

RBI/2022-23/80

CO.DPSS.POLC.No.S-590/02-14-006/2022-23

July 04, 2022

The Chairman / Managing Director / Chief Executive Officer  
Bank and Non-bank Payment System Operators (PSOs)

Madam / Dear Sir,

**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**

A reference is invited to Reserve Bank of India (RBI) instructions contained in paragraph 5.10 of [Master Directions on Prepaid Payment Instruments dated August 27, 2021](#), paragraph 5.2 of [Guidelines on Regulation of Payment Aggregators and Payment Gateways dated March 17, 2020](#) and paragraph 3.1 of Annex-A to [White Label ATM Guidelines dated June 20, 2012](#).

2. The operations of non-bank PSOs (authorised to operate any Payment System) have been reviewed and they shall require prior approval of RBI in the following cases –

- a. Takeover / Acquisition of control, which may / may not result in change of management.
- b. Sale / Transfer of payment activity to an entity not authorised for undertaking similar activity.

3. The non-bank PSOs shall inform RBI within 15 calendar days in the following cases –

- a. Change in management / directors.
- b. Sale / Transfer of payment activity to an entity authorised for undertaking similar activity.

4. Details of the requirements are given in [Annex-1](#).

5. This directive is issued under Section 10 (2) read with Section 18 of Payment and Settlement Systems Act, 2007 (Act 51 of 2007) and shall come into effect immediately.

Yours faithfully,

(P. Vasudevan)  
Chief General Manager

**CO.DPSS.POLC.No.S-590/02-14-006/2022-23 dated July 04, 2022**

1. Non-bank PSO shall require prior approval of RBI in the following cases:

a. Takeover / Acquisition of control<sup>1</sup>, which may or may not result in change of management

The transferor non-bank PSO shall submit an application to Department of Payment and Settlement Systems (DPSS), Central Office (CO), RBI, along with the following documents –

- i. Information about the proposed directors as per [Annex-2](#); and
- ii. Complete details about the new shareholders, etc., as per [Annex-3](#).

b. Sale / Transfer of payment activity to an entity not authorised for undertaking similar activity

- i. The seller / transferor non-bank PSO shall apply to DPSS, CO, RBI for obtaining prior approval along with the minimum appropriate details.
- ii. The buyer / transferee entity shall apply for authorisation in Form A (available on RBI website) as prescribed under Regulation 3(2) of the Payment and Settlement Systems Regulations, 2008 along with the requisite application fee. This shall be akin to a new authorisation and the procedure specified in the guidelines for respective payment activity will be applicable (except that the last available System Audit Report would be sufficient in case a new system is not being set-up).
- iii. If the acquiring entity is a bank, it shall apply to DPSS, CO, RBI for approval.
- iv. After obtaining Certificate of Authorisation (CoA) / approval, the sale / transfer can be proceeded with.
- v. The seller / transferor PSO shall voluntarily surrender its CoA as per the process mentioned in [RBI circular DPSS.CO.AD.No.2627/02.27.005/2015-16 dated May 12, 2016](#). The buyer / transferee bank / non-bank shall be liable for complying with any regulatory / supervisory action taken by RBI for periods prior to the sale / transfer.

2. RBI shall endeavour to respond within 45 calendar days after receipt of complete details from both the entities. The timeline is not applicable in case of overseas principal in Money Transfer Service Scheme.

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<sup>1</sup> For these instructions, "Control" shall have the same meaning as assigned to it under clause (e) of sub-regulation (1) of regulation 2 of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended from time to time.

3. Requirement of prior public notice

- i. After obtaining RBI approval, a public notice of at least 15 calendar days shall be given before effecting the changes. Such public notice shall be given either separately by the authorised non-bank PSO and the buyer / acquirer bank / non-bank, or jointly by them. The public notice shall indicate the intention and reasons for such changes, particulars of the entities concerned, etc. The notice shall be published in at least one leading national and in one leading local vernacular newspaper (covering the place of the registered office of the respective entities).
  - ii. The seller / transferor non-bank PSO shall also inform all stakeholders (agents, bankers, customers, merchants, etc.) of the changes, at least 15 calendar days before effecting the same.
4. The authorised non-bank PSO shall inform DPSS, CO, RBI within 15 calendar days in the following cases –
- i. Change in management / directors with complete details, including ‘Declaration and Undertaking’ ([Annex-2](#)) by each of the new directors. RBI shall examine the fit and proper status of the management / directors, and, if required, may place suitable restrictions.
  - ii. Sale / Transfer of payment activity to an entity authorised by RBI for undertaking similar activity. The entities shall issue prior public notice and the seller / transferor non-bank PSO shall also inform all stakeholders at least 15 calendar days before the actual sale / transfer as per the details given in para 3 above (except that prior approval of RBI is not required for the purpose). The instructions mentioned in para 1(b)(v) above, shall be applicable.
5. The above instructions are in addition to, and not in derogation of the provisions of any other laws, rules, regulations or directions, for the time being in force.

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**Information to be submitted in case of change in directors****A. Declaration and undertaking by the Director**

(with enclosures as appropriate as on .....)

(To be submitted by non-bank PSO to DPSS, CO, RBI, Mumbai)

Name of applicant company / non-bank PSO:

<b>I</b>		<b>Personal details of director</b>	
	A	Full name	
	B	Date of birth	
	C	Educational qualifications	
	D	Background and relevant experience	
	E	Permanent address	
	F	Present address	
	G	Director Identification Number (mandatory)	
	H	E-mail address / telephone number	
	I	Permanent Account Number under the Income Tax Act and name and address of Income Tax circle	
	J	Any other information relevant to directorship of the company	
	K	Director in the company since (previous details also in case of broken period)	
	L	a) Number of shares held in the company b) Amount involved (face value of shares held in company in ₹)	
<b>II</b>		<b>Relevant relationships of director</b>	
	A	List of relatives if any who are connected with the company (refer Section 2 (77) of the Companies Act, 2013)	
	B	List of entities if any, in which she / he is considered as being interested (other directorships)	
	C	List of entities in which she / he is considered as holding substantial interest	
	D	Cases, if any, where the director or entities listed in II (b) and (c) above are in default or have been in default in the last five years in respect of credit facilities obtained from the bank or non-bank.	
<b>III</b>		Details of some key professional achievements in the areas of - Technology and payment system / transaction - Human resources management / legal - Accounting / Finance	
<b>IV</b>		<b>Proceedings, if any, against the director</b>	
	A	If the director is a member of a professional association / body, details of disciplinary action, if any, pending or commenced or resulting in conviction in the past against her / him or whether she / he has been banned from entry of at any profession / occupation at any time.	
	B	Details of prosecution, if any, pending or commenced or resulting in conviction in the past against her / him and / or against any of	

		the entities listed in II (B) above for violation of economic laws and regulations and similar statutory provisions of the respective country.	
	C	Details of criminal prosecution, if any, pending or commenced or resulting in conviction in the past against her / him.	
	D	Whether she / he attracts any of the disqualifications envisaged under Section 164 of the Companies Act, 2013 and similar statutory provision of the respective country?	
	E	Has she / he or any of the entities at II (B) and (C) above been subject to any investigation at the instance of government department or agency? If so, give particulars.	
	F	Has she / he at any time been found guilty of violation of rules / regulations / legislative requirements by customs / excise / income tax / foreign exchange / other revenue authorities? If so, give particulars.	
	G	Whether she / he at any time come to the adverse notice of regulators such as SEBI, RBI, IRDA, MCA, etc.	
	H	Whether her / his name appears or has at any time in the past appeared in the list of defaulters as published by CRISIL or whether she / he is connected as guarantor/director with entities which are at default.	
	V	Any other explanation / information in regard to items I to IV and other information considered relevant for judging fit and proper status of the director.	
		<b>Undertaking</b>	
		I confirm that the above information is to the best of my knowledge and belief, true and complete. I undertake to keep the Company duly informed as soon as possible, of all events which take place subsequent to my appointment and which are relevant to the information provided above.	
		Place:	
		Date:	Signature of Director

**B.** With regard to list of entities in which the director is considered as being interested (other directorships) and entities in which she / he is considered as holding substantial interest (II-B & II-C of declaration and undertaking by director), following details need to be furnished:

- a) Whether the entity is being regulated by any financial regulator i.e. RBI, SEBI, IRDAI or PFRDA; and
- b) If yes, registration / license number given by the respective financial regulator along with the PAN number.

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**Information to be submitted in case of change in shareholding**

- 1) Detailed profile of new shareholders. How the new shareholders will be associated with the non-bank PSO in the payment system? If there is any change in the present payment system, then the same may also be furnished.
- 2) Have the new shareholders earlier applied for authorisation under Payment and Settlement Systems Act, 2007 (PSS Act) and refused? Or, is any application of the new shareholders under PSS Act currently pending?
- 3) Previous experience of the new shareholders in the payment systems area. Details of existing operations under tie-up and / or co-branding arrangement with any of the authorised payment system operator.
- 4) Sources of funds of the proposed shareholders acquiring the shares in the non-bank PSO:
  - a) Amount of own capital proposed to be deployed;
  - b) Amount of borrowings expected from banks; and
  - c) Amount of borrowing expected from sources other than banks (sources may be mentioned).
- 5) How does the applicant propose to recover its investment and earn an income, that is, whether through cash flows or by levying joining fees, security fees, annual / operating charges, etc. (please give full details)?
- 6) Proposed shareholding\* pattern, post acquisition / takeover / change in shareholding of the authorised PSO (direct or indirect) shall be provided in the following format:

<b>Sr. No.</b>	<b>Name of Shareholder/s</b>	<b>Shareholding Percentage (5% or above)</b>	<b>Country of Registration / Nationality</b>

\* Domestic shareholding and foreign shareholding, including public holdings. Investors with shareholding less than 5% may be mentioned as 'others' and cumulative shareholding by 'others' shall be provided. If required, we may ask for more details of the same at a later stage.

- 7) If new shareholders are foreign shareholders, then compliance with [RBI circular CO.DPSS.AUTH.No.S190/02.27.005/2021-22 dated June 14, 2021](#) on 'Investment in Entities from FATF Non-compliant Jurisdictions' shall be ensured and following details shall be furnished:
  - a) Complete details of foreign shareholding or Foreign Direct Investment (FDI) in the non-bank PSO;

- b) Copy of the acknowledgement / acceptance / other details from Foreign Exchange Department vis-à-vis prescribed returns and reporting on remittance / fund inflow, share allotment, share valuation, etc.; and
  - c) Details of 'beneficial ownership' in relation to FDI in the company. Detailed profile of the foreign investors and resultant ultimate beneficial owners in the company, inter-alia, including, country of registration, details of registration, nature of business activity, experience in sector functioning in, details of its directors / management, details of its shareholding / ownership, investments in any other company in India & details thereof, nationality of directors and shareholders, etc.
- 8) Additionally, a detailed chart of the 'Group Structure' shall be submitted by the non-bank PSO. Further, in this regard,
- a) The PSO shall identify entities in its structure that are -
    - i. Listed (domestic / foreign, along with the name of stock exchange);
    - ii. Regulated by a financial sector regulator (domestic / foreign, along with the name of the regulator); and
    - iii. Neither listed nor regulated.
  - b) In the case of natural persons, the PSO shall mention the nationality and current residential status.
- 9) Any other information the applicant wishes to furnish.

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