

## RESERVE BANK OF INDIA

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RBI/2020-21/68 DPSS.CO.PD.No.660/02.14.008/2020-21

November 17, 2020

All Scheduled Commercial Banks / Authorised Prepaid Payment Instrument Issuers / Payment Aggregators / Payment System Providers / System Participants

Madam / Dear Sir.

## Maintenance of Escrow Account with a Scheduled Commercial Bank

A reference is invited to the instructions issued by Reserve Bank of India vide (a) <a href="https://doi.org/10.1016/journal.com/">DPSS.CO.PD.No.1164/02.14.006/2017-18 dated October 11, 2017</a> (updated as on February 28, 2020) on 'Issuance and Operation of Prepaid Payment Instruments (PPIs)'; and (b) <a href="https://doi.org/10.1016/journal.com/">DPSS.CO.PD.No.1810/02.14.008/2019-20 dated March 17, 2020</a> on 'Regulation of Payment Aggregators (PAs) and Payment Gateways (PGs)'.

- 2. An authorised PPI Issuer or a PA is required to maintain an escrow account with a scheduled commercial bank on an ongoing basis. With a view to diversify risk and address business continuity concerns, it has been decided to allow one additional escrow account in a different scheduled commercial bank. The relevant instructions are being modified as per Annex 1 and 2 to this circular.
- 3. These directions are issued under Section 18 read with Section 10(2) of the Payment and Settlement Systems Act, 2007.

Yours faithfully,

(P. Vasudevan) Chief General Manager

## Modifications to Master Direction on Issuance and Operation of PPIs (PPI-MD) DPSS.CO.PD.No.1164/02.14.006/2017-18 dated October 11, 2017

(updated as on February 28, 2020)

| Para No. | Extant Instructions                    | Modified Instructions                            |
|----------|--|--|
| 12.3     | Non-bank PPI issuers are required to   | Non-bank PPI issuers are required to maintain    |
|          | maintain their outstanding balance in  | their outstanding balance in an escrow account   |
|          | an escrow account with any             | with any scheduled commercial bank. <b>An</b>    |
|          | scheduled commercial bank. For the     | additional escrow account may be                 |
|          | purpose of maintenance of the          | maintained with a different scheduled            |
|          | Escrow account, payment systems        | commercial bank at the discretion of the PPI     |
|          | operated by non-bank entities for      | <b>issuer.</b> For the purpose of maintenance of |
|          | issuance of PPIs shall be deemed to    | escrow account, payment systems operated by      |
|          | be 'designated payment systems'        | non-bank entities for issuance of PPIs shall be  |
|          | under Section 23A of the PSS Act,      | deemed to be 'designated payment systems'        |
|          | 2007 (as amended in 2015).             | under Section 23A of the PSS Act, 2007 (as       |
|          | Maintenance of escrow balance shall    | amended in 2015). Maintenance of escrow          |
|          | be subject to the following conditions | balance shall be subject to the following        |
|          | -                                      | conditions –                                     |
| 12.3     | The escrow balance shall be            | Deleted  |
| (i)      | maintained with only one scheduled     |  |
|          | commercial bank at any point of time.  |  |
| 12.3     | In case there is a need to shift the   | In case there is a need to shift the escrow      |
| (ii)     | escrow account from one bank to        | account from one bank to another, the same       |
|          | another, the same shall be effected in | shall be effected in a time-bound manner         |
|          | a time-bound manner without unduly     | without unduly impacting the payment cycle to    |
|          | impacting the payment cycle to the     | merchants. Migration shall be completed in the   |
|          | merchants. The migration shall be      | minimum possible time with prior intimation to   |
|          | completed in the minimum possible      | RBI.   |
|          | time and with the prior approval of    |  |
|          | RBI.                                   |  |
| 12.3     | Only the following debits and credits  | Only the following debits and credits shall be   |
| (iv)     | shall be permitted in the escrow       | permitted in the escrow account; in case where   |
|          | account:                               | an additional escrow account is being            |
|          |  | maintained, credit and debit from one            |
|          |  | escrow account to the other shall also be        |
|          |  | permitted. However, inter-escrow transfers       |
|          |  | shall be avoided as far as possible and if       |

| Para No. | Extant Instructions                      | Modified Instructions                               |
|----------|--|---|
|          |  | resorted to, auditor's certification shall          |
|          |  | clearly mention such transactions:                  |
| 12.3     | The agreement between the issuer /       | The agreement between the issuer / operator         |
| (v)      | operator and the bank maintaining        | and the bank maintaining escrow account shall       |
|          | escrow account shall include an          | include a clause enabling the bank to use the       |
|          | exclusive clause enabling the bank to    | money in the escrow account only for                |
|          | use the money in the escrow account      | purposes mentioned in these Directions.             |
|          | only for making payment to the           |   |
|          | merchants / PPI holders.                 |   |
| 12.3     | A certificate (format enclosed Annex-    | A certificate (format enclosed Annex-5) signed      |
| (x)      | 5) signed by the auditor(s), shall be    | by the auditor(s), shall be submitted by the        |
|          | submitted by the authorised entities to  | authorised entities to the respective Regional      |
|          | the respective Regional Office of        | Office of DPSS, RBI on a quarterly basis            |
|          | DPSS, RBI on a quarterly basis           | certifying that the entity has been maintaining     |
|          | certifying that the entity has been      | adequate balance(s) in the escrow account(s)        |
|          | maintaining adequate balance in the      | to cover outstanding value of PPIs issued and       |
|          | escrow account to cover the              | payments due to merchants. In case, an              |
|          | outstanding value of PPIs issued and     | additional escrow account is being                  |
|          | payments due to merchants. The           | maintained, it shall be ensured that                |
|          | certificate shall be submitted within a  | balances in both accounts are considered            |
|          | fortnight from the end of the quarter to | for the above certification. This shall also be     |
|          | which it pertains. The entities shall    | indicated in the certificate. The same              |
|          | also submit an annual certificate        | auditor shall be employed to audit both             |
|          | (Annex-5), signed by the auditor(s),     | escrow accounts. The certificate shall be           |
|          | coinciding with the accounting year of   | submitted within a fortnight from <b>the</b> end of |
|          | the entity to RBI.                       | quarter to which it pertains. Entities shall also   |
|          |  | submit an annual certificate (Annex-5), signed      |
|          |  | by the auditor, coinciding with accounting year     |
|          |  | of the entity to RBI.                               |
| 12.4     | Core portion as calculated below will    | Core portion shall be calculated separately         |
| (e)      | remain linked to the escrow account.     | for each of the escrow accounts and will            |
|          | The escrow balance and core portion      | remain linked to the respective escrow              |
|          | maintained shall be clearly disclosed    | account. Escrow balance and core portion            |
|          | in the auditors' certificates submitted  | maintained shall be clearly disclosed in the        |
|          | to RBI on quarterly and annual basis.    | auditors' certificates submitted to RBI on          |
|          |  | quarterly and annual basis.                         |
|          |  |   |

## Modifications to Guidelines for Regulation of Payment Aggregators (PAs) and Payment Gateways (PGs)

DPSS.CO.PD.No.1810/02.14.008/2019-20 dated March 17, 2020

| Para<br>No. | Extant Instructions                           | Modified instructions                         |
|-------------|---|---|
| 8.1         | Non-bank PAs shall maintain the amount        | Non-bank PAs shall maintain the amount        |
|             | collected by them in an escrow account        | collected by them in an escrow account        |
|             | with any scheduled commercial bank. For       | with any scheduled commercial bank. <b>An</b> |
|             | the purpose of maintenance of the escrow      | additional escrow account may be              |
|             | account, the operations of PAs shall be       | maintained with a different scheduled         |
|             | deemed to be 'designated payment              | commercial bank at the discretion of          |
|             | systems' under Section 23A of the PSSA        | the PA. For the purpose of maintenance        |
|             | (as amended in 2015).                         | of escrow account, operations of PAs          |
|             |   | shall be deemed to be 'designated             |
|             |   | payment systems' under Section 23A of         |
|             |   | the PSSA (as amended in 2015).                |
| 8.2         | Escrow account balance shall be               | In case there is a need to shift the escrow   |
|             | maintained with only one scheduled            | account from one bank to another, the         |
|             | commercial bank at any point of time. In      | same shall be effected in a time-bound        |
|             | case there is a need to shift the escrow      | manner without impacting the payment          |
|             | account from one bank to another, the         | cycle to merchants, under advice to RBI.      |
|             | same shall be effected in a time-bound        |   |
|             | manner without impacting the payment          |   |
|             | cycle to the merchants under advise to        |   |
|             | RBI.  |   |
| 8.9         | Permitted credits / debits to the escrow      | Permitted credits / debits to the escrow      |
|             | account shall be as set out below:            | account shall be as set out below; where      |
|             |   | an additional escrow account is               |
|             |   | maintained, credit and debit from one         |
|             |   | escrow account to the other shall also        |
|             |   | be permitted. However, inter-escrow           |
|             |   | transfers should be avoided as far as         |
|             |   | possible and if resorted to, auditor's        |
|             |   | certification shall clearly mention           |
|             |   | such transactions.                            |
| 8.13        | A certificate signed by the auditor(s), shall | A certificate signed by the auditor(s),       |
|             | be submitted by the authorised entities to    | shall be submitted by the authorised          |

| Para<br>No. | Extant Instructions                          | Modified instructions                       |
|-------------|--|---|
|             | the respective Regional Office of DPSS,      | entities to the respective Regional Office  |
|             | RBI, where the registered office of the PA   | of DPSS, RBI, where registered office of    |
|             | is situated, certifying that the entity has  | PA is situated, certifying that the entity  |
|             | been maintaining balance in the escrow       | has been maintaining balance(s) in the      |
|             | account in compliance with these             | escrow account(s) in compliance with        |
|             | instructions, as per the periodicity         | these instructions, as per periodicity      |
|             | prescribed in Annex 3.                       | prescribed in Annex 3. In case, an          |
|             |  | additional escrow account is being          |
|             |  | maintained, it shall be ensured that        |
|             |  | balances in both accounts are               |
|             |  | considered for the above certification.     |
|             |  | This shall also be indicated in the         |
|             |  | certificate. The same auditor shall be      |
|             |  | employed to audit both escrow               |
|             |  | accounts.                                   |
| 8.15        | Core portion as calculated below shall       | The core portion shall be calculated        |
| .5          | remain linked to the escrow account. The     | separately for each of the escrow           |
|             | escrow account balance and core portion      | accounts and will remain linked to the      |
|             | maintained shall be clearly disclosed in the | respective escrow account. The              |
|             | auditors' certificates submitted to RBI on   | escrow balance and core portion             |
|             | quarterly and annual basis.                  | maintained shall be clearly disclosed in    |
|             |  | the auditors' certificates submitted to RBI |
|             |  | on quarterly and annual basis.              |