

RBI/2010-11/261
DPSS.CO.No. 1041 /02.14.006/ 2010-2011

To

November 04, 2010

All System Providers, System Participants
and any prospective prepaid payment instrument Issuer

Madam/ Dear Sir

**Issuance and Operation of pre-paid payment Instruments in India (Reserve Bank) Directions-
Additional guidelines.**

A reference is invited to the guidelines appended to our circular [RBI/2008-09/ 458-DPSS.CO.PD.No. 1873 /02.14.06/ 2008-09 dated April 27, 2009](#) and subsequent circular [RBI/2009-10/123 DPSS.CO.PD.No.344/02.14.06/ 2009-10 dated August 14, 2009](#) on the captioned subject.

2. Based on the feedback received from the entities currently authorized to issue such instruments and monitoring the developments in the market, it has been considered necessary to amend certain provisions of the guidelines for facilitating the orderly development of such instruments in the country.

3. The amendment to the guidelines would (i) extend the use of semi-closed prepaid instruments intended for payment of utility bills/ essential services, for purchase of air/train travel tickets (ii) permit banks to issue semi-closed prepaid instruments through the agents in addition to their business correspondents and (iii) permit the issue of co-branded prepaid payment instruments.

4. Additional guidelines have been set out for (i) gift prepaid instruments, (ii) prepaid instruments issued to Government organizations and other financial institutions for onward issuance to beneficiaries/customers, and (iii) prepaid instruments issued to beneficiaries under Money Transfer Service Scheme (MTSS) for loading of cross border inward remittances received by them.

Amendments

5. The provisions contained in the guidelines appended to our circular RBI/2008-09/ 458-DPSS.CO.PD.No. 1873 /02.14.06/ 2008-09 dated April 27, 2009 has been amended as follows:

(i) Para 6.4 (iii): It has been decided to include purchase of travel tickets as a permissible activity along with the payment of utility bills and essential services. The amended para may now be read as:

"Semi-closed system payment instruments which permit only payment of utility bills/ essential services/travel tickets up to a limit of ₹ 10,000/- can be issued without any separate KYC being undertaken by the issuer. The persons issuing such instruments may ensure that these instruments are made acceptable only at institutions which maintain/verify the full identity of the customers. The utility bills/ essential services/travel tickets shall include only electricity bills, water bills, telephone/mobile phone bills, insurance premium, cooking gas payments, rental for Internet/Broadband Connections, Cable/DTH subscriptions, Citizen Services by Government or Government bodies and ticket booking for air/rail travel."

(ii) Para 8.2: It has been decided to permit banks to issue semi-closed pre-paid instruments through agents even where such agents are not Business Correspondents of the prepaid card issuing bank. The amended para may now be read as:

8.2.1 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.

*8.2.2 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.*
- iv) The sale/reloading by cash at the agent locations shall be restricted to the value of Rs 5000/- per customer.*
- v) For semi-closed instruments at paragraph 6.4(iii) of the guidelines, which permit only payment of utility bills/ essential services/travel tickets, the limit for sale/reloading by cash/debit to bank account/credit card shall be ₹ 10,000/-*

Co-branded pre-paid payment instruments

6. Banks and non-bank entities have been seeking our approval for issuance of co-branded prepaid instruments with corporate, Government organizations etc. for the purpose of promotion and loyalty. In this regard a new paragraph (No. 13) has been added to the guidelines.

Para 13: *All persons authorised/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*

instruments are issued. The name of the issuer shall be visible prominently on the payment instrument. Banks/NBFCs/Other persons desirous of issuing such co-branded prepaid instruments may seek one time approval from Reserve Bank of India.

Additional Guidelines

7. The provisions contained under paragraph 6 of the guidelines have been amended to incorporate guidelines specific to the type of prepaid instruments listed below. Such prepaid payment instruments shall be issued only in compliance with the guidelines as indicated in the Annex.

i) Gift Cards issued by banks, NBFCs and Other persons;

ii) Prepaid instruments issued by banks to -

- (a) Government Organisations for onward issuance to the beneficiaries of government sponsored schemes for loading of funds from such schemes.
- (b) Financial institutions for loading of one-time/periodical payments by these entities to their customers
- (c) Beneficiaries under MTSS for loading of cross border inward remittances received by them.

8. The directive is issued under Section 18 of Payment and Settlement Systems Act, 2007, (Act 51 of 2007).

Yours faithfully,

G. Padmanabhan
Chief General Manager

1. Prepaid Gift instrument issuance by Banks ,NBFCs and Other persons

Prepaid gift instruments are being issued by banks and other persons with various features and validity period. In order to streamline the issue of prepaid gift instruments the banks, NBFCs and other persons are permitted to issue prepaid gift instruments subject to the following conditions:

- a) The maximum validity of the pre-paid gift instruments shall be one year.
- b) Maximum value of each such payment instrument shall not exceed ₹ 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.

2. Prepaid Instruments issued by banks to Government Organizations for onward issuance to the beneficiaries of Government sponsored schemes.

Banks are permitted to issue prepaid 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 only by debit to a bank account, maintained by the Government Organizations with the same bank. Reloading of these instruments shall also be carried out only by debit to this account.
- 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

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

Requests have been received from various financial institutions viz. Life Insurance Corporation of India for issue of prepaid instruments by banks to them for one time/periodic payments by these organisations to their customers. Accordingly 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 only by debit to a bank account, maintained by the financial institutions with the same bank. Reloading of these instruments shall also be carried out only by debit to this account.
- c) The maximum value of such payment instrument shall not exceed ₹ 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

4. 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 ₹ 50,000/-.
- e) Splitting of single credits among different modes of payment shall not be permitted. Any amount received in excess of ₹ 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.
