



## ERGO

*Analysing developments impacting business*

### RBI RELAXES TIMELINES FOR PAYMENT SYSTEM COMPLIANCES

11 June 2020

#### Background

On 4 June 2020, the Reserve Bank of India (RBI) issued a notification (Notification) relaxing the timelines for certain compliances to be undertaken by banks, authorised payment system operators, and system participants. The RBI noted that the relaxations are being introduced in view of the present situation in the country.

In this update, we analyse the relaxations announced by the RBI under the Notification and its implications on the participants in the payments eco-system.

#### Key Relaxations

##### ➤ Payment aggregators

- On 17 March 2020, the RBI had issued guidelines to regulate the activities of payment aggregators and payment gateways (Aggregation Guidelines). The Aggregation Guidelines came into force on 1 April 2020 and introduced a licensing regime for payment service providers for providing payment aggregation services. Please refer to our analysis of the Aggregation Guidelines [here](#).
- The RBI had clarified that banking entities which were engaged in providing payment aggregation services would not be required to obtain a separate license from the RBI under the Aggregation Guidelines. However, non-bank entities are required to obtain a specific registration from the RBI for undertaking payment aggregation activities. Existing non-bank entities engaged in providing payment aggregation services were provided a 15-month window up till 30 June 2021 to prepare and submit their applications for obtaining authorisation.
- The RBI has now prescribed time until 30 September 2020 with respect to activities for which specific timelines were not prescribed under the Aggregation Guidelines (and which were effective from 1 April 2020). The Aggregation Guidelines provide for specific timelines only with respect to compliance with minimum net-worth requirements and submission of application for authorisation by existing non-bank entities offering payment aggregation services. All other compliance requirements applicable to payment aggregators under the Aggregation Guidelines (including with respect to reporting and disclosure requirements,

compliances relating to merchant on-boarding and due diligence, information systems and security measures, etc) are now required to be met by payment aggregators by 30 September 2020.

- The Aggregation Guidelines did not clarify on whether existing non-bank entities offering payment aggregation services are required to comply with the various requirements prescribed under the Aggregation Guidelines (including transitioning from the current nodal account structure to the escrow account mechanism) from 1 April 2020 itself (and now 30 September 2020), or after the RBI granted them registration under the Aggregation Guidelines. The Notification does not throw light on this aspect either.
- However, banking entities which provide payment aggregation services may surely avail the benefit of the relaxations under the Notification, and will now have additional time until 30 September 2020 to comply with the requirements issued under the Aggregation Guidelines.

#### ➤ eWallet providers

The RBI has also provided additional time for issuers of pre-paid payment instruments (PPIs) or eWallets to comply with the following requirements:

- Non-bank entities operating an eWallet were required ensure a minimum positive net-worth of INR 150 million (~US\$ 1.9 million) as per the audited financial statements as on 31 March 2020. The RBI has now provided an extension of six months, and clarified that the aforesaid net-worth requirement may be tested as per the financial position as on 30 September 2020.
- The RBI has also extended the timelines for certain ongoing reporting requirements (such as submission of system audit report, including cyber security audit conducted by CERT-IN empanelled auditors) which were required to be completed within two months from the end of the financial year. eWallet providers or PPI issuers will now have to comply with these requirements by 31 October 2020.

#### ➤ Security for card transactions

The RBI had issued a notification on 15 January 2020 under which banks, card payment networks, and PPI issuers were required to comply with certain requirements in relation to issuance of payment cards by 16 March 2020. Such compliances included providing cardholders the flexibility to enable, disable, or modify transaction limits for all types of card transactions. The RBI has now extended the timeline up to 30 September 2020 for implementing these compliances.

#### ➤ Turn around time (TAT) and customer compensation for failed transactions

On 20 September 2019, the RBI issued a notification to harmonise the TAT and customer compensation for failed payment transactions on authorised payment systems. Under this notification, the RBI prescribed a framework for resolution of failed transactions (Resolution Framework) where monies are debited from the payer's account but not credited into the beneficiary's account. The RBI mandated reversal of payments within a specified time frame (ranging between 1 to 5 days from the date of transaction) for failed transactions effected through different payment systems such as ATMs, card payments, IMPS, UPI, NACH, PPI, etc. The RBI had also prescribed a compensation of INR 100 per day for each day of delay in effecting the reversal

of payments. The RBI has now provided a relaxation for reversal of payments by clarifying that references to calendar days in the Resolution Framework would be understood as 'working days' up to 31 December 2020.

## Comments

The nationwide lockdown in the wake of COVID-19 abruptly disrupted business operations across sectors. RBI's decision to extend these timelines is a welcome step as it would afford some breathing space to payment system operators / participants to meet the various compliance requirements.

Separately, considerable ambiguity remains on various aspects of the Aggregation Guidelines (as discussed in our analysis [here](#)), and it would be good to receive clarifications from the RBI in relation to those.

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