

DRAFT FOR COMMENTS

CO.DPSS.POLC.No. /02-14-006/2026-27

***** **, 2026

All Prepaid Payment Instrument Issuers (Banks and Non-banks) / System Participants

Madam / Dear Sir,

Master Direction on Prepaid Payment Instruments (PPIs), 2026

This has reference to the [Master Directions on Prepaid Payment Instruments \(PPIs\) dated August 27, 2021](#) and subsequent amendments made thereto. As outlined in the Payments Vision 2025, in order to continue to develop a conducive framework for long term growth of PPIs with enhanced security of transactions, and after a comprehensive review, it has been decided to issue the Master Direction afresh.

2. These Directions are issued under Section 18 read with Section 10(2) of the Payment and Settlement Systems Act, 2007 (51 of 2007).

Yours faithfully,

(Gunveer Singh)

Chief General Manager-in-Charge

Encl.: As Above

Master Direction on Prepaid Payment Instruments (MD-PPIs), 2026

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In exercise of the powers conferred by Section 18 read with Section 10(2) of the Payment and Settlement Systems Act, 2007 (51 of 2007), the Reserve Bank of India, being satisfied that it is necessary and expedient in the public interest so to do, hereby, issues the directions hereinafter specified.

Chapter I

Preliminary

1. Short Title and Commencement

- a. These directions shall be called the Reserve Bank of India (Prepaid Payment Instruments) Directions, 2026.

2. Effective Date

- a. These directions shall be effective from ***** **, *****, unless specified otherwise.

3. Applicability

- a. These directions shall apply to all Prepaid Payment Instrument (PPI) Issuers and System Participants.

4. Definitions

4.1 In these directions, unless the context otherwise requires, the following meanings are assigned to the terms mentioned below:

- a. **Holder:** A natural or legal person to whom a PPI is issued.
- b. **Interoperability:** Interoperability in payment systems enables participants of one payment system to transact with participants of other payment systems. In relation to PPIs, interoperability enables the PPI holder to make or receive payments from or in the PPI through another payment system.
- c. **Issuer:** Entity issuing PPI to a natural or legal person.
- d. **Marketplace:** An e-commerce entity which provides an information technology platform on a digital or electronic network to facilitate transactions between buyer(s) and seller(s).
- e. **Merchant:** An entity, including a marketplace, that sells goods, provides services, or offers investment products.
- f. **Prepaid Payment Instrument (PPI):** Payment instrument in which money is loaded and which facilitates subsequent transactions utilising this money.

Explanation – (i) For the purpose of this MD, money is denominated in INR and does not include digital currency; and (ii) Issuance of a prepaid instrument by an entity, other than a marketplace, only for the purpose of facilitating purchase of goods or services from the entity itself, is not considered as a payment system, and does not require authorisation from RBI.

- g. Categories of PPI:
- i. **General Purpose PPI:** General Purpose PPI consists of Full-KYC PPI and Small PPI (to read with provisions as at paragraph 11.1).
 - ii. **Special Purpose PPI:** (to read with provisions as at paragraph 11.2).
 - a) **Gift PPI:** Non-reloadable PPI typically utilised for gifting purposes for purchase of goods or services at merchants.
 - b) **Transit PPI:** PPI used only for payments across various modes of public transport such as metro, buses, rail, waterways, tolls and parking.
 - c) **PPI for Foreign Nationals or Non-Residential Indians (NRIs):** PPI denominated in INR and issued to foreign nationals / NRIs visiting India.
 - d) Any other specific purpose PPI issued with prior approval of RBI.
- h. Central KYC Records Registry (CKYCR), Officially Valid Document (OVD), equivalent e-document, digital KYC, and Video-based Customer Identification Procedure (V-CIP) shall have the same meanings as defined in the [Reserve Bank of India \(Commercial Banks – Know Your Customer\) Directions, 2025](#), as amended from time to time.

4.2 Unless defined herein, all other expressions shall have the same meaning as has been assigned to them under the Payment and Settlement Systems Act, 2007, and regulations made thereunder, any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

Chapter II

Authorisation

5. Authorisation for PPI Business

a. Issuance of PPIs by banks: A bank permitted by RBI to issue debit cards can issue PPIs, with prior intimation to the Department of Payment and Settlement Systems (DPSS), Central Office, RBI, Mumbai.

b. Issuance of PPIs by non-banks:

- i. A non-bank entity shall seek authorisation for issuance of PPIs by submitting an application, in Form A, through RBI's [online portal](#).
- ii. The entity must be a company incorporated in India and registered under the Companies Act. The Memorandum of Association of the entity must cover the proposed activity of PPI issuance.

- iii. An entity regulated by any of the financial sector regulator(s) shall apply along with a 'No Objection Certificate' from such regulator(s), within 45 days of obtaining the no objection certificate.
 - iv. Certificate of Authorisation (CoA) shall normally be granted to all Payment System Operators (PSOs) on a perpetual basis subject to the conditions stated in [DPSS circular DPSS.CO.AD.No.724/02.27.005/2020-21 dated December 4, 2020](#), as amended from time to time.
 - v. Application of an entity, not meeting the minimum net-worth criteria, or which is incomplete or not in the prescribed form, shall be returned.
- c. Any takeover or acquisition of control or change in the management of a non-bank PPI issuer should adhere to instructions contained in RBI circular [CO.DPSS.POLC.No.S-590/02-14-006/2022-23 dated July 04, 2022](#) on 'Requirement for obtaining prior approval in case of takeover / acquisition of control of non-bank PSOs and sale / transfer of payment system activity of non-bank PSO', as amended from time to time.
- d. A non-bank entity having Foreign Direct Investment (FDI) shall be guided by the Consolidated FDI policy of the Government of India and the relevant foreign exchange management regulations on this subject.
- e. A non-bank entity shall also be guided by the RBI circular [CO.DPSS.AUTH.No.S190/02.27.005/2021-22 dated June 14, 2021](#) on 'Investment in entities from FATF non-compliant jurisdictions', as amended from time to time.

6. Capital Requirements

- a. A non-bank applicant shall have a minimum net-worth of ₹5 crore, and shall submit a certificate in the enclosed format ([Annexure 1.1](#)) from its statutory auditor.
- b. A non-bank PPI issuer shall attain a minimum net-worth of ₹15 crore by the end of the third financial year of authorisation.
- c. The minimum net-worth, as applicable, shall be maintained by a non-bank PPI issuer on an ongoing basis.

7. Governance

7.1 The promoters and directors of the entity shall satisfy the fit and proper criteria as below:

- a) The person has a record of fairness and integrity, including but not limited to:
 - i) financial integrity;

- ii) good reputation and character; and
- iii) honesty;
- b) Such person has not incurred any of the following disqualifications:
 - i) Convicted by a court for any offence involving moral turpitude or any economic offence or any offence under the laws administered by the RBI;
 - ii) Adjudged insolvent and not discharged;
 - iii) An order, restraining, prohibiting or debaring the person from accessing or dealing in any financial system, passed by any regulatory authority, and the period specified in the order has not elapsed;
 - iv) Found to be of unsound mind by a court of competent jurisdiction and the finding is in force; and
 - v) Is financially not sound.

7.2 The applicant entity is required to submit a declaration in the enclosed format ([Annexure 1.6](#)). RBI may check 'fit and proper' status of the applicant entity and its management by obtaining inputs from other regulators, government departments, etc., as deemed fit. As regards fulfilment of 'fit and proper' criteria, RBI's decision shall be final.

Chapter III

Conduct of PPI Business

8. Customer Due Diligence

The [Reserve Bank of India \(Commercial Banks – Know Your Customer\) Directions, 2025](#) (MD on KYC), as amended from time to time, shall apply *mutatis mutandis* to a non-bank PPI issuer. A bank PPI issuer shall comply with the applicable Reserve Bank of India (Know Your Customer) Directions, 2025, as amended from time to time.

9. Issuance and Loading of PPIs

- a. A PPI may be issued as a card, wallet, or in any such form / instrument which can be used to access the PPI and to use the amount therein. No PPI shall be issued in the form of a paper voucher.
- b. A PPI may be loaded by debit to a bank account or another PPI, or by cash, unless specified otherwise. A Special Purpose PPI may be loaded by a credit card as well.
- c. A bank PPI issuer may load PPI through Business Correspondents (BCs).
- d. A non-bank PPI issuer may load PPI through its agents in person, in accordance with the provisions outlined by RBI in circular [CO.DPSS.POLC.No.S-384/02.32.001/2021-2022](#)

[dated August 03, 2021](#) on 'Framework for Outsourcing of Payment and Settlement-related Activities by Payment System Operators', as amended from time to time.

- e. A PPI issuer shall not pay any interest on PPI balances.
- f. Use of a PPI for cross-border transactions is not permitted.

10. Co-branding Arrangements

- a. A PPI issuer may enter into an arrangement with other PPI issuers, scheduled commercial banks, companies incorporated in India under the Companies Act, or Government Departments / Ministries / Institutions for issuing co-branded PPIs.
- b. The role of a co-branding partner shall be limited to marketing or distribution related activities.
- c. The PPI issuer shall be liable for all acts of the co-branding partner.

11. Categories of PPIs

11.1 General Purpose PPI

- a. **Full-KYC PPI:** A Full-KYC PPI would be issued after completing customer due diligence (CDD) process, in accordance with MD on KYC. A Full-KYC PPI shall be issued subject to the following conditions:
 - i. An issuer can issue only one such PPI to a holder at any point in time.
 - ii. Such PPI should have a minimum validity of one year from the date of issuance.
 - iii. The amount outstanding in such PPI shall not exceed ₹2,00,000/- at any point of time.
 - iv. The total amount debited from such PPI during a month should not exceed ₹2,00,000/-. PPI issuer may set limits within these ceilings, considering the risk profile of the PPI holder, other operational risks, etc.
 - v. Person to Person (P2P) fund transfers from such PPI (to a bank account or to other PPI) should be limited to ₹25,000/- per month.
 - vi. Cash loading in such PPI shall be limited to ₹10,000/- per month.
 - vii. Cash withdrawal using such PPI shall be permitted subject to extant instructions issued by RBI from time to time.
- b. **Small PPI:** In case CDD of the customer could not be carried out in accordance with MD on KYC, a Small PPI may be issued after obtaining minimum details of the customer. These details should necessarily include a mobile number verified with One Time Password (OTP) and a self-declaration of name and unique identity / identification number of any 'mandatory document' or 'Officially Valid Document (OVD)' or any such

document with any name listed for this purpose in MD on KYC, as amended from time to time. A Small PPI shall be issued subject to the following conditions:

- i. A Small PPI shall have a maximum validity of two years from the date of issuance.
- ii. A Small PPI can be converted to a Full-KYC PPI, in accordance with MD on KYC, during its validity period.
- iii. An issuer can issue only one such PPI to a holder at any point in time. Upon expiry of a Small PPI, the issuer shall not issue another Small PPI to the same customer.
- iv. The amount outstanding at any point of time shall not exceed ₹10,000/-.
- v. Total amount debited from a Small PPI during any month should not exceed ₹10,000/.
- vi. Small PPI should be used only for purchase of goods or services. Cash withdrawal or Person to Person (P2P) funds transfers from such PPI is not permitted.

11.2 Special Purpose PPI

a. Gift PPI

- i. The maximum value of a Gift PPI shall not exceed ₹10,000/-.
- ii. Such PPI shall not be purchased by cash.
- iii. Such PPI shall have a maximum validity of one year from the date of issuance, and shall not be reloadable.
- iv. Cash-withdrawal or Person to Person (P2P) fund transfers are not permitted for such PPI.

b. Transit PPI

- i. Such PPI can be issued without KYC verification of the holders.
- ii. The amount outstanding in such PPI shall not exceed ₹3,000/- at any point of time.
- iii. Withdrawal, refund or transfer of funds are not permitted in such PPI.
- iv. Such PPI may have perpetual validity i.e., paragraph 12 shall not apply to Transit PPIs.

c. PPIs for Foreign Nationals / Non-Resident Indians (NRIs) visiting India – UPI One World

- i. A PPI wallet may be issued to foreign nationals / NRIs, after physical verification of Passport and Visa, for making Person to Merchant (P2M) payments during their stay in India.

- ii. Loading of such PPI shall be against receipt of foreign exchange by cash or through any payment instrument.
- iii. Total amount debited from such PPI during any month shall not exceed ₹5,00,000/.
- iv. A PPI issuer shall close such PPI upon expiry of PPI holder's Visa and transfer the unutilised balances 'back to source'. In such cases, the balance can be refunded in foreign currency also, in compliance with FEMA requirements.

12. Expiry, Inactivity, and Closure of PPIs

- a. A PPI, other than a Transit PPI, with no financial transaction for a consecutive period of one year shall be classified as inactive, and shall be closed after one year of being so classified, unless reactivated by the PPI holder.
- b. A PPI issuer shall notify the PPI holder (via SMS or e-mail or any other means) at reasonable intervals, during the 45 days' period prior to the expiry or the PPI becoming inactive.
- c. A PPI can also be closed on request of the PPI holder at any time, unless specified otherwise.
- d. Outstanding balance in a PPI shall be transferred 'back to source account' or to a verified bank account of the PPI holder, if available, whenever the PPI expires, becomes inactive, is closed by the holder, or the PPI issuer voluntarily surrenders the Certificate of Authorisation, whichever is earlier.

13. Handling of Refunds

- a. Refunds in case of failed, returned, rejected, or cancelled transactions shall be applied to the respective PPI immediately, even if such refunds result in exceeding the prescribed limits for that specific PPI category.
- b. Refunds of transactions done using any other payment instrument shall not be credited to PPI.

14. Interoperability

- a. A PPI issuer should facilitate interoperability with card network or Unified Payments Interface (UPI), on the issuer side to a holder of Full-KYC PPI, as per the conditions prescribed by the respective Network Provider.
- b. A PPI issuer may also facilitate discovery of PPI on third-party UPI mobile applications.

15. Customer Protection and Dispute Management

- a. A PPI issuer shall disclose all features of PPI, and all associated charges, validity period and terms and conditions in clear and simple language (preferably in English, Hindi and the local language) to the holder while issuing the PPI.
- b. A PPI issuer shall put in place a formal, publicly disclosed customer grievance redressal framework, including designating a nodal officer to handle the customer complaints or grievances, the escalation matrix and turn-around-times for complaint resolution.
- c. Agents of the PPI issuer shall not impose any charges on the customers.
- d. A PPI holder shall have recourse to the [Reserve Bank - Integrated Ombudsman Scheme, 2026](#), as amended from time to time, for grievance redressal.
- e. A PPI issuer shall be guided by the following RBI circulars:
 - i. [DPSS.CO.PD No.629/02.01.014/2019-20 dated September 20, 2019](#) on 'Harmonisation of Turn Around Time (TAT) and customer compensation for failed transactions using authorised Payment Systems', as amended from time to time.
 - ii. [DPSS.CO.PD No.116/02.12.004/2020-21 dated August 06, 2020](#) on Online Dispute Resolution (ODR) System for Digital Payments', as amended from time to time.
- f. **Limiting liability of customers in unauthorised PPI transaction:** A PPI issuer shall be guided by directions on limiting liability of customers in unauthorised electronic banking transactions contained in the [Reserve Bank of India \(Commercial Banks – Responsible Business Conduct\) Directions, 2025](#) or equivalent directions as applicable, as amended from time to time, except in the case of offline payments from PPIs.

Chapter IV

Escrow Account

16. Escrow Accounts of PPI Issuers

- a. A non-bank PPI issuer shall maintain the funds collected against issuance of PPIs in a separate escrow account (in INR) with a Scheduled Commercial Bank (SCB) in India.
- b. Such an escrow account shall be utilised only for authorised PPI business and not for any other business. There shall be no co-mingling of funds originating from any other activity that a PPI issuer may be undertaking.
- c. One additional escrow account may be maintained in a different SCB (at the discretion of PPI Issuer). Auditor's Certificate shall be needed for Inter-escrow account transfers.

- d. The total day end balances in the escrow account(s) shall not be less than the value of outstanding PPIs and payments due to acquirers. The adherence to the same shall be certified by statutory auditors on a quarterly basis (format enclosed at [Annexure 1.3](#)).
- e. No interest shall be payable on the balances maintained in the escrow account except on the core portion amount of the escrow account subject to the conditions prescribed in paragraph 17.
- f. For the purposes of maintenance of an escrow account, payment system operated by a non-bank PPI issuer shall be deemed to be 'designated payment systems' under Sub-section (3) of Section 23A of the Payment and Settlements Systems Act, 2007.

17. Core Portion of Escrow Accounts

- a. The 'Core Portion' eligible to earn interest shall be computed as follows:

Step 1: Compute lowest daily outstanding balance (LB) on a monthly (M) basis, for 12 months from the preceding month.

Step 2: Take the average of the lowest monthly outstanding balances [(LB1 of M1+ LB2 of M2++ LB12 of M12) divided by 12] to compute the 'Core Portion'.

- b. This facility shall be permissible to a PPI issuer who has been in business for at least 12 months.

Chapter V

Other Provisions

18. Reports

- a. An authorised PPI issuer shall submit reports as listed in [Annexure 1](#) of this MD.

19. Repeal and Saving

- a. The RBI circular [CO.DPSS.POLC.No.S-479/02.14.006/2021-22 dated August 27, 2021](#) on 'Master Directions on Prepaid Payment Instruments (PPIs)' shall stand repealed from the date of coming into effect of this MD, or any specific provision mentioned thereto.
- b. Notwithstanding such repeal as aforementioned, all authorisation or approvals granted, actions taken, and acknowledgements issued under the aforesaid circular shall continue to be valid and shall be deemed to have been granted under this MD.

Reports to be submitted by Authorised PPI issuers

Annual

1. Net-worth Certificate - Audited Annual report with statutory auditor certificate on Net-worth – by September 30th ([Annexure 1.1](#)).
2. IS Audit Report and Cyber Security Audit Report with observations noted, if any, including corrective / preventive action planned with closure date – Externally Audited – as prescribed by RBI. The scope of audit shall encompass all relevant areas of information system processes and applications.
3. Details of co-branding arrangements – Addressed to the respective Regional Office of DPSS, RBI ([Annexure 1.2](#)).

Quarterly

1. Auditor's Certificate on Maintenance of Balance in Escrow Account – by 30th of the month following the quarter end ([Annexure 1.3](#)).
2. PPI Customer Grievance Report ([Annexure 1.4](#)).

Monthly

1. PPI Statistics – by 7th of next month ([Annexure 1.5](#)).

Non-periodic

1. Declaration and Undertaking by the Director - Changes in Board of Directors – as and when the changes take place ([Annexure 1.6](#)).