



Bangalore Chamber of Industry and Commerce

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Finance & Capital Markets

Circular No.61

05.09.2009

All Members

Dear Sirs,

We enclose herewith the following Circulars issued by the Reserve Bank of India, Mumbai for your reference and record.

1. RBI/2009-10/123, DPSS.CO.PD.No.344/02.14.06/ 2009-10, dated August 14, 2009 - Policy Guidelines for issuance and operation of Prepaid Payment Instruments in India
2. RBI/2009-10/130, DBOD.BP.BC No. 32 / 21.01.001/ 2009-10, dated August 27, 2009 - Collection of account payee cheque – Prohibition on crediting proceeds to third party account

Thanking you,

Yours faithfully

T.S. Sampath Kumar
Secretary General

RBI/2009-10/123, DPSS.CO.PD.No.344/02.14.06/ 2009-10, dated August 14, 2009

Policy Guidelines for issuance and operation of Prepaid Payment Instruments in India

A reference is invited to our circular no. RBI/2008-09/ 458, DPSS.CO.PD.No.1873 /02.14.06/ 2008-09 dated April 27, 2009, enclosing the policy guidelines on the captioned subject.

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2. In amendment to paragraph 3.2 of the Guidelines, it has now been decided to permit **Other Persons** to issue mobile phone based semi-closed system pre-paid payment instruments. The entities proposing to issue such instruments shall fully comply with the above guidelines.

3. Entities issuing mobile phone based semi-closed payment instruments shall specifically note to ensure full compliance to the safeguards against money laundering (KYC/AML/CFT) provisions as stipulated under Para 6 of the above guidelines.

4. The mobile phone based semi-closed payment instruments issued by other persons shall also comply with the following conditions:-

- i) The maximum value of such instruments shall not exceed Rs 5000/-.
- ii) The purchase/reloading of these instruments against the value of airtime/talktime shall not be permitted.
- iii) This facility shall be enabled only to facilitate purchase of goods and services. **Person-to-person transfer of value shall not be permitted.**

5. All persons proposing to operate payment systems involving the issuance of these Pre-paid Payment Instruments shall seek authorization from the Department of Payment and Settlement Systems, Reserve Bank of India, under the Payment and Settlement Systems Act, 2007. The application for authorization shall also include the risk management process that would be adopted by the entity.

6. The directive is issued under section 18 of Payment and Settlement Systems Act 2007, (Act 51 of 2007).

Sd/-
(G.Padmanabhan)
Chief General Manager

: 3 :

RBI/2009-10/130, DBOD.BP.BC No. 32 / 21.01.001/ 2009-10, dated August 27, 2009

Collection of account payee cheque – Prohibition on crediting proceeds to third party account

Please refer to our circular DBOD.BP.BCNo.56/21.01.001/2005-06 dated January 23, 2006 in terms of which banks are prohibited from crediting 'account payee' cheque to the account of any person other than the payee named therein.

2. It has been brought to our notice that some banks are collecting third party account payee cheques on behalf of co-operative credit societies who are their constituents. Such practice of collection of cheque crossed 'account payee' through third party accounts (co-operative credit societies) is not permissible.

3. In order to facilitate collection of cheques from a payment system angle, account payee cheques deposited with the sub-member for credit to their customers' account can be collected by the member bank (referred to as the sponsor member) of the Clearing House. Under such arrangements, there should be clear undertaking to the effect that the proceeds of the account payee cheque will be credited to the payee's account only, upon realisation.

**Sd/-
(B. Mahapatra)
Chief General Manager**

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