

Popular card networks under RBI's scanner

The Reserve Bank of India has recently issued a notice to a widely renowned card network provider, emphasizing on suspending all transactions using business cards for unauthorized payments made using unregistered entities. The order was announced by RBI after it discovered that Section 4 of the Payment and Settlement Systems (PSS) Act, 2007 was violated. This has resulted in India's approved card network providers namely MasterCard, Rupay, American Express, and Diners Club to be wary of such activities. However, Visa had come forward with a statement mentioning that the regulator has directed them to suspend all transactions using the Business Payment Service Provider (BPSP).

Transactions of this nature came under RBI's radar after it discovered a new plan of action followed by card networks in using specific go-between agents to make payments for groups who do not prefer card-based transactions. These agents will receive corporate card payments for commercial payments and send these amounts to recipients who did not accept cards via NEFT (National Electronic Fund Transfer), RTGS (Real-Time Gross Settlement), or IMPS (Immediate Payment Service) facilities. Other pressing concerns included were: (a) agents combining a sizable sum of money into accounts that were not specifically mentioned in the PSS Act, and (b) the "originator and beneficiary information" statutes mentioned in the RBI's "Master Direction on KYC" were not met by the transactions processed under this arrangement.

On close examination, the central bank had concluded that such actions count as a payment system, thereby, requiring legal sanction and must be curtailed if laws are not adhered to.

