

GRC BULLETIN

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RBI

Master Directions on Prepaid Payment Instruments (PPIs)

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#3

CORPORATE LAWS

Authority

Reserve Bank of India

Circular Date

Dec 27, 2024

Circular Number

RBI/DPSS/2021-22/82
CO.DPSS.POLC.No.S-
479/02.14.006/2021-
22

Effective Date

Dec 27, 2024

RBI – MASTER DIRECTIONS ON PREPAID PAYMENT INSTRUMENTS (PPIS)

Applicability:

Applicable to all banks and non-bank financial companies authorized by the RBI to issue PPIS.

RBI Guidelines on Prepaid Payment Instruments (PPIS):

Issued to ensure safety, security, and customer protection while fostering innovation and competition in the PPI ecosystem.

Authorization & Eligibility:

- Both banks and non-banks must obtain RBI approval.
- Non-bank entities must meet net worth requirements: Rs. 5 crore initially, growing to Rs. 15 crore by the third year.

Types of PPIS:

- Small PPIS: Limited to goods and services with minimal KYC.
- Full-KYC PPIS: Can be used for purchases, fund transfers, and cash withdrawals.

Cross-Border Transaction Restrictions:

- INR-denominated PPIS are restricted for most cross-border transactions.
- Full-KYC PPIS can be used for permissible purchases and inward remittances (up to Rs. 50,000).

Capital & Compliance:

- Non-bank entities must maintain required capital and submit annual audits.
- Compliance with Anti-Money Laundering (AML) and Know Your Customer (KYC) regulations is mandatory.

Interoperability & Technical Standards:

- PPIS must be interoperable through UPI or card networks.
- Specific PPIS like Mass Transit and Gift PPIS are exempt from interoperability.

Fraud Prevention & Risk Management:

- Issuers must implement robust security measures, including two-factor authentication (2FA) and fraud detection systems.
- Cooling periods and transaction limits are required for added security.

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Customer Protection & Grievance Redressal:

- Clear disclosure of charges, fees, and expiry terms.
- Grievance redressal framework must be in place, with timely resolution (within 48 hours).

Information System Audits & Cybersecurity:

- PPI issuers must comply with RBI's audit requirements, including submitting a System Audit Report (SAR) and cybersecurity audit.
- Regular audits and reporting to ensure compliance with security standards.

PPIs for Special Categories:

Gift PPIs, Mass Transit PPIs, and PPIs for foreign nationals have specific limits and restrictions.

Compliance with FEMA and RBI guidelines is essential for cross-border transactions.

SOURCE: [Click here for more details](#)

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