

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

(DRAFT CIRCULAR FOR PUBLIC COMMENTS)

Madam / Dear Sir

**Prepaid Payment Instrument (PPI) guidelines – Introduction of New Category of PPI for Mass Transit Systems (PPI- MTS)**

A reference is invited to the [Master circular issued vide RBI/2014-2015/105 DPSS.CO.PD. PPI.No. 3/02.14.006/2014-15](#) dated July 1, 2014 (updated as on December 03, 2014) - Policy Guidelines on Issuance and Operation of Pre-paid Payment Instruments in India.

2. In the process of migration of cash payments to electronic payments, the migration of micro and small value cash payments can play a significant role in achieving the vision of less-cash society. One such area, where a large number of small value cash payments take place relates to mass transit systems. Therefore, based on a review, it has been considered necessary to issue additional guidelines for a new category of prepaid payment instruments to meet such needs.

3. Accordingly, a new category of semi-closed prepaid payment instruments (PPIs) has been introduced with the following features:

- i. The semi-closed PPIs will be issued by the mass transit system operator ( PPI- MTS) who will be authorised 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,
- iii. Such PPI-MTS can be used at other merchants whose activities are allied to or are carried on within the premises of the transit system only,
- 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/-,

- viii. No cash-out or refund will be permitted from these PPIs,
- ix. Funds transfer under Domestic Money Transfer (DMT) will also not be applicable to these PPIs, and
- x. All other extant guidelines for escrow arrangement, customer grievance redressal mechanism, agent / merchant due diligence, reporting and MIS requirements, etc. would be applicable.

4. The above guidelines will come into effect from the date of issue of circular. The other provisions of Master Circular dated July 1, 2014 (as amended from time to time) will remain unchanged.

5. This directive is issued under section 10(2) read with section 18 of the Payment and Settlement Systems Act 2007 (Act 51 of 2007).

Yours faithfully

(Nanda S Dave)  
Chief General Manager