



भारतीय रिज़र्व बैंक
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Master Directions on Authorisation to operate a Payment System

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These Directions are issued in exercise of powers conferred in Chapter III on Authorisation of Payment Systems and issued under Section 10(2) read with Section 18 of Payment and Settlement Systems Act, 2007 (Act 51 of 2007) hereinafter referred as "PSS Act".

1. Short Title and Commencement

1.1 These Directions shall be called the Master Directions on Authorisation to operate a Payment System.

1.2 These directions shall come into effect on the day they are placed on the website of the Reserve Bank.

2. Definitions

2.1 In these directions, unless the context otherwise.

(1) 'Payment System' has the same meaning as defined in the PSS Act.

(2) 'Payment System Operator' (PSO) has the same meaning as defined for System Participant in clause (p) of Section 2(1) of the PSS Act.

(3) 'Company' means a company registered under Section 3 of the Companies Act, 1956 or the corresponding provision under the Companies Act, 2013.

(4) 'Companies in the group' means an arrangement involving two or more entities related to each other through any of the following relationships: Subsidiary – parent (defined in terms of AS 21), Joint venture (defined in terms of AS 27), Associate (defined in terms of AS 23), Promoter–promotee [as provided in the SEBI (Acquisition of Shares and Takeover) Regulations, 1997] for listed companies, a related party (defined in terms of AS 18), common brand name, and investment in equity shares of 20 percent and above.

(5) 'Promoter' means, the person who together with his relatives [as defined in Section 2(77) of the Companies Act, 2013 and Rules made there under], by virtue of his ownership of voting equity shares, will be/ is in effective control of Payment System Operator, and includes, wherever applicable, all entities which form part of the Promoter Group.

Explanation: The term 'effective control' means any arrangement whether in the form of shareholding or agreement or otherwise, which enables exercise of control.

(6) 'Promoter Group' includes:

A. the promoter;

B. relatives of the promoter [as defined in Section 2 (77) of the Companies Act, 2013 and Rules made there under]; and

C. in case promoter is a body corporate:

(i) a subsidiary or holding company of such body corporate;

(ii) body corporate in which the promoter holds ten per cent or more of the equity share capital or which holds ten per cent or more of the equity share capital of the promoter;

(iii) any body corporate in which a group of individuals or companies or combinations thereof which hold twenty per cent or more of the equity share capital in that body corporate also holds twenty per cent or more of the equity share capital of the promoter;

(iv) Joint venture/Associate (as defined in terms of Ind AS 28) with the promoter;

(v) Related party (as defined in terms of Ind AS24) of the promoter; and

D. In case the promoter is an individual:

(i) any body corporate in which ten per cent or more of the equity share capital is held by the promoter or a relative of the promoter or a firm or Hindu Undivided Family in which the promoter or anyone or more of his immediate relative is a member;

(ii) any body corporate in which a body corporate as provided in (D) (i) above holds ten per cent or more, of the equity share capital;

(iii) any Hindu Undivided Family or firm in which the aggregate shareholding of the promoter and his immediate relatives is equal to or more than ten per cent of the total; and

E. all persons who are declared as promoters in the Articles of Association of the group companies.

F. all persons whose shareholding is aggregated for the purpose of disclosing in the prospectus (As per SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018) under the heading "shareholding of the promoter group";

G. Entities sharing a common brand name with entities discussed in (C) (i), (C) (ii),

(C) (iii), (C) (iv), (C) (v), where the promoter is a body corporate and (D) (i), (D) (ii), (D) (iii) where the promoter is an individual;

Provided that a financial institution, scheduled commercial bank, foreign institutional investor or mutual fund shall not be deemed to be promoter group merely by virtue of the fact that ten per cent or more of the equity share capital of the promoter is held by such institution unless such investment is strategic in nature.

3. Applicability

3.1 As provided in the PSS Act no person can operate a payment system without an Authorisation issued by RBI in accordance with PSS Act. As such, these Directions apply to:

(i) An entity applying for authorisation to operate a payment system under the PSS Act.

(ii) An entity authorised to operate a payment system under the PSS Act.

3.2 Authorisation shall be available on an on-tap basis to an entity who intends to operate a payment system.

4. Eligibility Criteria and Requirements

4.1 An entity seeking authorisation to operate a payment system shall submit an application in the prescribed form through [RBI's portal](#).

4.2 The capital requirement shall be in accordance with the Guidelines/ Directions issued for the specific payment system. The details of the same are available on RBI website.

4.3 The 'Net-worth' will consist of 'paid up equity capital, preference shares compulsorily convertible to equity, 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, Deferred Revenue Expenditure, and Deferred Tax Assets, if any'.

4.4 An entity while submitting the application for authorisation, shall also submit a certificate in the enclosed format ([Annexure](#)) from its Statutory Auditor, evidencing compliance with the applicable net-worth requirement. A newly incorporated entity, not having an audited balance sheet shall submit the certificate, along with a provisional balance sheet of a recent date.

4.5 The Entity / Promoters / Promoter Groups, shall conform to the Reserve Bank's 'fit and proper' criteria, including but not limited to:

- (i) The entity shall have a past record of sound credentials and integrity.
- (ii) Director of a Promoter Company / Group Company shall have a record of financial integrity; good reputation and character; honesty; etc.
- (iii) Such person shall not have incurred any of the following disqualifications –
 - a) Convicted by a court for any offence involving moral turpitude or any economic offence or any offence under the laws administered by the RBI.
 - b) Declared insolvent and not discharged.
 - c) An order, restraining, prohibiting or debarring the person from accessing / dealing in any financial system, passed by any regulatory authority, and the period specified in the order has not elapsed.
 - d) Found to be of unsound mind by a court of competent jurisdiction and the finding is in force, and
 - e) Is financially not sound.

RBI's decision on whether a person is a fit and proper person shall be final.

4.6 The overall financial strength of the promoters/ entity, sound technological basis to support its operations, management, governance etc. shall be other important criteria.

4.7 Application of an entity not meeting the basic eligibility criteria, such as not meeting the minimum capital requirement, or which is incomplete / not in the prescribed form, will be returned. The application which is not in compliance with regulatory requirements as per the provisions of extant DPSS directions, may also be returned.

4.8 The 'fit and proper' criteria as detailed at para 4.5 are in addition to criteria stipulated if any, in system specific directions issued by RBI.

5. Investment in Entities from FATF Non-Compliant Jurisdictions:

5.1 The Financial Action Task Force (FATF) periodically identifies jurisdictions with weak measures to combat money laundering and terrorist financing (AML / CFT) in its following publications: i) High-Risk Jurisdictions subject to a Call for Action, and ii) Jurisdictions under Increased Monitoring. A jurisdiction whose name does not appear in these two lists is referred to as a FATF compliant jurisdiction. Investments in PSOs from FATF non-compliant jurisdictions shall not be treated at par with that from compliant jurisdictions.

5.2 Investors in existing PSOs holding their investments prior to the classification of the source or intermediate jurisdiction/s as FATF non-compliant, may continue with the investments or bring in additional investments as per extant regulations so as to support continuity of business in India.

5.3 New investors from or through non-compliant FATF jurisdictions, whether in existing PSOs or in entities seeking authorisation as PSOs, are not permitted to acquire, directly or indirectly, 'significant influence' in the investee PSO, as defined in the applicable accounting standards. In other words, fresh investment (directly or indirectly) from such jurisdictions, in aggregate, should account for less than 20 per cent of the voting power (including potential voting power) of the PSO.

Explanation: "Potential voting power" could arise from instruments that are convertible into equity, other instruments with contingent voting rights, contractual arrangements, etc., that grant investors voting rights (including contingent voting rights) in the future. In such cases, it should be ensured that new investments from FATF non-compliant jurisdictions are less than both (i) 20 per cent of the existing voting powers, and (ii) 20 per cent of existing and potential voting powers assuming those potential voting rights have materialised.

6. Validity period of Certificate of Authorisation

6.1 Authorisation to operate a payment system to a new entity will be given on a perpetual basis.

6.2 For an existing authorised Payment System Operator (PSO), perpetual validity may be provided when the Certificate of Authorisation (CoA) becomes due for renewal, subject to its adherence to the following:

- i. Full compliance with the terms and conditions subject to which authorisation was granted.
- ii. No major regulatory or supervisory concerns related to operations of the PSO.
- iii. No adverse reports from other departments of RBI / regulators / statutory bodies, etc.

6.3 Existing PSO who do not satisfy the aforementioned conditions at para 6.2 will be given one-year renewals to enable them to comply. If a PSO fails to do so in a reasonable time, its authorisation may be withdrawn.

6.4 If an entity becomes non-compliant with any of the conditions of authorisation, RBI may undertake action as deemed fit under the provisions of PSS Act, including imposition of restrictions on payment system operations and / or revocation of CoA.

7. Voluntary Surrender of CoA by PSO's Authorised under PSS Act 2007

7.1 A PSO, authorised under PSS Act, intending to discontinue its payment system operations may apply to the Reserve Bank for voluntary surrender of its CoA.

7.2 Process to be followed: A PSO needs to submit a request in writing, signed by its authorised signatory, to Department of Payment and Settlement Systems (DPSS), Central Office (CO), RBI, Mumbai along with the following documents:

- i. A copy of its recent Board Resolution, indicating its intent and the reason for voluntary surrender of CoA.
- ii. A statement, certified by its Statutory Auditor, delineating its escrow account details and outstanding liabilities related to its payment system operations to customers / merchants / agents / banks, etc., as applicable.
- iii. A 'Memorandum of Procedure (MoP) indicating, inter alia, the process and timelines to be followed for extinguishing / repaying the liabilities to customers / merchants / agents / banks, etc., as applicable.

- iv. An undertaking, signed by its authorised signatory, that it would not undertake payment system operations (for which CoA is being surrendered) during the process of voluntary surrender.

7.3 Based on the merits of the case, the RBI will process such requests and advise the entity to initiate the following process regarding the further course of action, as applicable:

- i. Intimate all stakeholders through digital communication on registered mobile number (SMS, in-app notifications, etc.) and email-id, about its intent to close its payment system operations.
- ii. Issue a public notice in English, Hindi and a vernacular language, in print/visual media, on three different occasions, informing the customers / merchants / agents / banks, etc., about its intent to close its payment systems operations. Such public notice, shall *inter-alia* indicate:
 - a) The process to be adopted for repaying the liabilities to customers / merchants / agents / banks, etc.
 - b) The mode of receipt of such requests for redemption of liabilities.
 - c) Name, contact address, phone number and e-mail id of a Nodal officer to whom such requests can be sent by the customer.
 - d) Time-line within which the entity would process such requests and repay the liabilities.
- iii. Submit monthly progress report to RBI regarding the progress in extinguishing its liabilities.

7.4 On completing the process of extinguishing liabilities to customers / merchants / agents / banks, etc., (as applicable), the entity would be required to submit a 'No Liability' certificate, certified by its Statutory Auditor.

Explanation: The phrase 'liabilities to customers /merchants /agents /banks, etc., includes, but not limited to liabilities such as chargebacks and transactions under dispute.

7.5 In case entity is not able to extinguish its liabilities, it shall,

- i. Submit an undertaking to the effect that it will not recognise the extant balance amount in escrow account pertaining to customers/ merchants, agents, etc. (as applicable) as an income or transfer it to profit and loss account for three years from the date of cancellation of CoA and would honour the claims, if any, received from the customers, merchants, agents etc., during the said period of three years.
- ii. Subsequently, after acceptance of request for voluntary surrender, a Press Notification would be issued by RBI containing the clause “customers or merchants having a valid claim on the entity as PSO, can approach it for settlement of their claims within three years from the date of cancellation of CoA”, if liabilities remain unextinguished.
- iii. The entity shall submit the status of outstanding amount in escrow account to RBI after the completion of said period of three years.

7.6 An entity that has not commenced operations as a PSO needs to submit a written request from its authorised signatory, along with the following documents to DPSS, CO, RBI, Mumbai:

- i. A copy of its recent Board Resolution, indicating its intent and the reason for such voluntary surrender of CoA.
- ii. A certificate from its Statutory Auditor in respect of non-commencement of any payment system operations by the entity.
- iii. A copy of the latest audited balance sheet of the entity.
- iv. Any other document in support of its request for such voluntary surrender.

7.7 On receipt of the advice from the Bank about acceptance of the request for voluntary surrender of CoA, the entity shall submit the original CoA to DPSS, CO, RBI, Mumbai for cancellation.

8. Cooling Period

8.1 RBI may impose a cooling period of one year in the following situations:

- i. Authorised Payment System Operators (PSOs) whose Certificate of Authorisation (CoA) is revoked or not renewed for any reason; or

- ii. CoA is voluntarily surrendered for any reason; or
- iii. Application for authorisation of a payment system has been refused by RBI.
- iv. New entities that are set-up by promoters involved in any of the above categories;

8.2 During the cooling period the entities shall not be allowed to submit an application for operating any payment system under the PSS Act.

8.3 RBI may waive or curtail the cooling-off period in cases where it is deemed necessary and expedient in exceptional cases, on representation.

9. Miscellaneous

9.1 Entities applying to operate a payment system under the PSS Act may refer to the [FAQs](#) section of DPSS and [Citizen's Charter](#) on the RBI website for application guidance.

9.2 The Authorised Non-Bank PSOs shall refer to [RBI circular \(Requirement for obtaining prior approval in case of takeover / acquisition of control of non-bank PSOs and sale / transfer of payment system activity of non-bank PSO\)](#) (as updated from time to time) for effecting takeover / Acquisition of control, which may / may not result in change of management or sale/transfer of payment activity.

10. Repeal and Other Provisions

10.1 With the issue of these Directions, the following guidelines/ directions issued by the Reserve Bank, stands repealed (list as provided below). All approvals/acknowledgements given under guidelines/ directions stated above shall be deemed as given under these Directions. Notwithstanding such repeal, any action taken/ purported to have been taken or initiated under the instructions/ guidelines having repealed shall continue to be guided by the provisions of said instructions/guidelines.

Sr. No.	Circular/Directions	Date	Subject
1.	Press Release: 2019-2020/953	15.10.2019	On-tap Authorisation of Payment Systems

2.	DPSS.AUTH.No.S190/02 .27.005/2021-22	14.06.2021	Investment in Entities from FATF Non-compliant Jurisdictions
3.	DPSS.CO.OD.No.753/06. 08.005/2020-21	04.12.2020	Authorisation of entities for operating a Payment System under the PSS Act – Introduction of Cooling Period
4.	DPSS.CO.AD.No.724/02. 27.005/2020-21	04.12.2020	Perpetual Validity for Certificate of Authorisation (CoA) issued to Payment System Operators
5.	DPSS.CO.AD. No.2627/02.27.005/2015- 16	12.05.2016	Guidelines for Voluntary Surrender of Certificate of Authorisation and the Framework for Voluntary Surrender of Certificate of Authorisation dated 12.05.2023
6.	DPSS.CO.AD.No.1344 /02.27.005/2014-15	16.01.2015	Computation of Net-worth

10.2 Application of other laws not barred:

The provisions of these Directions shall be in addition to, and not in derogation of the provisions of any other laws, rules, regulations, or directions, for the time being in force.

10.3 Interpretations:

For the purpose of giving effect to the provisions of these Directions or in order to remove any difficulties in the application or interpretation of the provisions of these Directions, the RBI may, if it considers necessary, issue necessary clarifications in respect of any matter covered herein and the interpretation of any provision of these Directions given by the RBI shall be final and binding.

Annexure

Net-worth Certificate

We have perused the records maintained by the _____ (Company). On the basis of our perusal of the records, the audited / unaudited (strike off whichever is not applicable) financial statements for the financial year ended _____ and the information and explanations given to us, we certify that the Company's net-worth computed in accordance with the paragraph 4.3 of the above Master Direction as on _____ is ₹ _____.

This certificate has been provided by us at the request of the Company. The details for net-worth computation are given below:

Computation of Net-worth of _____ as on _____

Particulars	Amount (₹)
Equity Share Capital (A)	
Add: (B)	
Preference Shares Compulsorily Convertible into Equity	
Free Reserves	
Share Premium Account	
Capital Reserves (representing surplus arising out of sale proceeds of assets)	
Total (A+B)	
Less: (C)	
Revaluation Reserves ¹	
Accumulated Losses	
Book Value of Intangible Assets	
Deferred Revenue Expenditure	
Deferred Tax Assets	
Net-worth (A+B-C)	

Place:

Date:

Stamp:

Signature:

Name and Designation:

¹ Revaluation Reserve need to be deducted if included in (A+B) above.