



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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Reserve Bank of India seeks Comments on Draft Circular on Rationalisation of Merchant Discount Rate (MDR) for Debit Card Transactions

The Reserve Bank of India has today placed on its website for public feedback the [draft circular](#) on rationalisation of Merchant Discount Rate (MDR) for debit card transactions. The comments/ suggestions/ feedback, if any, may be sent by post to the Chief General Manager, Department of Payment and Settlement Systems, Reserve Bank of India, Central Office Building, 14th Floor, Shahid Bhagat Singh Road, Mumbai - 400 001, or by [email](#) on or before February 28, 2017.

Recent developments have given a fillip to electronic transactions including card payments even at smaller merchant establishments. Keeping this in mind, for encouraging a wider segment of merchants to accept card payments, consultations were held with stakeholders for rationalising the MDR structure for debit card transactions. This draft circular is the culmination of these discussions and seeks a shift from the present slab-rate MDR based on transaction value to merchant turnover based MDR structure, for which merchants have been suitably categorised. Further, a differential MDR structure for asset light card acceptance infrastructure like QR Code, special merchant categories for government transactions and other transactions involving non-discretionary expenses have also been proposed. Banks are free to set the MDR below the regulatory caps indicated for each category.

Background

In March 2016, a concept paper was published on RBI website that spelt out various options for rationalisation of MDR structure along with strategies to enhance card acceptance infrastructure in the country. Further, on [December 16, 2016](#), special measures pertaining to MDR on debit card transactions were introduced for a three month period from January 01, 2017 to March 31, 2017, wherein it was indicated that the framework for charges on electronic transactions will be reviewed in consultation with the stakeholders as it is imperative to formulate a longer term MDR structure while assessing costs incurred in card acquiring business.

Earlier, in [June 2012](#), a regulatory cap was put in place on MDR for debit card transactions on ad-valorem basis.

Alpana Killawala

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