



RBI/2012-13/230

DPSS.CO.PD.No.560 /02.14.006/ 2012-13

October 01, 2012

All System Providers, System Participants
and all other prospective prepaid payment instrument issuers

Dear Sir,

**Policy Guidelines for issuance and operation of Prepaid Payment Instruments in India-
Amendments**

A reference is invited to our [circulars RBI/2008-09/458 DPSS. CO. PD. No. 1873/02.14.06/2008-09 dated April 27, 2009; RBI/2009-10/123 DPSS.CO.PD.No.344/02.14.06/2009-10 dated August 14, 2009; RBI / 2010-11 / 261 DPSS. CO. No. 1041/02.14.006/2010-2011 dated November 04, 2010; RBI /2010-11/289 DPSS.CO.AD.No.780/02.27.004/2010-11 dated November 24, 2010; RBI/2010-11/341 DPSS.CO.OSD.No.1445/06.12.001/2010-11 dated December 27, 2010; RBI/2010-11/444 DPSS No.2174/02.14.004/2010-11 dated March 23, 2011; RBI/2010-11/512 DPSS.CO.No.2501/02.14.06/2010-11 dated May 4, 2011; RBI / 2011-12 / 144 DPSS. CO. PD. No. 225/02.14.006/2011-12 dated August 04, 2011, RBI/2011-12/601 DPSS.CO.PD. No. 2256 /02.14.006/ 2011-12 dated June 14, 2012](#) on the captioned subject.

2. Attention is also invited to our guidelines [RBI/2011-12/213 DPSS.PD.CO.No.62/02.27.019/2011-2012 dated October 05, 2011](#) issued on Domestic Money Transfer-Relaxations.

3. On a review the Reserve Bank has considered it necessary to carry out the following amendments:

A. Rationalisation in the categorisation and value limits of PPIs

The five categories of semi-closed PPIs as indicated in our previous guidelines have been replaced with three broad categories as under:

- i. Semi-closed system prepaid payment instruments can be issued 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. Semi-closed system prepaid payment instruments can be issued from Rs.10,001/- to Rs.50,000/- by accepting any 'officially valid document' defined under Rule 2(d) of the Prevention of Money Laundering Act. Such PPIs can be issued only in an electronic form and should be non-reloadable in nature;
 - iii. Semi-closed system prepaid payment instruments can be issued upto Rs.50, 000/- with full KYC and can be reloadable in nature.

B. Strengthening Escrow management

- i. The non-bank entities issuing prepaid payment instruments are required to maintain the outstanding balance in an escrow account with any scheduled commercial bank subject to the conditions stipulated in the guidelines dated April 27, 2009 and November 24, 2010.
- ii. It is advised that the escrow account should be credited immediately as and when the issuer/agent/distributor sells a PPI to the end-user. Further, the balances in the escrow account should be adequate to cover the outstanding balances on the PPIs with end-users and the obligations to merchants arising out of the usage of the PPIs by the end-users at any given point of time.

C. Domestic Money Transfer relaxations

In terms of the guidelines dated October 05, 2011, domestic fund transfer is permissible: (i) from a prepaid payment instrument to another prepaid payment instrument issued by the same issuer; and (ii) from a prepaid payment instrument issued with full KYC to a bank account up to Rs 5000/- with a monthly ceiling of Rs 25,000/- per remitter. In view of the amendments indicated at Para 3A above, it has been decided that all the three categories of prepaid payment instruments mentioned therein will now qualify for domestic money transfer. The other conditions as indicated in the guidelines dated October 05, 2011 will continue to prevail.

4. This directive is issued under section 18, of the Payment and Settlement Systems Act, 2007 (Act 51 of 2007) and comes into effect from the date of issue.

5. Please acknowledge receipt.

Yours faithfully

(Vijay Chugh)
Chief General Manager