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(Updated as on July 09, 2015)

All Prepaid Payment Instrument Issuers, System Providers, System Participants
and all other Prospective Prepaid Payment Instrument Issuers

Madam / Dear Sir

Master Circular – Policy Guidelines on Issuance and Operation of Pre-paid Payment Instruments in India

As you are aware, the Reserve Bank of India has, from time to time, issued a number of circulars containing policy guidelines on Issuance and Operation of Pre-paid Payment Instruments in India. This Master Circular has been prepared to facilitate the Prepaid Payment Instrument Issuers, System Providers, System Participants and all other Prospective Prepaid Payment Instrument Issuers to have all the extant instructions on the subject at one place.

2. The Master Circular has been updated by incorporating all the instructions/guidelines issued on Issuance and Operation of Pre-paid Payment Instruments in India up to July 09, 2015 and has been placed on the RBI web-site (<http://www.rbi.org.in>). A list of circulars finding reference in this master circular is enclosed as **Appendix**.

Yours faithfully,

(Nanda Dave)
Chief General Manager

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A. Purpose

To provide a framework for the regulation and supervision of persons operating payment systems involved in the issuance of Pre-paid Payment Instruments (PPIs) in the country and to ensure development of this segment of the payment and settlement systems in a prudent and customer friendly manner. For the purpose of these guidelines, the term 'persons' refers to 'entities' authorized to issue prepaid payment instruments and 'entities' proposing to issue pre-paid payment instruments.

B. Classification

Statutory Guidelines issued by Reserve Bank of India under Section 18 read with Section 10(2) of Payment & Settlement Systems Act, 2007 (Act 51 of 2007).

C. Previous Guidelines consolidated

The Master Circular compiles the policy guidelines issued on Issuance and Operation of Pre-paid Payment Instruments in India as listed in **Appendix**.

D. Scope

These guidelines lay down the eligibility criteria and the basic conditions for payment system operators involved in the issuance of Pre-paid Payment Instruments in the country. All persons authorised to operate payment systems and involved in the issuance of Pre-paid Payment Instruments in India shall comply with these guidelines. All persons proposing to operate payment systems and involved in the issuance of Pre-paid Payment Instruments shall seek authorization from the Department of Payment and Settlement Systems, Reserve Bank of India, under the Payment and Settlement Systems Act, 2007.

E. Structure

1. Introduction
2. Definitions
3. Eligibility to issue PPI
4. Exemption
5. Capital requirements
6. Safeguards against money laundering (KYC/AML/CFT) provisions
7. Categories of pre-paid payment instruments
8. Deployment of Money collected

9. Issuance and reloading of pre-paid payment instruments
10. Validity
11. Transactions Limits
12. Redemption
13. Fraud prevention and Security standards
14. Customer Protection Issue

1. Introduction

1.1. Consequent to the passing of Payment and Settlement Systems, Act 2007, banks and non-bank entities have been issuing pre-paid payment instruments in the country after obtaining necessary approval / authorisation from Reserve Bank of India and operating within the guidelines issued by Reserve Bank of India in this regard. The initial guidelines on “Issuance and Operation of PPIs” issued in April 2009 have been amended from time to time, taking into account the developments in the field and the progress made by PPI issuers. Given the number of amendments made in the past, it has become necessary to have all the instructions at one place.

1.2 Further, in view of the references received from PPI issuers on certain issues pertaining to the operations of PPIs, a comprehensive review of extant guidelines and instructions has also been carried out, in consultation with the stakeholders. These guidelines, covering both banks and non-bank persons, lay down the basic eligibility criteria and the conditions for operations such payment systems in the country.

2. Definitions

2.1 **Issuer:** Persons operating the payment systems issuing pre-paid payment instruments to individuals/organizations. The money so collected is used by these persons to make payment to the merchants who are part of the acceptance arrangement directly, or through a settlement arrangement.

2.2 **Holder:** Individuals/Organizations who acquire pre-paid payment instruments for purchase of goods and services, including financial services.

2.3 **Pre-paid Payment Instruments:** Pre-paid payment instruments are payment instruments that facilitate purchase of goods and services, including funds transfer, against the value stored on such instruments. The value stored on such instruments represents the value paid for by the holders by cash, by debit to a bank account, or by credit card. The pre-paid instruments can be issued as smart cards, magnetic stripe cards, internet accounts, internet wallets, mobile accounts, mobile wallets, paper vouchers and any such instrument

which can be used to access the pre-paid amount (collectively called Prepaid Payment Instruments hereafter). The pre-paid payment instruments that can be issued in the country are classified under three categories viz. (i) Closed system payment instruments (ii) Semi-closed system payment instruments and (iii) Open system payment instruments.

2.4 Closed System Payment Instruments: These are payment instruments issued by a person for facilitating the purchase of goods and services from him/it. These instruments do not permit cash withdrawal or redemption. As these instruments do not facilitate payments and settlement for third party services, issue and operation of such instruments are not classified as payment systems.

2.5 Semi-Closed System Payment Instruments: These are payment instruments which can be used for purchase of goods and services, including financial services at a group of clearly identified merchant locations/ establishments which have a specific contract with the issuer to accept the payment instruments. These instruments do not permit cash withdrawal or redemption by the holder.

2.6 Open System Payment Instruments: These are payment instruments which can be used for purchase of goods and services, including financial services like funds transfer at any card accepting merchant locations (point of sale terminals) and also permit cash withdrawal at ATMs / BCs.

2.7 Limits: All 'limits' in the value of instruments stated in the guidelines, indicate the maximum value of such instruments that can be issued to any holder.

2.8 Merchants: The establishments who accept the PPIs issued by PPI issuer against the sale of goods and services.

3. Eligibility to issue Prepaid Payment Instruments (PPI)

3.1 Banks who comply with the eligibility criteria would be permitted to issue all categories of pre-paid payment instruments.

3.2 However, only those banks which have been permitted to provide Mobile Banking Transactions by the Reserve Bank of India shall be permitted to launch mobile based pre-paid payment instruments (mobile wallets & mobile accounts).

3.3 Non-Banking Financial Companies (NBFCs) and other persons would be permitted to issue only closed and semi-closed system payment instruments, including mobile phone based pre-paid payment instruments.

4. Exemption

4.1 Foreign Exchange Pre-paid Payment Instruments: Persons authorized under Foreign Exchange Management Act (FEMA) to issue foreign exchange pre-paid payment instruments and where such persons issue such instruments as participants of payment systems authorised by the Reserve Bank of India, are exempt from the purview of these guidelines. The use of such payment instruments shall be limited to permissible current account transactions and subject to the prescribed limits under the Foreign Exchange Management (Current Account Transactions) Rules, 2000, as amended from time to time.

5. Capital Requirements

5.1 Banks and Non-Banking Financial Companies which comply with the Capital Adequacy requirements prescribed by Reserve Bank of India from time-to-time, shall be permitted to issue pre-paid payment instruments.

5.2 All other persons, seeking authorisation henceforth, shall have a minimum paid-up capital of Rs. 500 lakh and minimum positive net worth of Rs. 100 lakh at all the times. Necessary instructions, if any, for the existing PPI issuers for compliance of enhanced capital requirements will be notified separately.

5.3 Applicant companies having FDI/FII should meet the minimum capital requirement as applicable under Consolidated FDI policy guidelines of Government of India.

5.4 Only companies incorporated in India will be eligible to apply for authorisation.

6. Safeguards against Money Laundering (KYC/AML/CFT) Provisions

6.1 The guidelines on Know Your Customer/Anti-Money Laundering/Combating Financing of Terrorism guidelines issued by the Reserve Bank of India to banks, from time to time, shall apply mutatis mutandis to all the persons issuing pre-paid payment instruments.

6.2 As PPI issuers are operating a Payment System, provisions of Prevention of Money Laundering Act, 2002 and Rules framed thereunder, as amended from time to time, are also applicable to PPI issuers. Necessary systems shall be put in place to ensure compliance with these guidelines.

6.3 The use of pre-paid payment instruments for cross border transactions shall not be permitted except for the payment instruments provided at paragraph 4.1 of the guidelines.

6.4 Persons issuing pre-paid payment instruments shall maintain a log of all the transactions undertaken using these instruments. This data should be available for scrutiny by the Reserve Bank or any other agency / agencies as may be advised by the Reserve Bank. These persons shall also file Suspicious Transaction Report (STR) to Financial Intelligence Unit – India (FIU-IND).

7. Categories of Pre-paid Payment Instruments

7.1 The maximum value of any pre-paid payment instruments (where specific limits have not been prescribed including the amount transferred as per paragraph 10.2) shall not exceed Rs 50,000/-.

7.2 The following types of semi closed pre-paid payment instruments can be issued on carrying out Customer Due Diligence as detailed:-

- i. upto Rs.10,000/- by accepting minimum details of the customer provided the amount outstanding at any point of time does not exceed Rs. 10,000/- and the total value of reloads during any given month also does not exceed Rs. 10,000/-. These can be issued only in electronic form;
- ii. from Rs.10,001/- to Rs.50,000/- by accepting any 'officially valid document' defined under Rule 2(d) of the PML Rules 2005, as amended from time to time. Such PPIs can be issued only in electronic form and should be non-reloadable in nature;
- iii. upto Rs.1,00,000/- with full KYC and can be reloadable in nature. The balance in the PPI should not exceed Rs.1,00,000/- at any point of time.

7.3 Banks can issue open pre-paid payment instrument after full KYC in addition to semi closed PPIs listed above.

7.4 Co-branded pre-paid payment instrument

All persons authorized / approved to issue pre-paid payment instruments are permitted to co-brand such instruments with the name/logos of financial institution / Government Organisation etc. for whose customers/beneficiaries such co-branded instruments are issued. The name of the issuer shall be visible prominently on the payment instrument. NBFCs/Other persons desirous of issuing such co-branded prepaid instruments may seek one time approval from Reserve Bank of India.

However, banks have been granted general permission to issue rupee denominated co-branded prepaid instruments subject to the terms and conditions as mentioned in the circular [RBI/2012-13/325 DBOD.No.FSD.BC. 67/24.01.019/2012-13 dated December 12, 2012.](#)

7.5 Prepaid Gift instrument issuance by Banks, NBFCs and other persons

Banks, NBFCs and other persons are permitted to issue pre-paid gift instruments subject to the following conditions:

- a. The maximum validity of the pre-paid gift instruments shall be three years.
- b. Maximum value of each such payment instrument shall not exceed Rs. 50,000/-.
- c. These instruments shall not be reloadable.
- d. Cash withdrawal shall not be permitted for such instruments.
- e. Full KYC of the purchasers of such instruments shall be maintained. (Separate KYC would not be required in cases of customers who are issued such instruments against debit to their bank accounts in India which are fully KYC compliant).
- f. The issuer shall maintain the details of the persons to whom such instruments have been issued and make available the same on demand. The issuer shall also ensure that full details of the ultimate beneficiary are obtained for furnishing to the regulator or Government, as and when requested.
- g. Entities may adopt a risk based approach, duly approved by their Board, in deciding the number of such instruments which can be issued to a customer, transaction limits etc.

7.6 Pre-paid Instruments issued by banks to Government Organizations for onward issuance to the beneficiaries of Government sponsored schemes.

Banks are permitted to issue pre-paid instruments to Government Organisations for onward issuance to the beneficiaries of Government sponsored schemes, subject to the following conditions:-

- a. Verification of the identity of the beneficiaries shall be the responsibility of the Government Organisations.
- b. These payment instruments shall be loaded / reloaded only by debit to a bank account, maintained by the Government Organizations with the same bank.
- c. The maximum value of each such payment instrument shall not exceed Rs. 50,000/-.
- d. Banks shall facilitate transfer of funds from such payment instruments to a regular bank account of the beneficiary, if requested for.

- e. The banks shall be responsible for all customer service aspects related to these instruments.

7.7 Pre-paid Instruments issued by banks to other Financial Institutions for credit of one-time/periodic payments by these organisations to their customers.

Banks are permitted to issue prepaid instruments to other financial institutions for credit of one-time/periodic payments by these organisations to their customers subject to the following conditions:-

- a. Banks shall satisfy themselves about the adequacy of the KYC practices followed by these organisations before issuance of these instruments.
- b. These payment instruments shall be loaded / reloaded only by debit to a bank account, maintained by the financial institutions with the same bank.
- c. The maximum value of such payment instrument shall not exceed Rs. 50,000/-.
- d. Banks shall facilitate transfer of funds from such payment instruments to a regular bank account of the beneficiary, if asked for.
- e. The banks shall be responsible for all customer service aspects related to these instruments.

7.8 Prepaid Instruments issued by banks for credit of cross border inward remittance.

Banks are permitted to issue prepaid instruments to principal agents approved under the Money Transfer Service Scheme (MTSS) of the Reserve Bank of India or directly to the beneficiary under the scheme for loading of the funds from inward remittances, subject to the following conditions:-

- a. Banks shall ensure proper identity of the beneficiaries while directly issuing such prepaid payment instruments to them.
- b. Banks shall satisfy themselves about the systems followed by the agents for identifying the beneficiaries, before issuance of these instruments.
- c. The card shall be loaded only with the remittance proceeds received under the MTSS guidelines.
- d. The maximum value of such payment instrument shall not exceed Rs. 50,000/-.
- e. Splitting of single credits among different modes of payment shall not be permitted. Any amount received in excess of Rs. 50,000/- under MTSS should be paid by credit to a bank account.

- f. Banks shall facilitate transfer of funds from such payment instruments to a regular bank account of the beneficiary, if asked for.
- g. The banks shall be responsible for all customer service aspects related to these instruments.

7.9 Pre-paid Instruments issued by banks to Corporates for onward issuance to their employees

Banks are permitted to issue prepaid instruments to corporates for onward issuance to their employees subject to the following conditions:-

- a. Prepaid payment instruments can be issued only to corporate entities listed in any of the stock exchanges in India.
- b. Verification of the identity of the employee shall be the responsibility of the concerned corporate. The bank should put in place proper systems to capture and maintain details of the employees to whom the cards are issued by the corporate along with copies of photograph and identity proof of such employees. The corporate is also required to make available details of bank accounts (if any) of the employees to the bank.
- c. Banks may ensure that the list of authorized signatories approved by the Board of the corporate entity is taken on record and requests from such authorized persons are only accepted for the purpose of loading/activating the prepaid payment instruments.
- d. These prepaid payment instruments shall be loaded / reloaded only by debit to the bank account, which are subject to full KYC, maintained by the corporate with the same bank.
- e. The maximum value outstanding on individual prepaid payment instruments at any point of time shall not exceed Rs. 50,000/-.
- f. Banks shall facilitate transfer of funds from such prepaid payment instruments to a regular bank account of the concerned employee, if requested for.
- g. The banks shall be responsible for all customer service aspects related to these instruments.

7.10 Issue of multiple PPIs by banks from fully-KYC compliant bank accounts for dependents / family members

Banks are permitted to issue prepaid payment instrument subject to following conditions:

- a. Such PPIs may be issued only by loading the value from fully KYC-compliant bank account of the purchasers. Beneficiary has to be a dependent / family member.
- b. The account holders purchasing the PPIs need to provide the minimum details (such as name, address and contact details) of the intended beneficiary/ies who are his/her dependents and family members.
- c. Only one card can be issued to one beneficiary.
- d. The transaction and monthly limits as applicable for cash pay-out arrangements under DMT guidelines issued from time to time (currently Rs 10,000/- per transaction with a monthly ceiling of Rs 25,000/-) will be applicable for such PPIs.
- e. The bank may put in place mechanisms to monitor and report suspicious transactions on these PPIs to Financial Intelligence Unit India (FIU IND).
- f. The other guidelines as applicable to open system PPIs will also be applicable to these cards.
- g. Such PPIs shall be issued only in electronic form.

7.11 Rupee denominated PPIs issued by banks for visiting foreign nationals and NRIs

Banks are permitted to issue rupee denominated non-reloadable (a) PPIs to NRIs and foreign nationals visiting India & (b) PPIs co-branded with exchange houses/money transmitters (approved by RBI) to NRIs and foreign nationals visiting India subject to the following conditions:

- a. The cards can be issued by overseas branches of banks in India directly or by cobranding with the exchange houses/money transmitters upto a maximum amount of Rs.2 lakhs by loading from a KYC compliant bank account.
- b. Such PPIs should be activated by the bank only after the traveller arrives in India.
- c. Cash withdrawal from such PPIs will be restricted to Rs 50,000/- per month.
- d. The cards should be issued strictly for use in India and transactions settled in INR.
- e. The banks should ensure compliance to relevant KYC/AML/CFT requirements issued from time to time.
- f. An individual can hold only one card at a time and the card should be non-transferable. The issuing bank has to put in place necessary arrangements to ensure the same.

- g. These PPIs may be used only for transactions permissible under the extant foreign exchange regulations.
- h. Transaction history have to be maintained by the banks.
- i. The process put in place by the bank for refund of unutilised portion of the PPI amount in India has to adhere to the extant foreign exchange regulations.
- j. Such PPIs shall be issued only in electronic form.

7.12 PPI for Mass Transit Systems (PPI-MTS)

In the process of moving from cash based payments to electronic payments to achieve the vision of less-cash society, a new category of semi-closed Prepaid Payment Instruments (PPI) is being introduced with the following features:

- i. The semi-closed PPIs will be issued by the mass transit system operator (PPI-MTS) after authorisation under the Payment and Settlement Systems Act, 2007 to issue and operate such semi-closed PPIs;
- ii. The PPI-MTS will necessarily contain the Automated Fare Collection application related to the transit service to qualify as PPI-MTS;
- iii. Apart from the mass transit system, such PPI-MTS can be used only at other merchants whose activities are allied to or are carried on within the premises of the transit system ;
- iv. The PPI-MTS issuer will ensure on-boarding of merchants (only those permissible as under (iii) above) following due procedure applicable to any other PPI issuer;
- v. The PPI-MTS will have minimum validity of six months from the date of issue;
- vi. The issuer may decide upon the desired level of KYC, if any, for such PPIs;
- vii. The PPI-MTS issued may be reloadable in nature and at no point of time the value / balance in PPI can exceed the limit of Rs. 2,000/- (Rupees Two Thousand Only);
- viii. No cash-out or refund will be permitted from these PPIs;
- ix. Funds transfer under the Domestic Money Transfer (DMT) guidelines will also not be applicable to these PPIs;
- x. All other extant guidelines for escrow arrangement, customer grievance redressal mechanism, agent / merchant due diligence, reporting and MIS requirements etc. applicable to issue of PPIs would continue to be applicable in respect of PPI-MTS.

8. Deployment of Money Collected

8.1 The money collected against issuance of pre-paid payment instruments at a point of time could be substantial. Further, the turnover of funds may also be rapid. The confidence of public and merchant establishments on pre-paid instruments schemes depends on certainty and timeliness of settlement of claims arising from use of such instruments. To ensure timely settlement, the issuers shall invest the funds collected only as provided here-in.

8.2 For the schemes operated by banks, the outstanding balance shall be part of the 'net demand and time liabilities' for the purpose of maintenance of reserve requirements. This position will be computed on the basis of the balances appearing in the books of the bank as on the date of reporting.

8.3 Other non-bank persons issuing payment instruments are required to maintain their outstanding balance in an escrow account with any scheduled commercial bank subject to the following conditions:-

- (i) The escrow balance must be necessarily maintained with only one scheduled commercial bank at any point of time.
- (ii) In case there is a need to shift the escrow account from one bank to another, same may be effected in a time-bound manner without unduly impacting the payment cycle to the merchants. The migration should be completed in the minimum possible time and with the prior approval of RBI.
- (iii) The balance in the escrow account should, at no time, be lower than the value of outstanding PPIs and payments due to merchants. While as far as possible PPI issuers should ensure immediate credit of funds to escrow on sale / reload of PPIs to end-users, such credit to escrow account should not be later than the close of business day (on which the PPI has been sold / reloaded) under any circumstances.
- (iv) The amount so maintained in the escrow account shall be used only for making payments to the participating merchant establishments and other permitted payments. Following debits and credits will only be permitted from the escrow account:

Credits

- a. Payments received towards sale / reload of PPIs, including at agent locations
- b. Refunds received for failed / disputed / returned / cancelled transactions.

Debits

- c. Payments to various merchants/service providers towards reimbursement of claims received from them
- d. Payment to sponsor bank for processing funds transfer instructions received from PPI holders as permitted by RBI from time to time.
- e. Payment towards applicable Government taxes (received along with PPI sale/reload amount from the buyers)
- f. Refunds towards cancellation of transactions in a PPI in case of PPIs loaded / reloaded erroneously or through fraudulent means (on establishment of erroneous transfer /fraud). The funds have to be credited back to the same source from where these were received. These funds are not to be forfeited till the disposal of the case.
- g. Any other payment due to the PPI issuer in the normal course of operating the PPI business (for instance, service charges, forfeited amount, commissions)
- h. Any other debit as directed by the regulator / courts / law enforcement agencies.

Note: (1) The payment towards service charges, commission and forfeited amount shall be at pre-determined rates/frequency. Such transfers shall only be effected to a designated bank account of the PPI issuer as indicated in the agreement with the bank where escrow account is maintained. (2) All these provisions should be part of Service Level Agreement that will be signed between the PPI issuer and the bank maintaining escrow account.

- (v) PPI issuer will be required to submit the list of merchants acquired by it to the bank and update the same from time to time. The bank will be required to ensure that payments are to be made only to eligible merchants / purposes. There should be an exclusive clause in the agreement signed between the PPI issuer and bank maintaining escrow account towards usage of balance in escrow account only for the purposes mentioned above.
- (vi) Further, there should also be an exclusive clause in the agreement signed/to be signed between the issuer/operator and the bank maintaining 'escrow account', which would enable the bank to use the money in the 'escrow account' only for making payment to the merchants/holders in preference to the other creditors in the event of liquidation/bankruptcy of the issuer. Accordingly, all the banks are advised to add the

following paragraph in the agreement entered into with the issuer/operator of prepaid payment instruments for operating escrow account:

"It is expressly agreed and confirmed that the amount lying in the escrow account is charged unto the holders of the prepaid payment instruments and the merchant establishments to pay the dues arising out of usage of the prepaid payment instruments or otherwise. Provided further, that the amount in the escrow account shall be deemed to be a security charged unto the participating merchant establishments or holders of the prepaid payment instruments issued by the issuer and to be utilised to redeem the dues arising out of usage of the said prepaid payment instruments in the first instance or otherwise to be paid to the holders of the same on surrender of the instrument and settlement of the dues in the event of the scheme being wound up or being directed by the Reserve Bank of India to be discontinued, as provided for in the operative guidelines issued by the Reserve Bank on April 27, 2009 on Issuance and Operation of Pre-paid Payment Instruments, as amended from time to time."

- (vii) Banks maintaining the escrow account as above are, therefore, advised to necessarily record the charge of the holders of the pre-paid payment instruments and/or the merchant establishments with the Registrar of Companies under Section 125 of the Companies Act, 1956.
- (viii) A certificate, as prescribed by the Bank from time to time is required to be submitted by the authorised entities, signed by the auditor(s), on a quarterly basis. Such certificate shall be submitted certifying that the person has been maintaining adequate balance in the account to cover the outstanding value of pre-paid payment instruments issued. The certificates shall be submitted within a fortnight from the end of the quarter to which it pertains. Format of the certificate is attached.
- (ix) The person shall also submit an annual certificate, as above, coinciding with the accounting year of the entity to the Reserve Bank of India.
- (x) Adequate records indicating the daily position of the value of instruments outstanding vis-à-vis balances maintained with the banks in the escrow accounts shall be made available for scrutiny to the Reserve Bank or the bank where the account is maintained on demand.
- (xi) Settlement of funds with merchants should not be co-mingled with other business handled, if any by the PPI issuer.
- (xii) **NO** interest is payable by the bank on such balances.

8.4 As an exception to the above (8.3 xii), the entity can enter into an agreement with the bank where escrow account is maintained, to transfer "core portion" of the amount, in the escrow account to a separate account on which interest is payable, subject to the following:-

- i) The bank shall satisfy itself that the amount deposited represents the "core portion" after due verification of necessary documents.
- ii) The amount shall be linked to the escrow account, i.e. the amounts held in the interest bearing account shall be available to the bank, to meet payment requirements of the entity, in case of any shortfall in the escrow account.
- iii) This facility is permissible to persons who have been in business for at least ONE YEAR and whose accounts have been duly audited for the full accounting year.
- iv) NO LOAN is permissible against such deposits. Banks shall not issue any deposit receipts or mark any lien on the amount held in such form of deposits.
- v) Core portion as calculated above will remain linked to the escrow account. The escrow balance and core portion maintained should be clearly disclosed in the Auditors certificates submitted to Reserve Bank of India on quarterly and annual basis.

Note: For the purpose of these guidelines "Core Portion" may be computed as under:-

Step 1: Compute lowest daily outstanding balance (LB) on a fortnightly (FN) basis, for one year (26 fortnights) from the preceding month.

Step 2: Calculate the average of the lowest fortnightly outstanding balances [(LB1 of FN1+ LB2 of FN2++ LB26 of FN26) divided by 26].

Step 3: The average balance so computed represents the "Core Portion" eligible to earn interest.

9. Issuance and reloading of Pre-paid Payment Instruments

9.1 All persons authorised to issue pre-paid payment instruments by Reserve Bank of India are permitted to issue reloadable or non-reloadable pre-paid payment instruments depending upon the permissible category of PPIs.

9.2 Banks are permitted to issue and reload such payment instruments at their branches and ATMs against payment by cash/debit to bank account/credit card and through their business correspondents appointed as per the guidelines issued by the Reserve Bank in this regard. Banks are also permitted to issue and reload semi-closed prepaid payment Instruments through agents (other than BCs) by payment by cash/debit to bank account /credit card subject to the following conditions:-

- i) The issuer may carry out proper due diligence of the persons before appointing them as agents for sale of such instruments.
- ii) The issuer shall be responsible for all their payment instruments issued by their agents.

iii) The pre-paid payment instrument issuers shall be responsible as the principal for all the acts of omission or commission of their agents.

9.3 Other persons shall be permitted to issue and reload such payment instruments through their authorised outlets or through their agents by payment by cash/debit to bank account /credit card subject to the following conditions:-

i) The issuer may carry out proper due diligence of the persons appointed as authorized agents for sale of such instruments.

ii) The issuer shall be responsible for all their payment instruments issued by the appointed agents.

iii) The pre-paid payment instrument issuers shall be responsible as the principal for all the acts of omission or commission of their agents.

10. Validity

10.1 All pre-paid payment instruments issued in the country shall have a minimum validity period of six months from the date of activation/issuance to the holder.

10.2 In the case of non-reloadable pre-paid payment instruments, the transfer of outstanding amount at the expiry of the payment instrument to a new similar payment instrument of the same issuer, purchased by the holder may be permitted.

10.3 PPI issuers shall caution the PPI holder at reasonable intervals, during the 30 days' period prior to expiry of validity period of PPI, before forfeiting outstanding balances in the PPI, if any. The caution advice shall be sent by SMS / e-mail / post or by any other means in the language preferred by the holder indicated at the time of on-boarding the customer (sale of PPI). Further, the information about expiry period as well as forfeiture policy should be made known to the customer at the time of sale / reload of the PPI, and should be clearly enunciated in the terms and conditions of sale of PPI. Where applicable, it should also be clearly outlined on the website of the issuer.

11. Transactions Limits

11.1 There is no separate limit on purchase of goods and services using PPIs and the holder is allowed to use the PPI for these purposes within the overall PPI limit applicable.

11.2 Transaction limits and monthly caps are, however, applicable on funds transfers permitted in PPIs under Domestic Money Transfer (DMT) Guidelines. PPI issuers should ensure that all incoming funds to a PPI under DMT are within the overall permissible limits for that category of PPI.

11.3 Refunds in case of failed / returned / rejected / cancelled transactions may be applied to the respective PPI account immediately even if such application of funds results in exceeding the limits prescribed for that category of PPI. However, PPI issuers will be required to maintain complete details of such returns / refunds etc. and be in readiness to provide them as and when called for. Further, PPIs issuers will be required to put in place necessary systems that enable them to monitor frequent instances of refunds taking in place in specific accounts and if necessary / called for be in a position to substantiate with proof for audit purposes to the regulator.

11.4 In the case of open system prepaid payment instruments issued by banks in India, cash withdrawal at POS is permitted upto a limit of Rs.1000/- per day subject to the same conditions as applicable hitherto to debit cards (for cash withdrawal at POS).

12. Redemption

12.1 The issuer of such instruments shall not dishonour customer instructions for payments/transfer of money, at approved locations, if there is sufficient balance outstanding against the instrument.

12.2 The holders of pre-paid payment instrument shall be permitted to redeem the balance outstanding within the expiry date, if for any reason the scheme is being wound-up or is directed by the Reserve Bank to be discontinued.

12.3 Where redemption is provided as at 10.2 above, the redemption value shall not be in excess of the amount outstanding or the face value (loading limit) of the instrument.

13. Fraud prevention and security standards

13.1 The pre-paid payment instrument issuers shall put in place adequate information and data security infrastructure and systems for prevention and detection of frauds. It is necessary to have a centralized database/ MIS by the issuer to prevent multiple purchase of payment instruments at different locations, leading to circumvention of limits, if any, prescribed for such payment instruments.

14. Customer Protection Issue

14.1 All pre-paid payment instrument issuers shall disclose all important terms and conditions in clear and simple language (preferably in English, Hindi and the local language) comprehensible to the holders while issuing the instruments. These disclosures shall include:

- i) All charges and fees associated with the use of the instrument.
- ii) The expiry period and the terms and conditions pertaining to expiration of the instrument.
- iii) The customer service telephone numbers and website URL.

14.2 The non-bank PPI issuer shall put in place an effective mechanism for redressal of customer complaints along with escalation matrix and publicise the same for the benefit of customers. Besides reporting of customer complaints in the format and frequency as already mandated, PPI issuers are also required to report frauds, if any, involving the PPIs issued by them on a quarterly basis (or earlier). Instances of fraud along with the modus-operandi adopted by the perpetrators, if known and analysed, may be reported separately.

14.3 In case of pre-paid payment instruments issued by banks, customers shall have recourse to Banking Ombudsman Scheme for grievance redressal.

Quarterly certificate on balance in Escrow Account by Auditor

Sl. No.	Items	Comments from the Auditor's
1.	Name & Address of the entity	
2.	Name & Address of the auditor	
3.	Escrow Bank details like Name of the Bank Branch Address Account No. etc.	
4.	Outstanding Liability of the entity at the beginning of the quarter	Rs.
5	Debits to Escrow account during the quarter	
	i. Payments to various merchants/service providers towards reimbursement of claims received from them	Rs.
	j. Payment to sponsor bank for processing funds transfer instructions received from PPI holders as permitted by RBI from time to time.	Rs.
	k. Payment towards applicable Government taxes	Rs.
	l. Refunds towards cancellation of transactions in a PPI in case of PPIs loaded / reloaded erroneously or through fraudulent means.	Rs.
	m. Any other payment due to the PPI issuer in the normal course of operating the PPI business (for instance, service charges, forfeited amount, commissions etc.)	Rs.
	n. Any other debit as directed by the regulator / courts / law enforcement agencies.	Rs.
6	Credits to Escrow account during the quarter	
	a. Payments received towards sale / reload of PPIs, including at agent locations	Rs.
	b. Refunds received for failed / disputed / returned / cancelled transactions.	Rs.
7.	Escrow balance at the end of the quarter	

8.	<p>Whether the escrow account had sufficient balance to cover the outstanding liability of the entity on daily basis?</p> <p>If No, (i) number of days of shortfall in balance</p> <p>(ii) Amount short in escrow account</p>	
9.	<p>(i) Minimum balance in escrow account during the quarter (including core portion)</p> <p>(ii) Maximum balance in the escrow account during the quarter (including core portion)</p>	
10.	<p>Whether the Core portion of the escrow balance is being maintained with the same bank.</p>	
11.	<p>Quarterly Average of Core balance.</p>	
12.	<p>Whether interest is being earned by the entity on the core balance.</p>	
13.	<p>Number of merchants registered for payments</p> <p>(i) At the beginning of quarter</p> <p>(ii) At the end of quarter</p>	

Other information: Average time taken for payments to merchants

Share of Funds transfer in total payments made

Appendix

List of Circulars consolidated for the Master Circular

Sr. No.	Circular No.	Date	Subject
1.	DPSS.CO.PD.No. 1873/02.14.06/ 2008-09	27.04.2009	Policy Guidelines for issuance and operation of Prepaid payment Instruments in India
2.	DPSS.CO.PD.No.344/02.14.06/ 2009-10	14.08.2009	Policy Guidelines for issuance and operation of Prepaid payment Instruments in India
3.	DPSS.CO.No.1041/02.14.006/ 2010-2011	04.11.2010	Policy Guidelines for issuance and operation of Prepaid payment Instruments in India
4.	DPSS No. 2174/02.14.004/2010-2011	23.03.2011	Policy Guidelines for issuance and operation of Prepaid payment Instruments in India
5.	DPSS.CO.No.2501/02.14.06/ 2010-11	04.05.2011	Policy Guidelines for issuance and operation of Prepaid payment Instruments in India
6.	DPSS.CO.PD.No. 225/02.14.006/2011-12	04.08.2011	Policy Guidelines for issuance and operation of Prepaid payment Instruments in India
7.	DPSS.PD.CO.No. 62/02.27.019/2011-2012	05.10.2011	Domestic Money Transfer- Relaxations
8.	DPSS.CO.PD. No. 2256/02.14.006/ 2011-12	14.06.2012	Policy Guidelines for issuance and operation of Prepaid payment Instruments in India
9.	DPSS.CO.PD.No.560/02.14.006/2012-13	01.10.2012	Policy Guidelines for issuance and operation of Prepaid payment Instruments in India
10.	DPSS.CO.PD.No.563/02.14.003/2013-14	05.09.2013	Cash withdrawal at Point of Sale (POS) - Prepaid Payment Instruments issued by banks
11.	DPSS.CO.PD.No.2074/02.14.006/2013-14	28.03.2014	Pre-paid Payment Instruments in India – Consolidated Revised Policy Guidelines
12.	DPSS.CO.PD.No. 2366/02.14.006/2013-14	13.05.2014	Pre-paid Payment Instruments in India – Consolidated Revised Policy Guidelines
13	DPSS.CO.PD.No. 980/02.14.006/2013-14	03.12.2014	Issuance and operation of Prepaid payment instruments (PPIs) in India-Relaxations