



भारतीय रिज़र्व बैंक  
**RESERVE BANK OF INDIA**

[www.rbi.org.in](http://www.rbi.org.in)

RBI/2012-13/325

DBOD.No.FSD.BC. 67/24.01.019/2012-13

December 12, 2012

**All Scheduled Commercial Banks  
(excluding RRBs)**

Dear Sir/ Madam,

**Issuance of rupee denominated co-branded pre-paid cards**

Please refer to paragraphs 106 and 107 (extract enclosed) of the Second Quarter Review of Monetary Policy 2012-13 announced on October 30, 2012, proposing to accord general permission to banks for issue of co-branded debit and rupee denominated pre-paid instruments, subject to certain conditions, in order to obviate the need for banks to approach the Reserve Bank for every co-branding arrangement.

2. Issue of rupee denominated pre-paid payment instruments is subject to the stipulations contained in the Notification on the Issuance and Operation of Pre-paid Payment Instruments in India (Reserve Bank) Directions, 2009 by Department of Payment and Settlement Systems (DPSS) of the Reserve Bank of India, under the Payment and Settlement Systems Act, 2007, vide [circular DPSS.CO.PD.No.1873/02.14.06/2008-09 dated April 27, 2009](#), as amended from time to time. In terms of paragraph 6 of [circular DPSS.CO.No.1041/02.14.006/ 2010-2011 dated November 04, 2010](#), banks/NBFCs/other persons desirous of issuing such co-branded pre-paid instruments may seek one time approval from Reserve Bank of India.

3. It has now been decided to grant general permission to banks to issue rupee denominated co-branded pre-paid cards in India, subject to the terms and conditions as per Annex.

4. Banks, which have been granted specific approvals for issue of rupee denominated co-branded pre-paid cards in the past, are advised to ensure that the co-branding arrangement is in conformity with the instructions mentioned above. In

case, the co-branding arrangement is between two banks, the card issuing bank may ensure compliance with the above conditions.

5. Issue of foreign currency denominated pre-paid cards, including co-branding arrangements, if any, will be subject to the guidelines issued under Foreign Exchange Management Act, 1999, as amended from time to time.

6. In view of the stipulations contained in this circular, we advise that the instructions contained in our circulars DBOD.No.FSC.BC.123/24.01.019/99-2000 dated November 12, 1999, [DBOD. No.FSC.BC. 133/24.01.019/2000-01 dated June 18, 2001](#) and [DBOD.No.FSC.BC.88/24.01.019/2001-02 dated April 11, 2002](#) on issue of smart cards by banks stand withdrawn.

Yours faithfully

(Sudha Damodar)  
Chief General Manager

Encl: As above

## **Terms and Conditions for issue of co-branded pre-paid cards by banks**

### **i) Board approved policy**

The co-branding arrangement should be as per the Board approved policy of the bank. The policy may specifically address issues pertaining to the various risks associated with such an arrangement including reputation risk and put in place suitable risk mitigation measures.

### **ii) Due diligence**

Banks should carry out due diligence in respect of the non-banking entity with which they intend to enter into tie-up for issue of such cards to protect themselves against the reputation risk they are exposed to in such an arrangement. In case of proposed tie up with a financial entity, they may ensure that that entity has the approval of its regulator for entering into such arrangement.

### **iii) Outsourcing of activities**

The card issuing bank would be liable for all acts of the co-branding partner. The bank may ensure adherence to the guidelines on “Managing Risks and Code of Conduct in outsourcing of financial services by banks” as contained in the [circular DBOD.No.BP.40/21.04.158/2006-07 dated November 3, 2006](#), as amended from time to time.

### **iv) Role of non-bank entity**

The role of the non-bank entity under the tie-up arrangement should be limited to marketing/ distribution of the cards or providing access to the cardholder for the goods/services that are offered.

### **v) Compliance with Know Your Customer (KYC) Norms / Anti-Money Laundering (AML) Standards / Combating of Financing of Terrorism (CFT) / Obligation of banks under PMLA, 2002**

The instructions/ guidelines on KYC/AML/ CFT applicable to banks, issued by RBI from time to time, should be adhered to, in respect of all cards issued under the co-branding arrangement.

**vi) Confidentiality of customer information**

The card issuing bank should not reveal any information relating to customers obtained at the time of opening the account or issuing the card and the co-branding non-banking entity should not be permitted to access any details of customer's accounts that may violate bank's secrecy obligations.

**vii) Payment of interest**

As hitherto, no interest may be paid on the balances transferred to pre-paid payment cards.

**viii) Compliance with DPSS Guidelines on Issue and Operation of pre-paid instruments in India**

The arrangement will be subject to adherence/ compliance with instructions issued by DPSS from time to time on issue and operation of pre-paid instruments, which includes pre-paid cards, in India

EXTRACT

**RESERVE BANK OF INDIA  
Second Quarter Review of  
Monetary Policy 2012-13  
(Including Review of Developmental and Regulatory Policies)**

**Issue of Co-branded Rupee Denominated Pre-paid/Debit Cards**

106. In order to obviate the need for banks to approach the Reserve Bank for every co-branding arrangement, it is proposed:

- to accord general permission to banks for issue of co-branded debit and rupee denominated pre-paid instruments, subject to certain conditions.

107. Detailed guidelines in this regard are being issued separately.