



KAMARAJ IAS ACADEMY
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Reserve Bank of India cancels banking licence of Paytm Payments Bank

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The Reserve Bank of India (RBI) has cancelled the banking licence of Paytm Payments Bank.

The bank has been barred from conducting any banking business due to persistent regulatory non-compliance, governance issues, and violations of licensing conditions.

RBI will approach the High Court for winding-up proceedings, while assuring that the bank has sufficient liquidity to repay all depositors.

RBI Action:

Licence cancelled under Section 22(4) of the Banking Regulation Act, 1949.

Bank prohibited from conducting any banking business with immediate effect.

RBI to initiate winding-up proceedings in the High Court.

Reasons for Cancellation

Persistent regulatory non-compliance and governance failures.

Violations in KYC norms and customer due diligence.

Operations found detrimental to depositors' interest and public interest.

Kamaraj IAS Academy

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Phone: **044 4353 9988 / 98403 94477 / Whatsapp : 09710729833**

Failure to comply with conditions of payments bank licence.

Background Developments

RBI had barred onboarding of new customers (2022).

In January 2024, RBI stopped fresh deposits and top-ups.

Bank was under prolonged regulatory scrutiny since 2018.

Impact on Customers

Bank cannot carry out banking operations.

Depositors will be repaid during winding-up process.

Existing services were already restricted prior to cancellation.

Payments Banks in India:

Introduced on recommendation of Nachiket Mor Committee (2013)

Can accept deposits (up to ₹2 lakh per customer)

Cannot provide loans or credit cards

Banking Regulation Act, 1949:

Governs banking operations in India

Section 22: Licensing of banks

RBI (Established: 1935):

As of April 2026, Sanjay Malhotra is the 26th Governor of the Reserve Bank of India (RBI), having taken charge on December 11, 2024. He is supported by a team of Deputy Governors, including Swaminathan Janakiraman, T. Rabi Sankar, and Poonam Gupta (from April 2, 2025).

Paytm Payments Bank:

Launched in 2015

Founder: Vijay Shekhar Sharma

CEO: Arun Kumar Bansal

Promoted by One97 Communications

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