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Analysing developments impacting business

MASS TRANSIT SYSTEMS PPI: FACILITATING SEAMLESS PUBLIC TRANSPORT PAYMENTS

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The Reserve Bank of India (RBI) has amended the Master Directions on Prepaid Payment Instruments (MD-PPIs) to permit authorised banks and non-banks to issue prepaid payment instruments (PPIs) for enabling digital payments across multiple means of public transport in the country (Amendment).

The mass public transport system in India is one of the busiest in the world, catering to over 36.5 million commuters each day across the country. Allowing PPI as a payment mode for public transit users across the nation is a much-awaited transformational move by RBI, and definitely a vital step in the manifestation of India's aspiration of becoming a truly digital economy.

Background

On 27 August 2021, RBI had issued the MD-PPIs which prescribe, among other things, the types of PPIs which banks and non-banks can issue after securing the requisite approval from RBI.

PPIs are pre-paid cards or wallets that among other things enable purchase of goods and services against the value stored in such instruments. Effective 23 February 2024, RBI has now permitted authorised banks and non-banks to issue PPIs to enable the commuters to pay for the tickets digitally across various public transport systems in the country, i.e., roadways, buses, metro, railways, waterways, tolls, and parking fees.

Key Highlights:

- **Issuers:** Prior to the Amendment, PPIs could be issued only by Mass Transit System (MTS) operators after procuring a permission under the Payment and Settlement Systems Act, 2007 (PSS Act). The Amendment has expanded the list of eligible issuers to now include all authorized banks and non-banks.
- **Application:** Earlier the usage of the PPIs was limited to only transit services and allied activities carried on within the premises of the MTS, but now its application has been broadened to cover all modes of public transport (such as metro, buses, rail, and waterways) and toll collection and parking.

- **Customer Verification:** One of the key changes has been the liberalization of the customer verification process - public transport linked PPIs can be issued without fulfilling the know your customer (KYC) verification requirements of the holders.
- **Reloadable and Value:** A public transport linked PPI is reloadable, but the maximum value is capped at INR 3,000.
- **Escrow, Customer Grievance, Due Diligence, Reporting, Communicating Features:** The Amendment no longer requires the PPI-MTS' conformance with the erstwhile stringent provisions of maintaining an escrow account, customer grievance redressal framework, agent due diligence, reporting, compliance with the management information systems. Similarly, the obligation on an issuer to communicate all the PPI features to a PPI holder by SMS / email before the first credit of funds to the PPI has been done away with under the Amendment.
- **Validity, Redemption:** PPIs now have perpetual validity, and the Amendment has done away with the requirements for revalidation and redemption.
- **Cash Withdrawal, Refund:** The restrictions regarding any form of cash-withdrawal, refund, or funds transfer still apply.

Conclusion

Aligned with the digital "Bharat" initiative, the Amendment is a pivotal step towards expanding the digital outreach by introducing a swift, secure, accessible, and expedient payment mode for the millions of commuters relying on public transport; and additionally, promises an inclusive digital financial ecosystem capable of replacing the traditional ticketing across brick-and-mortar counters in the country.

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