

RBI issues guideline on Debit / Smart Cards

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The Reserve Bank of India has issued guidelines to the banks for issuing of debit cards and smart cards. With the spread of information technology, electronic money, namely, debit cards and smart cards are being increasingly used as alternative payment instruments. These guidelines have been issued with a view to helping banks to introduce appropriate schemes in issuing of electronic cards to ease pressure on physical cash.

Debit cards are plastic cards connected with electro magnetic identification. Banks issue such cards to customers who could use them to pay for their purchases at specified points of sale terminals. Thus the cards facilitate the customers to effect the transactions on their own accounts remotely. Smart card, on the other hand, has an integrated circuit with micro processor chip embedded in it so that it could perform calculations, maintain records, act as an electronic purse. The cards can either be exhaustible or rechargeable. In either case, they have built-in memory and processor along with an operating system which performs the financial operations. The cards have built-in facility for protection against fraudulent operations.

As per the RBI guidelines, banks can introduce smart/debit cards with the approval of their boards subject to the compliance of the guidelines issued by the Reserve Bank. The guidelines issued include criteria on the eligibility of customers to whom the cards can be issued, payment of interest on the balances transferred to the smart/debit cards, treatment of liability in respect of outstanding/unspent balances on the smart/debit cards, security aspects and other terms and conditions for issue of these cards by the banks. Although banks need not obtain prior approval of the Reserve Bank, the card issuing banks should review the operations of smart/debit cards on a half yearly basis.

The detailed guidelines are available on the RBI website at (www.rbi.org.in).

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