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Daily news summary

Data Governance Norms and Fintech Regulation

UPSC Civil Services · 27 August 2026 · Prelims and Mains

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WHY IN NEWS

- RBI draft data governance guidelines and Digital Personal Data Protection (DPDP) rules have compelled banks and NBFCs to re-evaluate their fintech partnerships.
- Financial institutions are revising service-level contracts to address third-party data risks and regulatory liability.

WHAT IS THE REGULATORY CONTEXT?

- Banks and NBFCs rely heavily on fintech partners for customer acquisition, credit scoring, and digital onboarding under co-lending and outsourcing arrangements.
- The RBI outsourcing directives and the Digital Personal Data Protection Act, 2023 establish strict boundaries regarding data consent, storage, and third-party processing risks.

KEY REGULATORY CHANGES AND IMPACT

- Regulated Entities (REs) must maintain absolute operational control over customer financial data and cannot delegate compliance liability to tech vendors.
- Fintech contracts are being restructured to eliminate unauthorized data scraping, enforce strict data localization, and restrict unverified third-party access.

WHY IT MATTERS

- Reduces systemic cyber risks and protects consumer financial privacy in decentralized digital lending operations.
- Ensures legal compliance for regulated financial institutions under the DPDP statutory framework.

KEY TERMS

- **Regulated Entities (REs):** Financial institutions such as banks and NBFCs directly licensed and supervised by the Reserve Bank of India.
- **Data Fiduciary:** An entity that determines the purpose and means of processing personal data under the DPDP Act.

PAPERS

GS2, GS3

PRELIMS FACTS

- DPDP Act 2023 applies to digital personal data processed within India or processing linked to offering goods/services in India.

MAINS DISCUSSION

- Balancing fintech innovation with consumer data security and institutional accountability.

KEY DATA

- **Parent Act:** Digital Personal Data Protection Act, 2023 - Establishes the statutory framework for personal data processing and penalties for data breaches.
- **Regulator:** Reserve Bank of India - Issues guidelines on outsourcing of financial services and digital lending framework.

Official source