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RBI imposes Monetary Penalty on two Payment System Operators

The Reserve Bank of India (RBI) had, by an order dated October 01, 2021, imposed a monetary penalty of ₹1 crore (Rupees one crore only) on Paytm Payments Bank Limited (PPBL), for an offence committed of the nature referred to in Section 26 (2) of Payment and Settlement Systems Act, 2007 (PSS Act).

A Compounding Order dated October 07, 2021 was also issued to Western Union Financial Services Inc (WUFSI), a Money Transfer Service - cross-border in-bound service (customer to customer only) operator - imposing a penalty of ₹27,78,750 (Rupees twenty seven lakh, seventy eight thousand, seven hundred and fifty only) for non-compliance with certain provisions of the directions contained in the [Master Direction on Money Transfer Service Scheme \(MTSS Directions\) dated February 22, 2017](#).

The penalties have been imposed in exercise of powers vested in RBI under the provisions of Section 30 and Section 31 of the PSS Act. This action is based on deficiencies in regulatory compliance and is not intended to pronounce upon the validity of any transaction or agreement entered into by the entities with their customers.

Background

On examination of PPBL's application for issue of final Certificate of Authorisation (CoA), it was observed that PPBL had submitted information which did not reflect the factual position. As this was an offence of the nature referred to in Section 26 (2) of the PSS Act, a notice was issued to PPBL. After reviewing the written responses and oral submissions made during the personal hearing, the RBI determined that the aforementioned charge was substantiated and warranted the imposition of a monetary penalty.

WUFSI had reported instances of breach of the ceiling of 30 remittances per beneficiary during the calendar years 2019 and 2020, and filed an application for compounding of the violation. RBI determined that the aforementioned non-compliance warranted the imposition of a monetary penalty after analysing the compounding application, and oral submissions made during the personal hearing.