

Policy on Issuance of types / categories of PPIs and all activities related thereto

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Revision History

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1.2	1 Feb 2019	Amendment made in validity definition and communication to customer	5 Feb 2019	Board of Directors
1.3	30 Oct 2020	Review of policy	4 Nov 2020	Board of Directors
1.4	28 July 2021	Amendment in Policy made in terms of RBI Circular RBI/2021-22/40 DPSS.CO.PD.No.S-99/02.14.006/2021-22 dated May 19, 2021	29 July 2021	Board of Directors
1.5	08 Nov 2021	Master Directions on Prepaid Payment Instruments (PPIs) dated 27 August, 2021	11 November 2021	Board of Directors
1.6	01 February 2022	Master Directions on Prepaid Payment Instruments (PPIs) dated 27 August, 2021, as updated on 12 November, 2021 and internal review on validity of PPIs, rekyc mechanism and mode of operation of wallet	3 Feb 22	Board of Directors
2.0	09 th March 2023	Review of the policy considering the inclusion of new product preposition	18 th May 2023	Board of Directors

Abbreviations:

Acronym	Expansion
2FA	Two Factor Authentication
AFA	Additional Factor of Authentication
AML	Anti-Money Laundering
ATMs	Automated Teller Machines
BCs	Business Correspondents
CFT	Combating Financing of Terrorism
CGM	Chief General Manager
CNP	Card Not Present
CO	Central Office

CoA	Certificate of Authorisation
DEA Fund	Depositor Education and Awareness Fund
DPSS	Department of Payment and Settlement Systems
DR	Disaster Recovery
FAQs	Frequently Asked Questions
FIU-IND	Financial Intelligence Unit-India
KYC	Know Your Customer
MD-PPIs	Master Directions on Prepaid Payment Instruments
MIS	Management Information System
MoA	Memorandum of Association
MTSS	Money Transfer Service Scheme
NETC	National Electronic Toll Collection
NPCI	National Payments Corporation of India
ODR	Online Dispute Resolution
OTP	One Time Password
OVD	Officially Valid Document
PMLA	Prevention of Money Laundering Act, 2002
PoS	Point of Sale
PPI	Prepaid Payment Instrument
PPI-MTS	PPIs for Mass Transit Systems
PSOs	Payment System Operators
PSP	Payment System Providers
PSS Act	Payment and Settlement Systems Act, 2007
PSS Regulations	Payment and Settlement Systems Regulations, 2008
RBI	Reserve Bank of India
TAT	Turn Around Time
UPI	Unified Payments Interface

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1. Introduction:

- a) Spice Money Limited (“**SML**”), is a Regulated Entity (“**RE**”) as SML has been granted Certificate of Authorisation (COA) bearing No. 138/2019 for issuing and operating of Prepaid Payment Instruments (“**PPI**”) in India.
- b) SML has a network of KYC compliant authorised/ designated agents, through whom various financial activities (under PPI) are facilitated to Customers.
- c) This Policy is to be read with the Master Directions on Prepaid Payment Instruments (“**PPI Master Directions**”) and the provisions of the PPI Master Directions shall govern and shall be in full force and effect regarding the matters in respect of which there is no reference in the present Policy.
- d) In case any provision herein is inconsistent with the provisions of the PPI Master Directions, the provisions of the PPI Master Directions shall prevail.

2. Definition:

- a) **Closed System PPIs** : 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. These instruments cannot be used for payment or settlement for third party services. The issuance or operation of such instruments is not classified as a payment system requiring approval / authorisation by RBI and are, therefore, not regulated or supervised by RBI.
- b) **Entities / Entity** : The term ‘entities / entity’ refer/s to banks / non-banks who have approval / authorisation from RBI to issue PPIs as well as those who are proposing to issue PPIs.
- c) **Holder** : Individuals / Organisations who obtain / purchase PPIs from the Issuer and use them for purchase of goods and services, financial services, remittance facilities, etc.
- d) **Issuer** : means SML issuing PPIs to individuals / organisations.
- e) **Limits** : All limits in the value of instruments stated in the PPI Master Directions, indicate the maximum value of such instruments denominated in INR that shall be issued.
- f) **Merchants** : Establishments who have a specific contract to accept the PPIs of the PPI Issuer (or contract through a payment aggregator / payment gateway) against the sale of goods and services, financial services, etc.
- g) **Net-worth** : Shall consist of ‘paid up equity capital, preference shares which are compulsorily convertible into equity capital, free reserves, balance in share premium

account and capital reserves representing surplus arising out of sale proceeds of assets but not reserves created by revaluation of assets' adjusted for 'accumulated loss balance, book value of intangible assets and deferred revenue expenditure, if any'. While compulsorily convertible preference shares reckoned for computation of net-worth can be either non-cumulative or cumulative, these shall be compulsorily convertible into equity shares and the shareholder agreements shall specifically prohibit any withdrawal of this preference share capital at any time.

- h) **Prepaid Payment Instruments (PPIs):** Instruments that facilitate purchase of goods and services, financial services, remittance facilities, etc., against the value stored therein. PPIs that require RBI approval / authorisation prior to issuance are classified under two types viz. (i) Small PPIs, and (ii) Full-KYC PPIs.
- **Small PPIs:** Issued by banks and non-banks after obtaining minimum details of the PPI holder. They shall be used only for purchase of goods and services. Funds transfer or cash withdrawal from such PPIs shall not be permitted. Small PPIs can be used 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.
 - **Full-KYC PPIs:** Issued by banks and non-banks after completing Know Your Customer (KYC) of the PPI holder. These PPIs shall be used for purchase of goods and services, funds transfer or cash withdrawal.

3. Safeguards against money laundering provisions

- a) The Know Your Customer (KYC) / Anti-Money Laundering (AML) / Combating Financing of Terrorism (CFT) guidelines issued by the Department of Regulation (DoR), RBI, in "[Master Direction – Know Your Customer Direction, 2016](#)", as updated from time to time, shall apply mutatis mutandis to SML.
- b) Provisions of Prevention of Money Laundering Act, 2002 (PMLA) and Rules framed thereunder, as amended from time to time, shall be applicable to SML.
- c) SML shall maintain a log of all the transactions undertaken using the PPIs for at least ten years. This data shall be made available for scrutiny to RBI or any other agency / agencies as may be advised by RBI. SML shall also file Suspicious Transaction Reports (STRs) to Financial Intelligence Unit-India (FIU-IND).

4. Issuance, loading and reloading of PPIs

- a) SML shall ensure that the name of the company which has received approval / authorisation for issuance and operating of PPIs, is prominently displayed along with

the PPI brand name in all instances. SML shall also keep RBI informed regarding the brand names employed / to be employed for its products.

- b) SML shall not pay any interest on PPI balances.
- c) PPI shall be permitted to be loaded / reloaded by cash, debit to a bank account, credit and debit cards, PPIs (as permitted from time to time) and other payment instruments issued by regulated entities in India and shall be in INR only.
- d) Cash loading to PPIs shall be limited to Rs.50,000/- per month subject to overall limit of the PPI.
- e) PPIs may be issued as cards, wallets, and 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 paper vouchers.
- f) SML shall ensure that there is no co-mingling of funds originating from any other activity that they may be undertaking such as BC of bank/s, intermediary for payment aggregation, payment gateway, etc.
- g) There shall be no remittance without compliance to KYC requirements. SML, including its agent/s, shall not create new PPIs every time for facilitating cash-based remittances to other PPIs / bank accounts. PPIs created for previous remittance by the same person shall be used.
- h) SML shall be permitted to load / reload PPIs through their authorised outlets or through their authorised / designated agents subject to following conditions:-
 - i. Having a Board approved policy clearly laying down the framework for engaging agents;
 - ii. Carrying out proper due diligence of the persons appointed as authorised / designated agents;
 - iii. Being responsible as the principal for all acts of omission or commission of their authorised / designated agents, including safety and security aspects;
 - iv. Preserving records and confidentiality of customer information in their possession as well as in the possession of their authorised / designated agents;
 - v. Monitoring regularly the activities of their authorised / designated agents and carrying out review of the performance of various agents engaged by them at least once in a year; and
 - vi. Ensuring adherence to applicable laws of the land, including KYC / AML / CFT norms.

4.1 Issuance of various Types / Specific Categories of PPIs

A. Small PPIs (or Minimum-detail PPIs)

(i) PPIs upto Rs.10,000/- (with cash loading facility)

- a) SML shall be permitted to issue such PPIs after obtaining minimum details of the PPI holder;
- b) Minimum details shall 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 the Master Direction on KYC, as amended from time to time;
- c) Such PPIs shall be reloadable in nature;
- d) Amount loaded in such PPIs during any month shall not exceed Rs.10,000/- and the total amount loaded during the financial year shall not exceed Rs.1,20,000/-;
- e) Amount outstanding at any point of time in such PPIs shall not exceed Rs.10,000/-;
- f) Total amount debited from such PPIs during any month shall not exceed Rs.10,000/-;
- g) These PPIs shall be used only for purchase of goods and services. Cash withdrawal or funds transfer from such PPIs shall not be permitted;
- h) There shall be no separate limit for purchase of goods and services using PPIs; SML may decide limit for these purposes within the overall PPI limit;
- i) These PPIs shall be converted into full-KYC PPIs within a period of 24 months from the date of issue of the PPI, failing which no further credit shall be allowed in such PPIs. However, the PPI holder shall be allowed to use the balance available in the PPI;
- j) This category of PPI shall not be issued to the same user in future using the same mobile number and same minimum details;
- k) SML shall give an option to close the PPI at any time. The closure proceeds can be transferred 'back to source account' (payment source from where the PPI was loaded). Alternatively, the closure proceeds can be transferred to a bank account after complying with KYC requirements of PPI holder; and

- 1) The features of such PPIs shall be clearly communicated to the PPI holder by SMS / e-mail / any other means at the time of issuance of the PPI / before the first loading of funds.

(ii) PPIs upto Rs.10,000/- (with no cash loading facility)

- a. SML shall be permitted to issue such PPIs after obtaining minimum details of the PPI holder;
- b. Minimum details shall necessarily include a mobile number verified with OTP and a self-declaration of name and unique identity / identification number of any 'mandatory document' or OVD or any such document with any name listed for this purpose in the Master Direction on KYC, as amended from time to time;
- c. Such PPIs shall be reloadable in nature. Loading / Reloading shall be from a bank account / credit card / full-KYC PPI;
- d. The amount loaded in such PPIs during any month shall not exceed Rs.10,000 and the total amount loaded during the financial year shall not exceed Rs.1,20,000;
- e. The amount outstanding at any point of time in such PPIs shall not exceed Rs.10,000;
- f. These PPIs shall be used only for purchase of goods and services. Cash withdrawal or funds transfer from such PPIs shall not be permitted;
- g. SML shall give an option to close the PPI at any time. The closure proceeds can be transferred 'back to source account' (payment source from where the PPI was loaded). Alternatively, the closure proceeds can be transferred to a bank account after complying with KYC requirements of PPI holder;
- h. The features of such PPIs shall be clearly communicated to the PPI holder by SMS / e-mail / any other means at the time of issuance of the PPI / before the first loading of funds; and
- i. The PPIs (mentioned in Para 4.1 A (i)) as on December 24, 2019 can be converted to this type of PPI, if desired by the PPI holder.

B. Full-KYC PPIs

- a. SML shall be permitted to issue such PPIs after completing KYC of the PPI holder;
- b. The Video-based Customer Identification Process (V-CIP), as detailed in Department of Regulation's Master Direction on KYC dated February 25, 2016 (as amended from time to time), can be used to open full-KYC PPIs as well as to convert Small PPIs (as mentioned above) into full-KYC PPIs;
- c. Such PPIs shall be reloadable in nature;

- d. The amount outstanding shall not exceed Rs.2,00,000/- at any point of time;
- e. The funds can be transferred 'back to source account' (payment source from where the PPI was loaded) or 'own bank account of the PPI holder' (duly verified by the SML). However, SML shall set the limits considering the risk profile of the PPI holders, other operational risks, etc.;
- f. SML shall provide the facility of 'pre-registered beneficiaries' whereby the PPI holder can register the beneficiaries by providing their bank account details, details of PPIs issued by same issuer (or different issuer as and when permitted), etc.;
- g. In case of such pre-registered beneficiaries, the funds transfer limit shall not exceed Rs.2,00,000/- per month per beneficiary. SML shall set the limits within this ceiling considering the risk profile of the PPI holders, other operational risks, etc.;
- h. Funds transfer limits for all other cases shall be restricted to Rs.10,000/- per month;
- i. Funds transfer from such PPIs shall also be permitted to other PPIs, debit cards and credit cards as per the limits given above;
- j. There is no separate limit on purchase of goods and services using PPIs and SML may decide limit for these purposes within the overall PPI limit;
- k. SML shall clearly indicate these limits to the PPI holders and provide necessary options to PPI holders to set their own fund transfer limits;
- l. SML shall also give an option to close the PPI and transfer the balance as per the applicable limits of this type of PPI. For this purpose, SML shall provide an option, including at the time of issuing the PPI, to the holder to provide details of pre-designated bank account or other PPIs of same issuer (or other issuer as and when permitted) to which the balance amount available in the PPI shall be transferred in the event of closure of PPI, expiry of validity period of such PPIs, etc.;
- m. In case of bank issued PPIs, cash withdrawal shall be permitted. However, cash withdrawal at PoS devices shall be subjected to a limit of Rs.2,000/- per transaction within an overall monthly limit of Rs.10,000/- across all locations (Tier 1 to 6 centres), subject to conditions stipulated in RBI circular DPSS.CO.PD.No.449/02.14.003/2015-16 dated August 27, 2015;
- n. In case of non-bank issued PPIs, cash withdrawal shall be permitted upto a maximum limit of Rs.2,000/- per transaction within an overall monthly limit of Rs.10,000/- per PPI across all channels (agents, ATMs, PoS devices, etc.); and
- o. Features of such PPIs shall be clearly communicated to the PPI holder by SMS / e-mail / any other means at the time of issuance of the PPI / before the first loading of funds.

C. Specific categories of PPIs

SML shall not issue PPIs of any other category except as permitted under the following categories:

(i) Gift PPIs

- a. Maximum value of each such prepaid gift instrument shall not exceed Rs.10,000/-;
- b. Such instrument shall not be reloadable;
- c. Cash-out or funds transfer shall not be permitted for such instrument. However, the funds may be transferred 'back to source account' (account from where Gift PPI was loaded) after receiving consent of the PPI holder;
- d. KYC details of the purchaser of such instrument shall be maintained by the SML. Separate KYC shall not be required for customers who are issued such instrument against debit to their bank accounts and / or credit cards in India;
- e. SML shall adopt a risk-based approach, duly approved by its Board, in deciding number of such instruments which can be issued to a customer, transaction limits, etc.;
- f. These PPIs shall be revalidated (including through issuance of new instrument) as and when requested by the PPI holder;
- g. Provisions on validity and redemption (as mentioned below in this Policy), as applicable, shall be adhered to; and
- h. Features of such PPIs shall be clearly communicated to the PPI holder by SMS / e-mail / any other means at the time of issuance of the PPI / before the first loading of funds.

(ii) PPIs for Mass Transit Systems (PPI-MTS)

- a. These PPIs shall be issued by MTS operators after authorisation to issue such PPIs under the PSS Act.
- b. Such PPIs shall contain the Automated Fare Collection application related to transit service to qualify as such;
- c. Apart from MTS, such PPIs shall be used only at those merchant outlets whose activities are allied / related to or are carried on within premises of the MTS;
- d. SML may decide about customer details, if any, required to be obtained for issuance of such PPIs;
- e. PPI-MTS issued shall be reloadable in nature and maximum value outstanding in such PPIs shall not exceed the limit of Rs.3,000/- at any point of time;
- f. Cash-out or refund or funds transfer shall not be permitted;

- g. Requirements such as escrow arrangement, customer grievance redressal mechanism, agent due diligence, reporting and MIS requirements, etc., applicable to issuance of PPIs shall also be applicable;
- h. These PPIs shall be revalidated (including through issuance of new instrument) as and when requested by the PPI holder;
- i. Provisions of validity and redemption (as mentioned below in this Policy), as applicable, shall be adhered to; and
- j. Features of such PPIs shall be clearly communicated to the PPI holder by SMS / e-mail / any other means at the time of issuance of the PPI / before the first loading of funds.

5. Validity and Redemption

- a) Spice Money Wallet (PPI) issued by SML shall have a validity period of three (3) years from (i) the date of issuance of the PPI; (ii) the date of last loading/reloading in the said wallet or (iii) last utilization of the PPI, whichever is later.
- b) SML shall caution the PPI holder at reasonable intervals, during the 45 days' period prior to expiry of the validity period of the PPI. The caution advice shall be sent by SMS / e-mail / any other means in the language preferred by the holder indicated at the time of issuance of the PPI.
- c) SML cannot transfer the outstanding balance to its Profit & Loss account for at least three years from the expiry date of PPI. In case the PPI holder approaches the SML for refund of such amount, at any time after the expiry date of PPI, then the same shall be paid to the PPI holder in a bank account.
- d) The SML shall clearly indicate the expiry period of the PPI to the customer at the time of issuance of PPIs. Such information shall be clearly enunciated in the terms and conditions of sale of PPI. Where applicable, it shall also be clearly outlined on the website / mobile application of the SML.
- e) PPIs with no financial transaction for a consecutive period of one year shall be made inactive by SML after sending a notice to the PPI holder/s. These can be reactivated only after validation and applicable due diligence. These PPIs shall be reported to RBI separately.
- f) The holders of PPIs shall be permitted to redeem the outstanding balance in the PPI, if for any reason the scheme is being wound-up or is directed by RBI to be discontinued.

6. Transactions Limits

- a) The PPI holder is allowed to use the PPI for purposes within the overall PPI limit applicable. SML shall decide on limits considering the risk perception of the holders as per its risk management policy.
- b) All financial limits indicated against each type / category (as mentioned in this Policy) of the PPI shall be strictly adhered to.

7. Handling Refunds

- a) Refunds in case of failed / returned / rejected / cancelled transactions shall be applied to the respective PPI immediately, to the extent that payment was made initially by debit to the PPI, even if such application of funds results in exceeding the limits prescribed for that type / category of PPI.
- b) However, refunds in case of failed / returned / rejected / cancelled transactions using any other payment instrument shall not be credited to PPI.
- c) SML shall be required to maintain complete details of such returns / refunds, etc., and be in readiness to provide them as and when called for.
- d) Further, SML shall also put in place necessary systems that enable them to monitor frequent instances of refunds taking in place in specific PPIs and be in a position to substantiate with proof for audit / scrutiny purposes.

8. Cross Border Transactions

The use of INR denominated PPIs for cross-border transactions shall not be permitted except as under:

PPIs for credit towards cross-border inward remittances

- a. SML, appointed as Indian agent of authorised overseas principals, shall be permitted to issue full-KYC PPIs to beneficiaries of inward remittances under the Money Transfer Services Scheme (MTSS) of RBI;
- b. Such PPIs shall be issued in adherence to extant norms under the MTSS Guidelines issued by Foreign Exchange Department (FED), RBI;
- c. Amounts only upto Rs.50,000/- from individual inward MTSS remittances shall be permitted to be loaded / reloaded in full-KYC PPIs issued to beneficiaries. Amount in excess of Rs.50,000/- shall be paid by credit to a bank account of the beneficiary. Full details of the transactions shall be maintained on record for scrutiny;
- d. Roles and responsibilities of SML shall be distinct from roles and responsibilities as Indian Agents under MTSS; and

e. Such PPIs may not be issued as a separate category of PPI.

9. Deployment of money collected

1. To ensure timely settlement, the SML shall invest the money collected against issuance of PPIs only as provided herein.

2. SML is required to maintain the outstanding balance in an escrow account with any scheduled commercial bank. An additional escrow account may be maintained with a different scheduled commercial bank at the discretion of the SML.

3. For the purpose of maintenance of escrow account, payment system operated by the SML for issuance of PPIs shall be deemed to be 'designated payment system' under Section 23A of the PSS Act. SML that is member of Centralised Payment Systems operated by RBI shall maintain a Current Account with RBI. Maintenance of escrow balance shall be subject to the following conditions:-

(i) In case there is a need to shift the escrow account from one bank to another, the same shall be effected in a time-bound manner without unduly impacting the payment cycle to merchants. Migration shall be completed in the minimum possible time with prior intimation to RBI.

(ii) The balance in the escrow account shall not, at the end of the day, be lower than the value of outstanding PPIs and payments due to merchants. While as far as possible SML shall ensure immediate credit of funds to escrow on issue, load / reload of PPIs to the PPI holders, under no circumstance such credit to escrow account shall be later than the close of business day (the day on which the PPI has been issued, loaded / reloaded). This shall be monitored by the SML on daily basis and any shortfall shall be immediately reported to the respective Regional Office of DPSS, RBI.

(iii) Only the following debits and credits shall be permitted in the escrow account; in case where 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 resorted to, auditor's certification shall clearly mention such transactions. The balance in Current Account with the RBI shall not be reckoned for the purpose of maintenance of daily balance in escrow accounts.

Credits

- a) Payments received towards issue, load / reload of PPIs, including at agent locations;
- b) Refunds received for failed / disputed / returned / cancelled transactions; and
- c) Payments received from sponsor bank towards settlement obligations from participation in interoperable payment systems, as permitted by RBI from time to time;

- d) Transfers from Current Account maintained with RBI.

Debits

- a) Payments to various merchants / service providers towards reimbursement of claims received from them;
- b) Payment to sponsor bank for processing funds transfer instructions received from PPI holders as permitted by RBI from time to time;
- c) Payments made to sponsor bank towards settlement obligations from participation in interoperable payment systems, as permitted by RBI from time to time;
- d) Transfers to Current Account maintained with RBI.
- e) Payment towards applicable Government taxes (received along with PPI sale / reload amount from the buyers);
- f) Refunds towards cancellation of transactions in a PPI in case of PPIs loaded / reloaded erroneously or through fraudulent means (on establishment of erroneous transfer / fraud). The funds shall be credited back to the same source from where these were received. These funds are not to be forfeited till the disposal of the case;
- g) Any other payment due to the SML in the normal course of operating PPI business (for instance, service charges, forfeited amount, commissions, etc.); and
- h) Any other debit as directed by the regulator / courts / law enforcement agencies.

Note: (1) The payment towards service charges, commission and forfeited amount shall be at pre-determined rates / frequency. Such transfers shall only be effected to a designated bank account of the SML as indicated in the agreement with the bank where escrow account is maintained. (2) All these provisions shall be part of Service Level Agreement that will be signed between the SML and the bank maintaining escrow account.

(iv) The agreement between the SML and the bank maintaining escrow account shall include a clause enabling the bank to use the money in the escrow account only for purposes mentioned in the PPI Directions.

(v) Settlement of funds with merchants shall not be co-mingled with other business, if any, handled by the SML.

(vi) No interest shall be payable by the bank on such balances, except as indicated in paragraph 9 (4) below.

(vii) SML shall be required to submit the list of merchants acquired by them to the bank and update the same from time to time. There shall be an exclusive clause in the agreement signed between the SML and bank maintaining escrow account towards usage of balance in escrow account only for the purposes mentioned above.

(viii) With the growing acceptance of PPIs in e-commerce payments, including in digital market places, the payment mechanism is often facilitated using the services of payment aggregators / payment gateways. In such a scenario, the emerging practice observed is that the SML has the necessary agreements with the digital market place and / or the payment aggregator / gateway rather than the individual merchants who are accepting the PPIs as a payment instrument. In view of the above, SML shall obtain an undertaking from the digital market place and / or payment aggregator / gateway that the payments made by the SML are used for onward payments to the respective merchants. Such an undertaking shall be submitted by the SML to the bank maintaining the escrow account.

(ix) A certificate (format enclosed Annex-5 of the PPI Master Directions) signed by the auditor(s), shall be submitted by the authorised entities to the respective Regional Office of DPSS, RBI on a quarterly basis certifying that the entity has been maintaining adequate balance(s) in the escrow account(s) to cover outstanding value of PPIs issued and payments due to merchants. 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. The certificate shall be submitted within a fortnight from the end of quarter to which it pertains. Entities shall also submit an annual certificate (as per Annex-5 of the PPI Master Directions), signed by the auditor, coinciding with accounting year of the entity to RBI.

(x) Adequate records indicating the daily position of the value of instruments outstanding and payments due to merchants vis-à-vis balances maintained with the banks in the escrow accounts shall be made available for scrutiny to RBI or the bank where the account is maintained on demand.

4. As an exception to the above Paragraph 9 (3), SML can enter into an agreement with the bank maintaining the escrow account, to transfer "core portion" of the amount, in the escrow account to a separate account on which interest is payable, subject to the following:-

- a. The bank shall satisfy itself that the amount deposited represents the "core portion" after due verification of necessary documents.
- b. The amount shall be linked to the escrow account, i.e. the amounts held in the interest bearing account shall be available to the bank, to meet payment requirements of the entity, in case of any shortfall in the escrow account.
- c. This facility is permissible to entities who have been in business for at least one year (26 fortnights) and whose accounts have been duly audited for the full accounting year.

- d. No loan is permissible against such deposits. Banks shall not issue any deposit receipts or mark any lien on the amount held in such form of deposits.
- e. Core portion shall be calculated separately for each of the escrow accounts and will remain linked to the respective escrow account. Escrow balance and core portion maintained shall be clearly disclosed in the auditors' certificates submitted to RBI on quarterly and annual basis.

Note: For the purpose of the PPI Master Directions, "Core Portion" shall be computed as under:-

Step 1: Compute lowest daily outstanding balance (LB) on a fortnightly (FN) basis, for one year (26 fortnights) from the preceding month.

Step 2: Calculate the average of the lowest fortnightly outstanding balances [(LB1 of FN1+ LB2 of FN2++ LB26 of FN26) divided by 26].

Step 3: The average balance so computed represents the "Core Portion" eligible to earn interest.

10. Interoperability

With respect to the above, SML shall be guided by the Board Approved Policy for Achieving PPI Interoperability.

11. Security, Fraud Prevention and Risk Management Framework

With respect to the above, SML shall be guided by the Board Approved Policy on Risk Management.

12. Customer protection and Grievance Redressal Framework (including Limiting liability of Customers in unauthorised electronic payment transactions in PPIs and Online Dispute Resolution)

With respect to the above, SML shall be guided by the Board Approved Policy on Customer Protection and Grievance Redressal Framework (including Limiting liability of Customers in unauthorised electronic payment transactions in PPIs and Online Dispute Resolution).

13. Information System Audit

With respect to the Information System Audit, SML shall be guided by the Board Approved Information Security Policy.

14. Reporting Requirements

SML shall submit the following reports as per prescribed templates and frequency mentioned in the PPI Master Directions:

- a. Net-worth Certificate;
- b. Declaration and Undertaking by the Director ;
- c. PPI Statistics;
- d. Auditor Certificate on maintenance of balance in Escrow Account; and
- e. PPI Customer Grievance Report.