

# RBI Authorizes UPI Transactions for Fully Compliant KYC – PPIs via Third-Party Apps

08 January 2025

## Introduction

The Reserve Bank of India (RBI) has amended the Master Directions on Prepaid Payment Instruments (PPI) through Notification No. RBI/2024-2025/97, issued on 27 December 2024 (Master Directions). The Master Directions govern the issuance and operations of PPIs, such as prepaid cards and wallets. They categorize PPIs into two types: small PPIs, which require minimal customer details, and full know-your-customer (KYC) PPIs, which necessitate comprehensive KYC verification.

With this amendment, the RBI permits full KYC PPI holders to perform United Payment Interface (UPI) transactions using any third-party UPI application like Google Pay or PhonePe (TPAPs). Consequently, PPI issuers can link their customers' full KYC PPIs to their UPI handles. However, the PPI issuers remain restricted from onboarding customers of other entities, including banks and alternate PPI issuers. This ensures a well-defined operational scope for PPI issuers.

## Key Changes

- **UPI Integration for Full KYC PPIs:** The amended Master Directions now enable seamless transactions for the PPI issuers to enable UPI payments for full KYC PPIs by linking their accounts to UPI handles.

In this case, UPI transactions initiated from the PPI issuer's platform are authenticated using the PPI holder's existing KYC credentials, ensuring that each transaction is pre-authenticated before it enters the UPI payments system.

- **Enhanced Integration via TPAP:** Previously, PPI holders were restricted to transacting solely through the mobile applications of their respective issuers. This limitation precluded the utilisation of widely adopted TPAPs for transactions involving PPI funds. Pursuant to the amendment, full KYC PPIs can now be integrated with TPAPs offering even more seamless and convenient transactions utilising their PPI balances.

## Comments

The RBI's decision represents a pivotal movement towards enhancing interoperability within India's digital payment ecosystem. The integration of full KYC PPI with TPAPs will enable greater flexibility and convenience for PPI users.

With UPI having established itself as a powerhouse in India, processing a staggering ₹21.55 lakh crore in transaction value as of November 2024, this policy update is expected to further popularise the adoption of PPIs and subsequently strengthen India's digital payment space.

- Harsh Walia (Partner); Abhinav Chandan (Partner); Rupendra Gautam (Senior Associate) and Sanskriti Shrivastava (Associate)



## About Khaitan & Co

Khaitan & Co is a top tier and full-service law firm with over 1200 legal professionals, including 270+ leaders and presence in India and Singapore. With more than a century of experience in practicing law, we offer end-to-end legal solutions in diverse practice areas to our clients across the world. We have a team of highly motivated and dynamic professionals delivering outstanding client service and expert legal advice across a wide gamut of sectors and industries.

To know more, visit [www.khaitanco.com](http://www.khaitanco.com)



This document has been created for informational purposes only. Neither Khaitan & Co nor any of its partners, associates or allied professionals shall be liable for any interpretation or accuracy of the information contained herein, including any errors or incompleteness. This document is intended for non-commercial use and for the general consumption of the reader, and should not be considered as legal advice or legal opinion of any form and may not be relied upon by any person for such purpose. It may not be quoted or referred to in any public document, or shown to, or filed with any government authority, agency or other official body.