

Prepaid Payment Instruments (PPIs)

Prepaid Payment Instruments (PPIs) are instruments that facilitate purchase of goods and services, including financial services, remittance facilities, etc., against the value stored on such instruments. PPIs that can be issued in the country are classified under three types viz. (i) Closed System PPIs, (ii) Semi-closed System PPIs, and (iii) Open System PPIs.

- PPI issuer is an entity operating / participating in a payment system for issuing PPIs to individuals / organisations.
- **No interest is payable on PPI balances.**
- PPIs can be issued on solo basis by a PPI issuer or on co-branded basis with another entity.
- **All PPIs shall have a minimum validity period of one year from the date of last loading / reloading in the PPI.** PPI issuers are, however, free to issue PPIs with a longer validity. Issuers shall clearly indicate the expiry period of the PPI to the customer at the time of issuance of PPIs.
- **A PPI with no financial transaction for a consecutive period of one year is treated as inactive after sending a notice to the PPI holder.**
- **The cash loading of PPIs is limited to ₹ 50,000/- per month subject to overall limit of the PPI.** The limit on loading of PPIs via electronic / online means is subject to overall limit of the PPI.

Closed System Prepaid Payment Instruments: These PPIs are issued by an entity for facilitating the purchase of goods and services from that entity only and do not permit cash withdrawal. As these instruments cannot be used for payments or settlement for third party services, the issuance and operation of such instruments is not classified as payment system requiring approval / authorisation by the RBI.

Semi-closed System Prepaid Payment Instruments: These PPIs are issued by banks (approved by RBI) and non-banks (authorized by RBI) for purchase of goods and services, including financial services, remittance facilities, etc., at a group of clearly identified merchant locations / establishments which have a specific contract with the issuer (or contract through a payment aggregator / payment gateway) to accept the PPIs as payment instruments.

These instruments do not permit cash withdrawal, irrespective of whether they are issued by banks or non-banks.

Semi-closed PPIs can be of two types:

- PPIs upto ₹ 10,000/- where **minimum details of the PPI holder are obtained (minimum detail PPI).**
- PPIs upto ₹ 1,00,000/- where **KYC of the PPI holder is obtained (KYC compliant PPI).**

Open System PPIs: These PPIs are issued only by banks (approved by RBI) and are used at any merchant for purchase of goods and services, including financial services, remittance facilities, etc.

Cash withdrawal at ATMs / Points of Sale (PoS) terminals / Business Correspondents (BCs) are also allowed through such PPIs.

Cross-Broder Transactions in Prepaid Payment Instruments

KYC compliant reloadable semi-closed and open system PPIs, issued by Authorised Dealer Category-I banks, shall be permitted to be used in cross-border outward transactions for permissible current account transactions under FEMA viz. purchase of goods and services. This facility shall be enabled only on explicit request of a PPI holder.

Transaction Limits:

- Per transaction limit shall not exceed ₹ 10,000/-.

- Per month limit shall not exceed ₹ 50,000/-.

Transactions allowed:

Permissible current account transactions under Foreign Exchange Management Act (FEMA) viz. purchase of goods and services, subject to adherence to extant norms governing such transactions.

Transactions not-allowed:

- Any cross-border outward fund transfer and / or for making remittances under the Liberalised Remittances Scheme.
- Prefunding of online merchant's account.

Semi-closed System Prepaid Payment Instruments

Minimum detail Prepaid Payment Instruments

The salient features of 'minimum detail PPI' are as follows:

- These PPIs are reloadable in nature.
- The amount loaded during any month shall not exceed ₹ 10,000/- and **the total amount loaded during the financial year shall not exceed ₹ 1,00,000/-.**
- **The amount outstanding at any point of time shall not exceed ₹ 10,000/-.**
- **The total amount debited during any given month shall not exceed ₹ 10,000/-.**
- These PPIs shall be used only for purchase of goods and services. Funds transfer to bank accounts or PPIs of same / other issuers shall not be permitted.
- **A 'minimum detail PPI' can be held for a maximum period of 12 months only.**
- These 12 months shall be counted from the day of opening of such a PPI.

Within this period of 12 months, it has to be converted into KYC compliant PPIs failing which, no further credit in such PPI shall be allowed. However, the PPI holder shall be allowed to use the available balance. **All such PPIs existing as on February 28, 2018 shall be converted into KYC compliant PPIs by February 28, 2019.**

Semi-closed 'KYC compliant Prepaid Payment Instruments'

The salient features of semi-closed 'KYC compliant PPI' are as follows:

- These PPIs are reloadable in nature.
- **The amount outstanding shall not exceed ₹ 1,00,000/- at any point of time.** However, there are no limits prescribed for total credits or debits during a month.
- They can be used for purchase of goods and services as well as funds transfer.
- **Funds transfer is allowed from a 'KYC Complaint PPI' within a limit of ₹ 10,000/- per month per holder.**
- However, **an enhanced limit of up to ₹ 1,00,000/- per month per beneficiary can be availed if the beneficiary is 'pre-registered' by PPI holder.** A PPI issuer may, however, set a lower limit after taking into account the risk profile of the PPI holder, other operational risks, etc.

Open System Prepaid Payment Instruments

Open System PPIs can be issued only by banks, who have RBI approval to issue such PPIs. There is only one type of open system PPI i.e. PPI upto ₹1,00,000/- after completing KYC of the PPI holder (KYC compliant PPI).

The salient features of Open System PPIs are as follows:

- They are reloadable in nature.
- The amount outstanding in such a PPI shall not exceed ₹1,00,000/- at any point of time.
- They can be used for purchase of goods and services, funds transfer and cash withdrawal.

Prepaid Payment Instruments – Gift Instruments

The salient features of prepaid gift instruments are as follows:

- Maximum value of each such prepaid gift instrument shall not exceed ₹ 10,000/-.
- These instruments are not be reloadable.
- Cash-out or refund or funds transfer is not be permitted for such instruments.

Prepaid Payment Instruments for Mass Transit Systems (PPI-MTS)

The salient features of PPIs for Mass Transit Systems (PPI-MTS) are as follows:

- These are semi-closed PPIs issued by **mass transit system operators**.
- Apart from the mass transit system, such PPI-MTS can be used only at other merchants whose activities are allied / related to or are carried on within the premises of the transit system.
- They can be reloadable in nature.
- **Maximum outstanding cannot exceed the limit of ₹ 3,000/- at any point of time.**
- **Cash-out or refund or funds transfer are not permitted.**
- They can be revalidated (including through issuance of new instrument) as per the **Board approved policy of the issuer**.
- There is no need of AFA for transactions using such PPIs.