



RBI/2016-17/184

DPSS.CO.PD.No.1515/02.14.003/2016-17

December 16, 2016

The Chairman and Managing Director / Chief Executive Officers
All Scheduled Commercial Banks including RRBs / Urban Co-operative Banks /
State Co-operative Banks / District Central Co-operative Banks /
Payments Banks and Small Finance Banks /
All Card Network Providers

Dear Madam / Sir,

Special measures upto March 31, 2017: Rationalisation of Merchant Discount Rate (MDR) for transactions upto ₹ 2000/-

A reference is invited to [circular DPSS.CO.PD.No.2361/02.14.003/2011-12 dated June 28, 2012](#) on Merchant Discount Rates (MDR) structure for debit card transactions wherein banks were advised to cap the MDR for debit card transactions at not exceeding 0.75% of the transaction amount for value upto ₹ 2000/- and not exceeding 1% for transaction amount for value above ₹ 2000/-.

2. Following the withdrawal of legal tender characteristics of existing ₹ 500/- and ₹ 1000/- Bank Notes (Specified Bank Notes – SBN), in order to facilitate wider acceptance of card payments, the following special measures for debit card transactions (including for payments made to Government), are being introduced for a temporary period:

- (i) For transactions upto ₹ 1000/-, MDR shall be capped at 0.25% of the transaction value.
- (ii) For transactions above ₹ 1000/- and upto ₹ 2000/-, MDR shall be capped at 0.5% of the transaction value.

3. The above measures shall not apply to ATM transactions.

4. The above measures shall come into effect from January 1, 2017 and shall be applicable till March 31, 2017. In the intervening period, the Reserve Bank of India will review the framework for charges for electronic payment transactions, in consultation with the stakeholders.

5. The directive is issued under Section 10(2) read with Section 18 of Payment and Settlement Systems Act 2007, (Act 51 of 2007).

Yours faithfully

(Nanda S Dave)
Chief General Manager

Redundant