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ACCOUNT AGGREGATORS: A COMPARATIVE STUDY OF REGULATIONS IN INDIA AND THE EU

~Kumar Sajal

ABSTRACT

Data is the new oil. It is considered a modern weapon of warfare, particularly financial data. This article studies how financial data of an individual is shared with consent for availing services and how the consent management system works. This article also examines the comparative analysis of the regulatory frameworks governing Account Aggregators (AAs) in India and their counterparts, Account Information Service Providers (AISPs), under the European Union's PSD2 (Second Payment Services Directive), and how both frameworks differ from each other.

Keywords: Consent Architecture, Financial Information Providers (FIPs), Consent Managers, Non-Banking Financial Company (NBFC).

INTRODUCTION

Imagine how inefficient and time-consuming it would be for an individual to share their financial information with multiple financial institutions every time to create an account, apply for a loan, or avail of any service. Generally, financial institutions like banks, insurance companies or credit rating agencies require customers' financial information, and to provide this data, the customer will have to approach all these institutions individually. To deal with this cumbersome process, the Reserve Bank of India in 2016 introduced a framework known as Account Aggregators Framework that takes care of all your financial data, its management, works on consent management, and help individuals in sharing their financial data from one financial institution they have an account with to different regulated financial institutions with their consent. This framework assists the customer to share their financial information with the

institutions by just accessing it from different accounts and by giving their consent. In this article, we will make a comparative analysis between India's AA framework and the EU's PSD2 regulation.

ACCOUNT AGGREGATORS

Under Section 3(1)(i) of the Master Direction on Non-Banking Financial Company - Account Aggregator (Reserve Bank) Directions¹, 2016, an Account Aggregator is a Non-Banking Financial Company with a NBFC-AA license that provides the services of retrieving customer's financial information including bank deposits, equity shares, bonds, debentures, mutual funds and other assets like ETFs, insurance policies etc. and consolidate, organize and present such information either to the customer or any other Financial Information Users (FIUs) with the explicit consent of the customer only. To understand it in simple terms, the Account Aggregators (AA) act as an intermediary or conduit that collects financial information from various financial institutions like banks, insurance companies, etc., where the customer has the account and with the information provider's consent, shares it with the customer or any other financial institutions. These Account Aggregators are governed by the Reserve Bank of India, through its circulars and RBI's Master Directions on AA. The well-known examples of AA are Digio Internet Pvt. Ltd., PhonePe Technology Service Pvt. Ltd. and Perfios Account Aggregation Services Pvt. Ltd.

ACCOUNT AGGREGATORS ECOSYSTEM

The Account Aggregators (AA) collect financial information of the customer from the Financial Information Providers (FIPs) such as banks, banking company, non-banking financial company, asset management company, depository, depository participant, insurance company, insurance repository, Central Recordkeeping Agency, Goods and Services Tax Network (GSTN), Clearing Corporation of India Limited etc. and share it with the Financial Information Users (FIUs) to enhance services like lending and personal finance management. The Financial Information Users (FIUs) are entities/institutions that access the financial information of the customer with the help of AAs and offer financial services to the customers, like the granting

¹ Reserve Bank of India, *Master Direction – Non-Banking Financial Company – Account Aggregator (Reserve Bank) Directions, 2016* (2 September 2016) <https://rbidocs.rbi.org.in/rdocs/notification/PDFs/MD46859213614C3046C1BF9B7CF563FF1346.PDF> accessed 12 May 2025.

of loans, investment advice, etc. The FIPs and the customers are not required to be mandatorily registered with the Account Aggregators²; it is fully voluntary.

DATA SHARING AND CONSENT ARCHITECTURE

The data sharing procedure begins with Financial Information Users (FIUs) sending a request to the Account Aggregator through its API for the customer's financial data from various Financial Information Providers (FIPs). The explicit consent of the customer (as directed by the RBI) is given to the AA, which is verified by the FIPs for the sharing of the customer's financial data back to the AA. The AA further transmits these customers' financial information to the FIUs. The financial information provided by the AA shall be encrypted, real-time and with the consent of the customer; however, the FIUs can decrypt and access the financial information to provide credit, finance management or any other services.

The Account Aggregators shall have the primary function of obtaining, submitting, and managing the customer's consent and not retrieving, sharing, or transferring the customer's financial information without the customer's explicit consent. The AA follow a standardised digital document called consent artefact, as provided by the RBI's Master Direction, which contains details such as the identity of the customer, the recipients of the information, and consent creation date, expiry date, identity and signature/ digital signature of the AA, etc. The consent obtained through the consent artefact can be revoked or cancelled by the customer at any time, either fully or in part, and a fresh consent artefact will be generated and shared with the Financial Information Provider for further processing. For example, if a customer has given consent to fetch their credit card and mutual fund details, then the customer can either revoke the consent for both credit card data as well as for the mutual fund, or the customer can revoke just the access to the credit card data and give consent for the rest.

PSD2 FRAMEWORK

PSD2 or the Second Directive on Payment Service Providers is a European regulatory framework, which came into force in 2016 as an update (second version) to the original PSD that regulates entities that access or aggregate customers' financial information. It introduced new regulated players called third-party providers (TPPs)³, which have the legal right to access

² Department of Financial Services, *Account Aggregator Framework*, Ministry of Finance, Government of India <https://financialservices.gov.in/beta/en/account-aggregator-framework> accessed 13 May 2025.

³ Konsentus, *PSD2 Open Banking*, (Konsentus) <https://www.konsentus.com/market-materials/psd2-open-banking/> accessed 13 May 2025.

bank account information on behalf of their customers. Following the boom in open banking across European countries, the Payment Service Directive was introduced to create a single payment market for EU countries and to open the market to fintech and non-banking entities. After Brexit, PSD2 is not binding on the UK. However, to enhance the security of online and contactless payments, the Strong Customer Authentication (SCA) still applies to the UK. It regulates all financial service providers, banks and Third-Party Providers. PSD2 covers [three types of services](#)⁴, namely Payment Initiation Services, Account Information Services, and card-based payment instruments. In India, the Account Aggregators serve a similar role to the Account Information Service Providers (AISPs) and are regulated by the RBI's NBFC-AA Directions, 2016.

COMPARATIVE INSIGHT

a. Data sharing

Under the India's AA framework, AAs only act as a data fiduciary that manages consent and facilitates flow of encrypted data between FIPs and FIUs whereas in EU's open banking system the Third-Party Provider (TPP) such as an Account Information Service Provider (AISPs), provides the service of accessing and aggregating financial data of the customer from different financial institutions with the help of application programming interfaces (APIs).

Unlike India's framework where the data is shared reciprocally i.e., the entities (FIUs) accessing data must also share data to the ecosystem (FIPs) for example, a FIU can also share data to any other entity by registering as a FIP if it holds any financial data whereas the PSD2 allows the sharing of financial information only in one direction i.e., the data can only be shared to the Third Party Providers (TPPs) by the bank and not vice-versa.

b. User consent and privacy compliance

India's Account Aggregators framework and the EU's open banking model both enable consent-based access to financial information of the customers through application programming interface (APIs) to facilitate services. In India, the personal information of the data principals is regulated under the Digital Personal Data Protection Act, 2023 (though not enforced yet), through the Consent Managers (CMs). Since the DPDP Act applies to all entities

⁴ European Central Bank, *The revised Payment Services Directive (PSD2) and the transition to stronger payments security* (March 2018) https://www.ecb.europa.eu/press/intro/mip/online/2018/html/1803_revisedpsd.en.html accessed 14 May 2025.

that process personal data of individuals in India, Account Aggregators (which is a type of Consent Manager in the financial sector) are also regulated by the same legislation. However, the Account Aggregators are more likely regulated by the RBI's Master Directions on AA, and unlike Consent Managers, who can access any type of personal data of the customer, AA can only access the financial data of the customer. Both the RBI Master Directions on AA and the Draft DPDP Rules obligate the AA and Consent Managers to maintain logs/ records of the consent artefacts created/ managed through them and set up a grievance redressal mechanism for the customer⁵. In contrast, the financial information of the users is regulated by the General Data Protection Regulation, which requires these TPPs to conduct Data Protection Impact Assessments, appoint Data Protection Officers and other compliances.

CONCLUSION

The Account Aggregators framework in India and the open banking system in European countries are quite similar and emphasise a common goal in terms of safeguarding user consent and the sharing of financial data. However, EU countries' open banking system and PSD2 regulation are quite wide and are not restricted only to collecting financial information of the customer. The biggest difference lies in accountability, as the EU lacks intermediaries like AA, which makes banks or TPPs directly accountable for any non-compliance or failure to protect customers' privacy.

⁵ Sahamati, *Reconciling the Account Aggregator and Consent Manager Frameworks* (18 March 2025) <https://sahamati.org.in/reconciling-the-account-aggregator-and-consent-manager-frameworks/> accessed 15 May 2025.