

**F.No-01/02/2015-Cy.I**  
**Government of India Ministry of Finance**  
**Department of Economic Affairs**  
**Currency & Coinage Division**

**North Block, New Delhi.**  
**Dated : 29<sup>th</sup> February, 2016**

**OFFICE MEMORANDUM**

**Subject: Promotion of Payments through Cards and Digital Means**

The Guidelines for the promotion of payments through cards and digital means have been approved, as given below:

**2. Objectives**

- i. Improve the ease of conducting card/ digital transactions for an individual.
- ii. Reduce the risks and costs of handling cash at the individual level.
- iii. Reduce costs of managing cash in the economy.
- iv. Build a transactions history to enable improved credit access and financial inclusion.
- v. Reduce tax avoidance.
- vi. Reduce the impact of counterfeit money.

**3. Scope**

- i. Provide access to financial payment services to every citizen along with ability to conduct card/ digital transactions.
- ii. Digitalize Government collections by equipping each collection point with a method to accept card/ digital payments.
- iii. Migrate payment transactions from cash dominated to non-cash through incentivization of card/ digital transactions and disincentivization of cash based transactions.
- iv. Enhance acceptance infrastructure in the country to promote digital transactions.
- v. Encourage corporates, institutions and merchant establishments to facilitate card/ digital payments.

**4. Definition**

Digital transactions are defined as transactions in which the customer authorizes the transfer of money through electronic means, and the funds flow directly from one account to another. These accounts could be held in banks, or with entities/ providers. These transfers could be done through means of cards (debit / credit), mobile wallets, mobile apps, net banking, Electronic Clearing Service (ECS), National Electronic Fund Transfer (NEFT), Immediate Payment Service (IMPS), pre-paid instruments or other similar means.

## **5. Goal**

The goal of the proposed policy changes is to provide the necessary incentives to use digital financial transactions to replace the use of cash - either in government transactions, or in regular commerce over a period of time through policy intervention.

## **6. Short Term Steps**

The Short Term Steps for Promotion of Payments through Card/ Digital Means, which will be implemented within one year, are suggested as follows:

### **A. Promotion of Card/ Digital Transactions in Government Payments and Collections**

- i. Government Departments/ Organizations/ Central Public Sector Undertakings/ Anchor Networks shall take steps to (a) withdraw convenience fee/service charge/surcharge on customers who prefer to make card/ digital payments for essential commodities, utility service providers, petrol pumps, gas agencies, railway tickets /IRCTC, tax department, museums, monuments etc.; (b) take appropriate steps to bear MDR cost like other merchants; and (c) build acceptance infrastructure (POS/ Mobile POS terminals) for card/ digital payments at all collection centres.
- ii. Ministry of Road Transport & Highways/ Ministry of Urban Development shall facilitate the use of existing open-loop systems issued by a bank for multi-purpose use, including for making transit payments with a dedicated application (eg. Toll fees, metro rail and bus services, etc.).
- iii. Department of Financial Services/ RBI shall ensure that each eligible account holder under PMJDY may be provided access to the digital financial services in addition to the 'RuPay Card'.
- iv. Department of Electronics & Information Technology shall formulate an action plan to ensure Government Departments/Organisations introduce appropriate acceptance infrastructure and facilitate collection of all revenue, fee, penalties etc., through card/ digital means beyond a specified threshold, through 'PayGov India' or other mechanisms.
- v. Department of Electronics & Information Technology shall develop 'PayGov India' as a "single unified portal" across central, state governments and their public sector undertakings for collection purposes.

### **B. Measures for Wider Adoption of Card/ Digital Transactions**

- i. Department of Financial Services/RBI shall take steps to (a) rationalize Merchant Discount Rate (MDR) on Card transactions; and (b) formulate a differentiated MDR framework for some key transaction segments, such as utility payments and railway ticketing by examining the matter holistically in consultation with the stakeholders.

- ii. Department of Financial Services/RBI shall relax Two Factor Authentication for both card present and card not present transactions below a certain specified amount. DFS/RBI shall work out a multi tiered authentication framework for low, medium and high value transactions.
- iii. Department of Revenue shall take steps to remove double taxation, if any, on service tax currently paid on MDR by the acquiring bank and on interchange fee by the issuing bank.
- iv. Wherever needed, the Departments/ Ministries shall make modifications in the Rules and Regulations that may have been issued, so that appropriate change is incorporated to allow payments / receipts by using cards/ digital means also. Cash payments by any Government Department/ Agency shall be allowed only under very specific circumstances for clearly stated reasons.
- v. Department of Revenue/ Department of Financial Services shall mandate payments beyond a prescribed threshold only in card/ digital/cashless mode.

**C. Creating Acceptance Infrastructure**

- i. Department of Financial Services/ RBI shall introduce of formulae linked acceptance infrastructure for different stakeholders of certain card products through appropriate ratio of POS terminals/ mobile POS terminals to cards issued or other means. The possibility of creating an Acceptance/ Financial Inclusion Fund for the purpose shall be explored.
- ii. Department of Financial Services/ RBI shall re-examine requirements under PML Act and Rules, for bringing Uniform (Know Your Customer) KYC norms based on an authorised identity for all payment systems, including Unique Identification Number or other proof of identity. Appropriate steps shall also be taken to introduce tiered KYC for facilitating low, medium and high value transactions through cards and digital means.
- iii. Department of Financial Services/ RBI shall amend and simplify the Merchant Acquisition guidelines to include Unique Identification Number or other identity based eKYC for merchants.
- iv. Department of Financial Services / RBI shall take steps to allow enhanced Cashout, of a specified amount, at Point of Sale (PoS) Terminals through Cards/ Digital means.

**D. Encouraging Mobile Banking/ Payment Channels**

- i. Department of Telecommunications shall take appropriate steps for rationalization/ reduction of USSD Charges and the feasibility of its being charged only on successful transactions.

- ii. Department of Telecommunications/ Department of Financial Services/ RBI shall make a provision for a unified USSD platform which can support transactions across all payment mechanisms.
- iii. Department of Financial services/ RBI shall promote Mobile banking to leverage upon the huge infrastructure available at lower cost. Towards this end, steps shall be taken to address mobile banking registration and activation challenges; ease regulations and reduce entry barriers to digital wallets/ pre-paid instruments.

#### **E. Awareness and Grievance Redressal**

- i. Department of Financial Services/RBI shall take steps (a) to create necessary assurance mechanisms for fraudulent transactions wherein, in case of a fraudulent transaction, the money will be credited back to customers' account and blocked and subsequently released after the investigation is complete, within maximum of 2-3 months; (b) to strengthen the role of banking ombudsman to provide greater customer confidence and (c) to formulate a comprehensive customer protection policy for transactions through cards and digital means.
- ii. Department of Financial Services/RBI shall take steps to optimally use funds under Depositor Education and Awareness Fund (DEAF) for expanding acceptance infrastructure and conducting awareness campaigns for a less cash society.

#### **7. Medium Term Steps**

The Medium Term Steps for Promotion of Payments through Cards/ Digital Means, which may be implemented within two years, are suggested below:

- i. Department of Financial Services/RBI shall frame necessary guidelines for merchant payment standards and interoperability between various issuers and acceptance networks, including telecom, internet, pre-paid instrument providers and Payments Banks, to ensure that merchant payments are interoperable across the broad spectrum of payments and settlements system.
- ii. Department of Economic Affairs shall constitute one or more Committees with key industry stakeholders, RBI and concerned Government Departments to review the payment system in the country. The following issues, among other, may be addressed by the Committee:
  - a. Need for changes, if any, in the regulatory mechanisms under the Payments and Settlement Systems (PSS) Act, 2007 and, in other legislations affecting the payment ecosystem.
  - b. Leveraging Unique Identification Number or other proof of identity for authentication of card/ digital transactions and setting up of a Centralised KYC Registry.
  - c. Introduction of single window system of Payment Gateway to accept all types of Cards/ Digital payments for Government receipts and enable settlements

between consumer and merchants via NPCI or other agencies within specified timelines.

- d. Studying feasibility and framing rules for creating a payments history for all card/digital payments and ensure merchants/ consumers can leverage their credit history to access instant, low-cost micro-credit through digital means and create necessary linkages between payments transaction history and credit information.
- iii. Department of Revenue/ Department of Economic Affairs/ Department of Financial Services shall grant tax rebates/incentives or introduce mechanisms for cash back/lottery or any other measures to incentivise transactions through cards and digital means.
- iv. Department of Financial Services/ RBI shall develop a methodology for enabling very high value transactions through cards and digital means beyond the limits presently prescribed.

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To

1. Cabinet Secretary
2. All Secretaries to the Govt. of India
3. Governor, RBI,
4. Chairman, TRAI
5. CEO, NITI Ayog
6. All Divisions of DEA

Copy to: Joint Secretary to PM, South Block, New Delhi

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