has resulted in the nexus of transactions shifting from tangible to intangible. The consequences have resultantly led to unified payment interface (UPI) transactions racking up to 9.8 trillion Indian rupees[3] and the volume of populace engaging in digital exchange to 260 million people[4]. The age of data empowerment has brought a glorious swap in practice and principles.

1 McKinsey & Company, *The CEO as CIO: An interview with K.V. Kamath of ICICI*, YUMPU, Apr. 30, 2013, *available at:* https://www.yumpu.com/en/document/view/13773971/the-ceo-as-cio-an-interview-with-kv-mckinsey-company. (last visited on Jan. 10, 2023)

2 Arun S, "Modi launches mobile payment app", *THE HINDU*, Dec. 30, 2016, *available at:* https://www.thehindu.com/news/national/Modi-launches-mobile-payment-app/article16964375.ece1. (last visited on Jan. 10, 2023)

3 Statista, *available at:* https://www.statista.com/statistics/1225935/india-value-of-upi- transactions/#:~:text=As%20of%20April%202022%2C%20the,over%209.8%20trillion%20Indian%20rupees (last visited on Jan 10, 2023).

4 "Around 40% Indians use digital formats like UPI for money transfer: Nandan Nilekani", *The Economic Times*, Sep. 14, 2022, *available at:* https://economictimes.indiatimes.com/tech/technology/around-40-indians-use-digital-formats-like-upi-for-money-transfer-nandan-nilekani/articleshow/94203265.cms (last visited on Jan. 10, 2023).

The junction of two disciplines creates a vacuum space for new challenges to crop up and the rising concerns can only be dealt with systematically through a governing body of laws. Firstly, the paper suggests an overview of the present regulating legislation, the Payment and Settlement Systems Act, 2007 (from now on, the PSS ACT), which currently grants the Reserve Bank of India, authority and supervision over electronic payment settlements[5]. Given the landscape of unreformed state of law and the instances of unsanctioned circumvention, which led to illegal activities through electronic payment systems, the RBI issued its mandate in 2020 in the form of Guidelines on Regulation of Payment Aggregators and Payment Gateways under section 18 of the PSS Act[6]. Though the guidelines have effectually sought to vision a technologically secured system of payment gateways and risk management framework, the wide-angled field at large is still in need of a customized legislation to help sustain rising innovations.

The second part focuses on analysing the need for reassessment of the primary law as well as subordinate rules, and tries to conceive an argument in support of a new approach to law. The PSS Act was enacted with the substantive object of concentrating systematic regulatory powers under the ambit of the RBI, back in the ages when the market of digital payments was in its nascent stages. The Act needs to retain a multi-dimensional approach and not deviate from its core objective to supervise the ever-expanding regime of electronic payments. Furthermore, the Act would appear better framed if it aligns with the goals of global best practices in payment regulation and assimilate modern intervention in its tactics to achieve full efficacy.

Finally, the article discusses potential adjustments in the PSS Act, and prospects of a whole new legislation through policy intervention. As per the expert policy makers at Vidhi, the modern retail payment needs to be tailored to promote and supplement three aspects of development; competition and consumer protection[7]. The enactment, amendment or repeal of the new law would supposedly catalyse proportionate regulation, efficacious management and risk prevention for consumers and customers. The new system should also seek to repose greater power of subordinate legislation under the RBI as the mandate issuing powers staying settled under the ambit of RBI as the specialized body of action and skilled regulator of payment systems, fits the scene more satisfactorily.

5 The Payment and Settlement System Act, 2007 (Act 51 of 2007), s. 4(1).

6 Reserve Bank of India, *available at:* https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11822&Mode=0 (last visited on Jan. 11, 2023).

7 Shehnaz Ahmed & Aryan Babele, *Modernising the law for Payment Services in India*, *VIDHI LEGAL POLICY,* Oct. 04, 2021, *available at:* "https://vidhilegalpolicy.in/research/modernising-the-law-for-payment-services-in-india-preparing-for-the-future-of-retail-payments/" (last visited on Jan. 12, 2023).

2. WHERE THE PAYMENT AND SETTLEMENT SYSTEMS ACT, 2007 PROVES INADEQUATE

The PSS Act, 2007 lays down objectives for regulation of payment systems and related settlements. The nature of the act is superficially basic and its scope stays fixed to designating RBI as the sole authority for making laws incidental to governing procedures of payment systems[8]. The objectives of the PSS Act relate in nature to: -

i. Regulation of payment system, system provider and system participant;

ii. Articulation of conditions and eligibility standards for a payment system operator;

iii. Authorisation to the RBI to dictate the guidelines and outlines for efficient management and working of the system;

iv. Determination of duties of payment system operators to keep private information confidential and obtain the authorisation of the RBI before making significant structural changes in the payment system;

v. And procedural supervision of defaults and defects in complying with the provisions so laid down.

The Act thus supplies finite number of regulations for tackling the ever-expanding spectrums of electronic payment. It does not target specific developments in the techno-financial field brought to life recently, given the slow-moving, obsolete legislative value attached to it with an even fainter indication of reform. The primary portion of law that is supposed to handle the mechanics of payment regulation in India is the PSS Act which carries regular compliance requirements, while the most substantive prescriptions controlling the legal articulation of payment systems is still dealt by the RBI through circulars and notifications, which falls lower in the rung of legitimate authority. Meanwhile, other countries have the primary law encompassing substantive provisions for regulating payment operators and subordinate legislations are relied upon for clarifying, supplementing, effecting and implementing the law[9]. The arrangement runs contrary to the prevalent, most sound convention of law where the primary legislation has the greatest source of authority flowing from it. The primary statute being too lax in its regulatory capacity is a recipe for disaster in a landscape of consistently morphing technology.

The proposals of potential reforms, as introduced in the form of a bill, did not propose to strengthen the present arrangement of functionaries, rather it sought to lessen

8 The Payment and Settlement System Act, 2007 (Act 51 of 2007), s. 3(1).

9 Supra Note 7.

the quantum of regulatory control of the RBI in overseeing matters relating to payment system settlement[10].The RBI has the statutorily dictated power to constitute a committee of its central members in the form of Board for Regulation and Supervision of Payment and Settlement Systems, to discharge and perform to full effect, its powers[11]. The amendment proposed the idea of establishing an independent payments regulatory board, suggesting that the RBI's supervising authority be limited to proportional representation in the board consisting of 3 members from the central board of the RBI[12]. The RBI shunned the draft proposal stating that there is "no case of having a regulator for payment systems outside the RBI.[13]" The RBI demanded for the constitution of regulatory body to be kept within the purview of the RBI[14] since it is the supreme regulatory body of systems in both banking and payment industries, and having overarching control over both would provide much synergy in the sensitive sector.

The government's argument for an independent payments regulatory board is based on the principle of higher degrees of consumer protection and need for greater resilience in the payment system. The central executive alleges that the specialized regulatory system has imposed stringent regulatory terms on the operators such as the two-factor authentication even for micro-payment platform, which is an exaggerated practice of the global norm[15]. This places the RBI on a needle point in balancing consumer interest and adopting state-of-the-art technology for proficient evaluation of payment system requirements. The Payment Council of India (PCI), considering the rapid change in India's payment market in the past decade, remarked that a risk-based the regulation is deftly favoured, citing the example of

10 "Amendments to the Payment & Settlement Systems Act: RBI sends dissent to government", *CNBCTV*, Oct. 19, 2018, 8:15 PM, *available at:* https://www.cnbctv18.com/finance/rbi-releases-dissent-note-on-inter-ministerial-committee-for-finalisation-of-amendments-to-pss-act-1143411.html. (last visited on Jan. 10, 2023)

11 The Payment and Settlement System Act, 2007 (Act 51 of 2007), s. 3(2)..

12 "*Recommendations to consolidate and amend the law relating to payments*, Inter-ministerial Committee for Finalisation of Amendments of the PSS Act, 2007, 23-24 (2018), *available at:* https://dea.gov.in/sites/default/files/Payment%20and%20settlement.pdf. (last visited on Jan. 10, 2023)

13 "RBI opposes move for independent Payments Regulatory Board"*, The Hindu*, Oct. 19, 2018, 10:46 PM, *available at:* https://www.thehindu.com/business/rbi-opposes-move-for-independent-payments-regulatory-board/article25265883.ece. (last visited on Jan. 10, 2023)

14 "Central bank makes dissent public, insists on payments board control", *The Economic Times,* Oct. 20 2018, *available at:* https://economictimes.indiatimes.com/news/economy/policy/rbi-against-separate-regulator-for-payments-system-issues-dissent-note/articleshow/66286320.cms?from=mdr (last visited on Jan. 15, 2023).

15 Gaurav Jain, "AFA explained: How it impacts Auto-Debit Payment as per new RBI Guidelines", *India Times*, Oct. 12, 2021, 11:42, *available at:* https://www.indiatimes.com/explainers/technology/what-is-afa-new-rbi-guidelines-explained-551180.html. (last visited on Jan. 10, 2023)

banking ecosystem like that of the UK which has developed an open-banking system[16].

The dissension proves that the cause for amendment, though harpooned with good-will and positive approach, targeted the end goals of a farther nature and instead of securing the RBI's control and minimizing its arbitrary standards of regulation, ended up thinning its powers as a specialized body. The reform which essentially had to be imagined and devised to accentuate balanced power and greater effect in the primary source of authority for payment systems, was instead centred on one power organ diluting the authority of the other.

For measuring where the current Indian legislation is lacking, the comparative analogy between trending global practices must be drawn. The payment systems throughout the world are administered through legislative command or an equivalent authority, and provide for a system of settlement for payment transactions. The tangent where the globally relevant practices differ from the Indian system is that they not just provide for settlement of payment of disputes but also carve a niche for protecting consumer interest and promoting competition in the market, the two elements which are missing from the Indian legal sphere right now. Like, the Payment Services Act, 2019 of Singapore, though a relatively newer legislation, has emphatically sought to deal with consumer safeguards and legal certainty in the payments industry[17]. The Act entails cyber hygiene measures which require system operators to adhere to strict compliance of the guidelines issued on civil internet conduct[18].

India also does not have a risk-based framework to concentrate singularly on problems that arise out of a crevice in payment system regulation. The laws of Singapore provide for a classified licensing system for payment service providers. They need to be registered as a license holder of one of the three licences, money-changing license, MPI license or SPI license[19]. The requirements for these licenses oscillate depending

16 Payment Council of India, *Empowering Payments: Digital India on the path of revolution*, (July, 2020) *available at:* https://medipreter.blob.core.windows.net/pci-pdf/Empowering_Payments_Digital_India_on_path_of_revolution.pdf. (last visited on Jan. 10, 2023)

17 Monetary Authority of Singapore 4, *available at:* https://www.mas.gov.sg/-/media/MAS/Regulations-and-Financial-Stability/Regulations-Guidance-and-Licensing/Payment-Service-Providers/Guide-to-the-Payment-Services-Act-2019.pdf?la=en&hash=B03712F4EEEE907C39BA2C12DE63A545495EE1C2#:~:text=The%20PS%20Act%20came%20into,to%20include%20new%20payment%20services (last visited on Jan. 15,2023).

18 *Id.* at 20.

19 Monetary Authority of Singapore, Licensing and Designation, 2019, MAS (2019), *available at:* https://www.mas.gov.sg/regulation/payments (last visited on Mar. 23, 2023).

on the risk framed by the services and scope of usual transaction[20]. Although, even the Singaporean model does not have a direct interface dealing with customer-retail service or consumer moderated systems, which is a lacking gap both countries could fix through micro legislation.

The payment system in India lags behind in one important aspect, which is the specific risk-based approach conducting regulation. Reliance is placed on the broader framework of rules provided in the PSS Act when there is an absence of specific legislation for system providers at the micro level. The definition of 'system providers' and transparency in the settlement and clearance systems are still goals to be realized, while the only acknowledgment of SIPS and SWIPS remains through the distinction made by the RBI in RBI FMI Oversight Framework[21].

Though stems of interoperability have been introduced to foster innovation in the payment regulation mechanism. The latest introduction of e-wallets has facilitated the need for interconnections and a unified platform for collaborating services. The financial sector has done a tremendously satisfying job at providing a platform for digital payments whether that be the Aadhar Payment System or the BHIM UPI, which supports interconnectedness and seamless operation of services within the payment section.[22] Need of a single body of law guarding the management and functioning of different facets, which in itself is a menace to begin with.

Not having an umbrella legislation that subsumes most provisions relating to payment regulation has the direct effect of excessive reliance on subordinate and subversive legislations, which apart from being less potent source of regulation also allow room for fraud and deception. It has been highlighted in the past that the system of UPI is not under the direct radar of the statutorily designated authority, that means, the RBI. The Central regulator of the financial industry has refused to take responsibility of misuse of data or any

20 Monetary Authority of Singapore, "*Guide to the Payment Services Act*, 2019", MAS 6 (2019), *available at:* https://www.mas.gov.sg/-/media/MAS/Regulations-and-Financial-Stability/Regulations-Guidance-and-Licensing/Payment-Service-Providers/Guide-to-the-Payment-Services-Act-2019.pdf?la=en&hash=B03712F4EEEE907C39BA2C12DE63A545495EE1C2#:~:text=The%20PS%20Act%20came%20into,to%20include%20new%20payment%20services. (last visited on Jan. 10, 2023)

21 Reserve Bank of India, *available at:*https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=49947 (last visited on Mar. 23, 2023).

22 "Interoperability: A game changer in payments space", *The Hindu Business Line,* Aug. 01, 2022, *available at:* https://www.thehindubusinessline.com/money-and-banking/interoperability-a-game-changer-in-payments-space/article65708005.ece (last visited on Mar. 23, 2023).

wrongdoing committed by these third-party UPI facilitators[23]. According to the RBI, the UPI system does not fall under the ambit of the meaning of 'system providers' as defined in the Act,[24] rather it is the NPCI which qualifies as the system provider here. That means it is the NPCI here that is under blunt supervisory control of the regulatory body and not the UPI apps.

The rise in UPI connected platforms introduced by big corporations like Amazon, Google and WhatsApp is suspiciously expeditious and it is only genuine for users to be concerned about data safety[25]. Another remark is that UPI forums are essentially based on bank-models wherein only banks or financial institutions can qualify as effective operators[26]. Business corporations operating payment system interfaces are manageably doing so through sponsorship from banks otherwise their operation would be deemed illegal under the PSS Act. In this scenario, it becomes all the more necessary to acknowledge, address and regulate the undisciplined, unprotected gateway of electronic payments and the said objective shall not be achieved unless there is a clear determination of division of powers laid down by a statute.

3. RESTRUCTURING OR REVITALIZING: THE MODEL OF REFORM CONTEMPLATED

The PSS Act needs to be remodelled to suit the growing changes of the present state. The need to redesign the legislation through amendments or bringing an entirely fresh statute to curb the spiking challenges is the lynchpin to be fondled by policy makers and decided by lawmakers. This article will focus on simpler suggestions and areas of reform that can be tweaked to give a bolder outlook on the present Act. The amendment that was suggested in the past focused on a less effective strategy to renovation, which loosely translates to power play between organs.

The proposed legislation should aim to achieve the policy objectives side-tracked by the existing law, that of, innovation, modernisation, and consumer protection. However,

23 Debayan Roy, "[Data Protection on UPI platforms] NPCI, not RBI responsible to ensure Amazon, Google, WhatsApp comply with UPI regulations: RBI to SC", Bar and Bench, Jan. 12, 2021, https://www.barandbench.com/news/litigation/data-protection-on-upi-platforms-npci-not-rbi-responsible-to-ensure-amazon-google-whatsapp-comply-with-upi-regulations-rbi-to-sc (last visited on Jan. 15, 2023).

24 The Payment and Settlement System Act, 2007 (Act 51 of 2007), s. 2(q).

25 Abraham Thomas, "SC notice on privacy concerns to Google, WhatsApp, Amazon UPIs", *The Hindustan Times*, Feb. 01, 2021, *available at:* https://www.hindustantimes.com/india-news/sc-notice-on-privacy-concerns-to-google-whatsapp-amazon-upis-101612192948826.html (last visited on Mar. 23, 2023).

26 NPCI, *available at:* https://www.npci.org.in/what-we-do/upi/product-overview (last visited on Jan. 15, 2023).

more than that, the legislation should be more suitable for offering legal certainty to players on both sides of the interface, the businesses, and the consumers. The new system should also allow regulators to focus on matters and deal with problems systematically, rather than having different branches managing a scattered set of issues. The status quo lacks the, not absolute, but stringently authoritative hammering force of law which can drive the impetus of change. Therefore, the reforms suggest the power of regulating the payments industry, which is intimately a part of the financial sector, to be under the control and direction of the RBI. Since the RBI has incessantly proved to be the most competent candidate, holding the reigns of the regime since its inception[27].

An authorised framework dealing with categorically signified services that determine the ambit and scope of the powers vested in each authority, with the Central bank at the helm of affairs, steering growth and development, would be an ideal structure to begin with. The case with India so far has been that the legislations regulating payment systems were all divided in subordinate, insignificant parts in the form of notices, circular and press releases. Like the 'guidelines on regulation of payment aggregators and payment gateways'[28], payment and settlement systems regulations, 2008 that were amended up to 2022[29] and "payment and settlement systems in India: vision- 2019-2021"[30], etc. A primary statute providing a principles basis for further legislation will carve a concrete path for future administrators to follow, and a statutory instrument laying down the principles of jurisprudence is by its extent the greatest achievement. Any prescriptions, substantive measures, executive orders, state notification will have a streamline to fall into if there is a guiding light of principles since no authority will have any scope to make presumptions about certain doctrine. This suggestion is also substantiated by the global practices followed in several country where exist modern laws of payment settlement, guided and governed by a primary statute. For instance, the two principal laws of Australia, the Payment Systems (Regulation) Act, 1988[31] and the Payment Systems and Netting Act, 1998[32]

27 Reserve Bank of India, *available at:* https://www.rbi.org.in/scripts/FS_Overview.aspx?fn=9#:~:text=The%20BPSS%20is%20empowered%20for,BPSS%20and%20executes%20its%20directions (last visited on Jan. 17, 2023).

28 Reserve Bank of India, *available at:* https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11822 (last visited on Jan. 17, 2023).

29 Reserve Bank of India, *available at:* https://rbidocs.rbi.org.in/rdocs/Publications/PDFs/PSSR23022022D57D6E9AFAF44D97B9ED577D9D1C7C2B.PDF (last visited on Jan. 17, 2023).

30 "Reserve Bank of India, *available at:* https://rbidocs.rbi.org.in/rdocs/PublicationReport/PDFs/PAYMENT1C3B80387C0F4B30A56665DD08783324.PDF (last visited on Jan. 19, 2023).

31 Payment Systems (Regulation) Act, 1998 (Act 58 of 1998) (Australia).

32 Reserve Bank of Australia, *available at:* https://www.rba.gov.au/media-releases/2017/mr-17-14.html (last visited on Jan. 19, 2023).

Another important aspect to be addressed is the application of risk-based approach in framing the legislation, which affirms that the risk instigating factors are controlled. The parent statute in advanced legislative systems already have laws incorporated within them to mitigate the factors of risk. Such as the legislation in Brazil, the BCB Circular 3057 which specifies that systems dealing in payment and settlement, controlling foreign assets and involved in the exchange of foreign securities are to be regarded as systematically important[33]. The clearing and settlement systems, as taken to be systematically important systems, if there is a threat of risk imposed by their working mechanism to the Brazilian Payment Systems, the BCB may apply specific provisions to it in consonance with the CMN Resolution 2882[34]. Meanwhile, due to a lack of primary statute and unreformed institutions, India is in dire need of a risk-based mechanism to ensure highest level of safety to its citizens. The RBI has tried to ventilate the subject, notably through a notification[35], which aims to categorize Retail Payment Systems and PPIs based on the degree of threat perceived from it. Though unless there is an unambiguous definition of law and mature manifestation of it, means unless the law is written down in clear and certain words, the positioning will remain unstable.

4. CONCLUSION

The payment and settlement systems in India is constantly evolving, given the technological changes witnessed in the recent past, and the legal knowhow regarding the subject must evolve at the same rate to keep pace with development. The present overview of the situation carries the shadow of a nearly obsolete Act that governs payments and clearance systems in India, the Payments and Settlement System Act, 2007. The Act conducts a brief overview of the prevailing system and designates RBI is the competent head for overlooking the governance of payment systems. The analysis of the article brings to the fore the ineffectiveness and uncertainty of the present legislation and the need to introduce reforms in the financial sector. The lacunae in the PSS Act allows entities with malaise intentions to get past the filtering system and pierce the partly guarded walls of the digital interface. The rise in fraudulent activities is a consequence of the indifference shown to protective measures. The comparative analogy drawn with other payment systems in the

33 Banco Central Do Brasil, *available at:* https://www.bcb.gov.br/Pom/Spb/Ing/InstitucionalAspects/Circular3057amended.pdf (last visited on Jan. 19, 2023).

34 Banco Central Do Brasil, *available at:* https://www.bcb.gov.br/Pom/Spb/Ing/InstitucionalAspects/Resolution2882amended.pdf (last visited on Jan. 19, 2023).

35 RBI, 'Oversight Framework for Financial Market Infrastructures (FMIs) and Retail Payment Systems (RPSs)' OVER13062020_FF0CC640BA0CC434C83A1E847B4FB3FD6.PDF (rbi.org.in) (13 June 2020) (last visited on Jan. 19,2023).

world reveal a stark difference between our settlement mechanism and those followed in the world as modern global practices. India's model parallelly seen with other countries, lags behind in consumer protection, innovation and achieving full efficacy in the regulatory system.

The reforms suggested are by the way of amendment or re-appeal to the present law. The structurization of new law has to be in the moulds of a parent legislation that will decide and determine the most guiding principles of payment regulation, thus save the hassle of relying on subordinate legislations for policy settlement. The way to change should repose greater authority in the ambit of the RBI, rather than diluting it, allowing for exercise of power in a more systematized manner. A principal organ and a principal statute tubed together will have far-reaching potential of turning productive. India also needs to adapt a risk-based framework to guarantee certainty of legal rights for service providers, system operators as well the consumers. Most modern payment systems function along the same lines. Moreover, a clear distinction between terminologies and definition of terms intricate to the payment industry is essential to demarcate boundaries of obligation. The statue can then dictate proper provisions for legal duties and responsibilities. Legal reforms when framed and finalized in proportion to the risk posed by the current rule mechanism will notably transform the vulnerability prone system. Therefore, the Indian system of payment regulation is in dire need of legislative change.