

## RBI provides new directions for prepaid payment instruments

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**T**he Reserve Bank of India (RBI) issued the master directions on Issuance and Operation of Prepaid Payment Instruments on 11 October so as to review existing regulations in this respect and issue comprehensive directions, in accordance with the feedback received from stakeholders on the draft master direction issued on 20 March under the public consultation process.

Prepaid payment instruments (PPIs), which also refers to “e-wallets”, which have become increasingly popular in recent times, are instruments which facilitate the purchase of goods and services including financial services, remittance facilities, etc. and are classified under closed system PPIs, semi-closed system PPIs, and open system PPIs.

The master direction sets out that bank as well as non-bank entities that comply with the respective applicable eligibility criteria as prescribed by the RBI, may issue semi-closed and open system PPIs upon authorization from the RBI. Net-worth requirements for existing as well as prospective PPI issuers have been prescribed, which vary based on the classification of the issuer.

Significantly, the master direction has introduced a system of interoperability between PPIs, which will be enabled in a phased manner. This will begin with interoperability among PPIs issued in the form of wallets, followed by interoperability between PPIs issued in the form of wallets and between PPIs issued in the form of cards. Cash loading is limited to ₹50,000 (US\$770) per month subject to the overall limit of the PPI, and issuers are obligated to put in place transaction limits, taking into account the risk perception of the holders as per their risk management policy.

*The business law digest is compiled by Nishith Desai Associates (NDA). NDA is a research-based international law firm with offices in Mumbai, New Delhi, Bengaluru, Singapore, Silicon Valley and Munich. It specializes in strategic legal, regulatory and tax advice coupled with industry expertise in an integrated manner.*