- **Structure:** Each PSO will institute a system for resolving disputes and grievances arising out of failed transactions. Customers must be provided access for lodging grievances irrespective of whether such transactions are within the same bank or across different banks.
- **Types of transactions:** Initially the scope of the online dispute resolution system will be limited to grievances for failed transactions, and later extended to cover other kind of grievances.

Umbrella entities for retail payments: In August 2020, RBI notified a framework to set up pan-India umbrella entities for retail payment systems.[222] Currently, RBI operates an umbrella organisation for retail payments and settlement system called the National Payments Corporation of India. Key features of the framework include the following:

- **Functions:** The entity's functions include: (i) establishing, managing and operating new payment systems in the retail space, and (ii) performing clearing and settlement functions for participating banks and non-banks.
- **Capital:** The entity must have a minimum paid-up capital of Rs 500 crore. No single promoter can hold more than 40% share in the entity. The promoter shareholding can be diluted up to 25% after five years of commencement of business of the entity.

Self-Regulatory Organisation (SRO): In August 2020, RBI issued a draft framework for recognition of a SRO for PSOs.[223] The draft framework noted that as payment systems grow, the industry needs to develop standards for security, pricing, consumer protection, and grievance redressal, to optimally use the regulatory resources of RBI.[224] SRO will be a non-governmental organisation that sets and enforces rules and standards for PSOs. Key features of the draft framework include:

- **Eligibility conditions:** SRO must have a majority of the members from the industry. RBI will grant a letter of recognition to eligible organisations. It will also reserve the right to clear the appointment of important positions in the governing body of the organisation.
- **Functions:** SRO will: (i) establish minimum standards, (ii) frame a code of conduct for its members and have surveillance capacity to ensure they comply, and (iii) establish a uniform grievance redressal and dispute management framework for all its members.

Working Group submitted report on ownership and control of private banks

In June 2020, RBI had constituted an Internal Working Group to review the guidelines on ownership and corporate structure for private banks.[225] Its Terms of Reference included a review of the: (i) regulations for ownership and control in private banks, (ii) eligibility criteria for entities to apply for a banking license, and (iii) norms for promoter shareholding. The Group submitted its report in November 2020.[226] Key recommendations of the Group include:

- **Promoter shareholding**: The existing guidelines require promoters' shareholding to be at least 40% in the first five years of operations of a new bank. Thereafter, promoter shareholding must be reduced to up to 30% within 10 years of commencement of operations of the bank, and to 15% within 15 years. The Group recommended retaining the original lock-in of 40% for promoters' shareholding, raising the ceiling on the 15-year promoter shareholding from 15% to 26%, and removing the intermediate targets.
- **Non-promoter shareholding**: The existing guidelines impose different ceilings on long-run shareholding for different kinds of investors in private banks. For instance, individuals and non-financial institutions can hold up to 10% shares in private banks, but well-diversified government financial institutions can hold up to 40% of the shares. It recommended a uniform 15% cap on long-run, non-promoter shareholding of banks.
- **Ownership of banks by business houses**: The Group recommended that large business houses may be permitted to be promoters of banks. However, it was noted that this would require a legal framework to address lending by the bank to other companies promoted by the same business house. Ownership by large business houses would also require an adequate framework to ensure supervision.
- **Conversion to banks**: Well-run NBFCs, with an asset size of over Rs 50,000 crore, including those owned by large business houses may be converted to banks. This may be allowed for NBFCs that have been in operation for more than 10 years, and are subject to safeguards to manage potential conflict of interest.
- **Licensing new banks**: The Group recommended increasing the minimum initial capital