



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA

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## Payment Intermediary by Card Network – Restraining of Unauthorized Payment System

It has come to the notice of Reserve Bank of India that a Card Network had an arrangement that enables businesses to make card payments through certain intermediaries, to entities that do not accept card payments.

2. Under this arrangement, the intermediary accepts card payments from corporates for their commercial payments and then remits the funds via IMPS/RTGS/NEFT to non-card accepting recipients.

3. On closer scrutiny, it was observed that this arrangement qualified as a payment system. Under the provisions of Payment and Settlement Systems (PSS) Act, 2007, such payment system requires authorization under Section 4 of PSS Act, which has not been obtained in the instant case. The activity was, therefore, without legal sanction.

4. The arrangement has also raised following concerns:

- i) The intermediary in the above arrangement pooled large amount of funds into an account which is not a designated account under PSS Act.
- ii) Transactions processed under this arrangement did not comply with the originator and beneficiary information requirements, as stipulated under Master Direction on KYC issued by the Reserve Bank.

5. As per information available, only one card network has operationalized this arrangement in the country so far.

6. As the matter is under detailed examination, the Card Network has been advised to keep all such arrangements under abeyance, till further orders. It is clarified that the Reserve Bank has not placed any restriction with respect to normal usage of business credit cards.