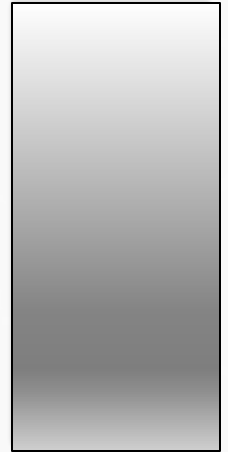


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**RBI – DRAFT NEW DIRECTIONS & AMENDMENT TO
EXISTING DIRECTIONS ON PAYMENT AGGREGATORS**





The Reserve Bank of India (RBI) moots public comments on (i) new draft directions on the Regulation of Payment Aggregators – physical Point of Sale; and (ii) amendments to the existing Regulation of Payment Aggregators (PAs) (**'Draft Circular'**).

1. **Regulation of Payment Aggregators – physical Point of Sale - DRAFT**

The payments ecosystem in India includes (i) online PAs (PA - online Point of Sale (**'PA – O'**)), and (ii) PAs which facilitate face-to-face / proximity payment transactions (PA - physical Point of Sale (**'PA – P'**)).

○ **Authorisations.**

- Banks providing PA – P, as a part of normal banking services shall not require RBI authorisation separately. They shall ensure compliance with the instructions mentioned in the Draft Circular, within 3 months from the date of issue of the Draft Circular.
- Non-bank companies providing PA – P will have to do the following:
 - (a) intimate RBI within 60 days from the issuance of this Draft Circular about their intention to seek authorisation; and
 - (b) apply for authorisation from the RBI by May 31, 2025.
- They shall be allowed to continue their operations till they receive communication from the RBI regarding fate of their application. In case they fail to get authorisation, they will have to cease these services, as per the draft rules.
- Non-bank PA – O – authorised as well as those whose application for authorisation is pending with the RBI – shall seek the approval of Department of Payment and Settlement Systems within 60 calendar days from the date of this Draft Circular, about their existing PA-P activity, if they would want to continue it.
- Within a period of 3 months of this Draft Circular, the entities, currently carrying out PA – P activity should ensure adherence to the guidelines on governance, merchant on-boarding, customer grievance redressal and dispute management framework, baseline technology recommendations, security, fraud prevention and risk management framework (provided in the RBI circular dated March 17, 2020)

○ **Net worth.**

- RBI proposed that non-banks providing PA – P as of today shall have a minimum net worth of INR 15 crores at the time of applying to the RBI for authorisation and a minimum net worth of INR 25 crores by March 31, 2028. The net worth of INRs 25 crores shall be maintained at all times thereafter.
- New non-banks (entities that have not commenced operations before the date of this Draft Circular) shall have a minimum net worth of INR 15 crores at the time of applying to the RBI for authorisation and shall attain a minimum net worth of INR 25 crores by the end of the 3rd financial year of grant of authorisation. The net worth of INR 25 crores shall be maintained at all times thereafter.
- Requirements of application is provided in the Draft Circular.

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- All existing non-bank PA – P which are not able to comply with the networth requirement or do not apply for authorisation within the stipulated time frame, shall wind-up PA – P activity by July 31, 2025.
 - Banks shall close accounts of non-bank PA – P, used for PA activity (existing as on the date of this Draft Circular) by October 31, 2025 unless such PAs produce evidence regarding application for authorisation submitted to the RBI.
- All other provisions of the RBI circulars dated March 17, 2020 and March 31, 2021 and any modifications/amendments to them, not provided for in Annex shall apply mutatis mutandis to PA-P.
- 2. Amendments to the existing Regulation of Payment Aggregators (PAs).**
- **Definition.**
- Revised definition of PAs to clearly distinguish the PA – O and PA – P services.
 - Introduction of the definition of ‘merchants’ to include small merchants and medium merchants and ‘Marketplace’.
- **Net worth.**
- The required net worth of PAs (as stated in RBI circular dated March 17, 2020) shall be maintained on an on-going basis.
- **Escrow account(s).**
- The following changes have been proposed in the escrow account mechanism:
 - (a) escrow account opened by PAs can be used for both PA – O and PA – P activities.
 - (b) funds from Delivery versus Payment (DvP) transactions now covered under escrow account.
 - (c) cash-on-delivery transactions excluded from escrow account requirements.
 - (d) debit to escrow account for specific merchant payments deleted with immediate effect.
- **KYC and Due diligence**
- PAs shall, 3 months after the date of the Draft Circular, undertake due diligence of merchants onboarded by them in accordance with Customer Due Diligence (CDD) prescribed in Master Directions on Know Your Customer (MD-KYC), 2016, as amended from time to time, unless provided otherwise.
 - The Draft Circular provides various guidelines as detailed therein for due diligence of the merchants and also monitoring thereof, including the monitoring of the marketplaces.
 - All non-bank PAs shall register themselves with the Financial Intelligence Unit-India (FIU-IND) and provide necessary information as desired by FIU – IND.
 - Existing PAs (both authorised PAs, as well as PAs whose application is pending with RBI as on the date of this Draft Circular) shall ensure that for all existing merchants (both online and physical), the due diligence process, referred to above shall be completed by September 30,

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2025. Entities providing PA-P services as on the date of this Draft Circular shall complete this process within a period of 12 months from the date of submission of application for authorisation. Quarterly reports shall be submitted to the concerned Regional Office of RBI detailing progressive compliance for the same (format provided in the Appendix hereto).

- Timelines for due diligence of existing merchants:

Percentage Contribution to <u>GPV</u> of merchants whose due diligence has been completed	Timeline for existing PAs (authorised or whose application is pending with RBI)	Timeline for existing PA – P
50	December 31, 2024	3 months from the date of application
75	March 31, 2025	6 months from the date of application
90	June 30, 2025	9 months from the date of application
100	September 30, 2025	12 months from the date of application

- **Agents of PAs.**

Non-bank PAs shall be permitted to engage agents to assist their merchants for onboarding subject to the conditions mentioned in the Draft Circular viz. requirement of Board approved policy, proper due diligence of the agents, being responsible as the principal for all acts of their agents, preserving records and confidentiality of customer information in their & their agents possession, monitoring the activities of their agents and carrying out review of the performance of various agents engaged by them at least once in a year.

- **Multiple PAs.**

For payment transactions facilitated by two or more authorised PAs connected in the transaction chain, RBI's instructions on PAs shall apply to all PAs in the chain mutatis mutandis.

- **Storage of card data (i.e. Card-on-File (CoF)).**

For face-to-face / proximity payment transactions done using cards, no entity in the card transaction / payment chain, other than the card issuers and / or card networks, shall store the CoF data from August 1, 2025. Any such data stored previously shall be purged. For transaction tracking and / or reconciliation purposes, entities can store limited data – last four digits of card number and card issuer's name – in compliance with the applicable standards. Card networks shall ensure the compliance with above for all the concerned entities.

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