



Oversight and enforcement policy

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Fintech Association for Consumer Empowerment (FACE)
RBI-recognised Self-regulatory Organisation in the FinTech Sector (SRO-FT)

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1. Purpose

FACE is the RBI-recognised Self-regulatory Organisation in the FinTech sector (SRO-FT). As an SRO-FT, FACE is required to promote responsible conduct, ethical standards, and operational discipline and play a developmental role for the FinTech sector. The Oversight and Enforcement role of FACE aims to uphold the integrity, accountability, and ethical standards of the FinTech sector. The primary objective shall be to provide independent oversight of members/industry conduct, enforce adherence to the FACE's codes of conduct and operational standards, and foster a culture of voluntary compliance aligned with the regulatory guidelines issued by the sector regulator.

This policy outlines the approach towards meeting the above-stated objective and ensuring that FACE meet the sector's needs and responds proactively to the fast-evolving FinTech ecosystem of the country. The policy is in conjunction with and aligns with the FACE Article of Association (AoA) and RBI' SRO-FT Framework. However, in case of conflict in interpretation, the RBI's SRO-FT Framework will prevail.

2. Applicability

This policy applies to FACE members and encompasses all activities and services offered by FinTech companies that impact customer protection and financial sector integrity.

3. Oversight and enforcement committee

- The Oversight and Enforcement Committee (OEC) is constituted as a standing body within the FACE.
- The Board will constitute the OEC, comprise an Independent Director of the Board and invite external experts who will bring diverse backgrounds and skills necessary to implement standards and adjudicate non-compliance cases.
- OEC to discharge its mandate of ensuring members' compliance with the FACE-prescribed standards, codes of conduct, and operational protocols, and foster a culture of voluntary compliance in line with RBI's SRO-FT framework.
- OEC committee members will meet the 'Fit and Proper' standards as per internal policies of FACE and abide by [FACE Conflict of interest policy](#).
- The oversight and enforcement policy sets forth the guiding principles, scope of authority, procedural norms, and enforcement mechanisms to be adopted by the OEC in the discharge of its duties.
- The OEC will have its charter and operate independently to ensure unbiased decision-making in enforcement matters.
- The OEC shall function under the Board, and an employee from the FACE will function as the OEC Secretary to provide all necessary administrative and technical support.

4. Oversight and monitoring mechanism

- **Activity-Based, Risk-Based, and Scale-Based Oversight:** Develop a structured method factoring scale, risks, user harm and systemic impact to identify issues for standards, monitoring, and enforcement
- **Proportionate Oversight:** Define and implement Risk-based surveillance to detect lapses in members' practices vis-à-vis regulatory/industry standards. Indicative mechanisms to assess risk would be scale, number of customers served, revenue (surrogate for scale),

and customer segment (eg, retail customer-facing fintechs would always be rated as medium or high and never low).

- **Dynamic Risk Assessment:** Conduct periodic and event-based risk assessments to identify inherent risks associated with different fintech/member and their activities. Collect and analyse data from members and create reporting tools tailored to various categories of fintech members (customer-facing, handling personal data, providing critical infrastructure), focusing on key priorities (e.g. AML risks, cyber security incident reports, customer grievances)
- **Fostering Compliance Culture:** Facilitate compliance with the regulatory and industry standards relevant to FinTechs and promote improved practices and systems among members regarding data privacy, IT, and cybersecurity, among others. To create a baseline standard for a culture of compliance, FACE may offer accreditation programs on governance, CoC compliance, and regulatory compliance, among others, with prior approval of the RBI.
- **Reporting, Publication and Transparent Member Engagement:** Establish protocols for timely reporting of surveillance findings and alerts to members and regulatory authorities. FACE may publish key findings for the sector to learn from and course correct.
- **Tech-Enabled Surveillance:** Implement necessary IT infrastructure tailored to support oversight and enforcement mechanisms. This system will systematically capture instances of non-compliance, evidence, responses, and decisions. Surveillance infra will be suited to different fintech verticals, with monitoring and oversight mechanisms at company and industry levels, such as:
 - › Self-reporting (e.g. reporting frauds, customer grievances, and malware attacks)
 - › Integrating data from FinTechs (e.g. loan apps, VAPT reports, grievances).
 - › Periodic monitoring (e.g. social media analysis, credit bureau data on growth/risks).
 - › Negative lists (e.g. allowing reporting of vendors for proven cases of malfeasance or data breach, mistreatment of customers for recovery).

5. Enforcement principles

- **Monitoring and Surveillance:** Reliance on complaints received from the market (industry players such as FinTechs or banks, regulators, and customers) or specific audits conducted by FACE or third-party agencies to detect potential violations.
- **Investigations:** Conducting investigations into reported breaches or suspicious activities.
- **Information Requests:** Issuing requests for information and documentation from members to aid in investigations.
- **Remedial Actions:** Requiring members to take remedial actions to address deficiencies and prevent future violations.
- **Guidance:** In case of a pattern, FACE may issue advisory and guidance to members to uphold market integrity. All guidance will be posted on the FACE website.
- **Sanctions:** Imposing sanctions and penalties on members found to violate standards, which may include warnings, fines, or recommending membership suspensions to the board. This would be in line with regulatory guidelines and board supervision.

6. Decision-making

- The OEC shall focus on the mandate of ensuring members' voluntary adherence to regulatory norms established by the RBI, Government, or any other regulatory authority, as well as the FACE codes of conduct.

- The decision criteria for OEC shall be grounded in principles that ensure fairness, regulatory alignment, and sectoral integrity. Each decision shall be evaluated based on compliance with the FACE codes of conduct, sectoral regulatory guidelines, its impact on consumer protection, and its ability to mitigate systemic risks. OEC will act following this policy and a meticulously defined framework.
- The OEC shall assess the feasibility and scalability of proposed actions, ensuring they are practical for diverse member profiles. Decisions shall reflect a balance between innovation and responsibility, promoting ethical conduct without stifling growth. To maintain objectivity, the OEC may use structured tools like decision matrices, risk scoring models, and impact assessments, ensuring that every resolution is data-driven, transparent, and defensible.
- OEC shall examine the specific cases of non-compliance reported to FACE by members, customers, RBI/Government, and other stakeholders against members. The process will involve reviewing the violation of the rules, evidence, response from the member, materiality, operational/systemic lapses, and impact on the customers and industry.
- OEC shall act with impartiality and independently of any influence.
- OEC shall follow procedures that are clear and transparent to all stakeholders involved and take consistent decisions across similar cases for fairness and predictability.
- OEC shall refer or highlight cases to the FACE Board and RBI as deemed fit.
- OEC shall advise to promote specific awareness of regulations/standards through educational and training programs for its member companies and customers
- OEC shall consult with stakeholders to gather feedback on compliance, as necessary.
- OEC shall issue warnings, disapprove, levy fines, and recommend the termination of membership to the Board in case of any violations of the regulations or fair practice codes.

7. Compliance support

Assisting members in achieving and upholding regulatory compliance through personalised guidance, robust training initiatives, and accessible resources.

8. Review and update

- Review the enforcement policy at least annually to assess its efficacy and to incorporate necessary updates in response to evolving regulatory requirements and industry developments. This iterative process ensures our approach remains adaptable and compliant, fostering continuous improvement within the fintech sector.
- Maintain clear communication with members and regulators regarding enforcement actions and updates to this policy.