

RBI Introduces Consolidated Framework for Payment Aggregators

Introduction

The Department of Payment and Settlement Systems, Reserve Bank of India (**RBI**), issued the Master Direction on Regulation of Payment Aggregator, on September 15, 2025 (**PA-MD**), consolidating and superseding all directions, regulations and circulars issued for Payment Aggregators (**PA**) since March 17, 2020.

Key Features

1. Categories of PA:

PAs facilitate aggregation of payments from customers to merchants through merchant's interface (physical / virtual) for purchase of goods / services / investment products, for onward settlement with such merchants. Following are the sub-categories of PAs:

- i. **Payment Aggregator – Online (PA-O):** facilitates transactions where the acceptance device and payment instrument are not present in close proximity while making the transaction.
- ii. **Payment Aggregator – Physical (PA-P):** facilitates transaction(s) where both the acceptance device and payment instrument are physically present in close proximity while making the transaction.
- iii. **Payment Aggregator Cross-Border (PA-CB):** facilitates aggregation of cross-border payments for permissible current account transactions for merchants on-boarded through e-commerce.



2. Authorisation Requirements:

- i. An existing authorised PA carrying on the business of PA-P is required to intimate the RBI, a revised Certificate of Authorisation (**CoA**) will be issued to such PA.
- ii. An entity which has applied for PA-O / PA-CB CoA, but has not received the same, must intimate RBI if it has any existing PA-P business before December 31, 2025, through RBI's online portal.
- iii. An entity carrying out only PA-P business must apply for authorisation to the RBI by December 31, 2025, failing which such entities will have to wind up their business by February 28, 2026.
- iv. Existing authorised PA desirous of commencing business in another PA category must intimate the RBI at least 30 days prior to commencing the new business.

3. Changes Introduced:

Particulars	Earlier Position	Modifications
Applicable to all Categories of PA		
Fit and Proper Criteria	Only directors were required to submit the declaration.	Now promoters must also submit this declaration.
Nodal Officer	Mandatory appointment.	Not a mandatory requirement. An officer to handle issues raised by merchants must be appointed. ¹
Information Security Policy	Requires PAs to mitigate “identified risks”.	Both “identified as well as emerging risks” must be mitigated.
Customer Due Diligence (“CDD”)	No clarity regarding obligation to conduct CDD in cases of multiple PAs in a payment chain.	In case of agreements between two PAs, the PA onboarding the merchant will be liable for conducting CDD.
	No clarity on processing / settling of funds for sellers of marketplaces.	PA must ensure it is processing / settling funds only for sellers onboarded by marketplaces.
Refund to Alternate Mode	Permitted, if specifically agreed by the customer.	Permitted, if: (x) specifically agreed by the customer; and (y) alternate mode belongs to the same customer.
Escrow Account	Amount in escrow could not be less than customer collections or merchant payables.	The amount in the escrow cannot be less than amount lying in escrow which is payable to the merchants but not settled with them.
Applicable to PA-O and PA-P		
Delivery v. payment (“DvP”)	Exempted from PA regime.	DvP transactions not exempted. Exemption only for cash on delivery transactions. ²
Settlement with Third Parties	Payment to third-party on specific directions of merchants permitted.	Payment to a third party on specific directions from merchant is allowed for only certain merchants. ³ The third party must be the payee that interfaces with the payer for the underlying transaction.
Settlement with Marketplaces	No clarity if funds could be settled with marketplaces.	Can settle with marketplaces (now included in merchant definition).

¹ Details of such officer must be published on the PA’s website.

² Payment made against delivery of goods or services through currency notes.

³ Merchants who have an annual turnover of >INR 40 lakhs or an annual export turnover of >INR 5 lakhs.

Particulars	Earlier Position	Modifications
Core Portion in Escrow	Core portion of escrow account to be in separate account for interest earnings.	Core portion may remain in the escrow account and earn interest.
Applicable to PA-CBs		
Transaction Limit	INR 25 lakhs, “per unit of goods / services” sold / purchased.	The monetary cap of INR 25 lakh is applicable on a “per transaction” basis.
Settlement with Third Parties	Payment to third-party on specific directions of merchants permitted.	Payment to third-party not permitted.
Inter-escrow transfer	Permitted.	Prohibited.
Fund Flow	Funds for outward transaction to be routed through escrow account of PA-O.	Funds for an outward transaction can also be received directly in the Outward Collection Account.
Pre-funding	Permitted.	Prohibited.
Co-mingling / Netting	No clarity regarding co-mingling / netting-off for outward and inward transactions.	There can be no co-mingling or netting off for outward and inward transactions by PA-CBs.

4. New Compliance Requirements:

Particulars	New Provisions
Applicable to all Categories of PA	
CDD	<p>i. CDD: For merchants meeting prescribed criteria⁴ where Central KYC Registry CDD cannot be conducted, alternative CDD may be undertaken through prescribed methods.⁵</p> <p>ii. Agent: PA-MD allows CDD through agents for Digital KYC or assisted Video KYC, provided the PA conducts due diligence of its authorised / designated agents.</p>

⁴ Annual turnover ≤ INR 40 lakh or annual export turnover ≤ INR 5 lakh.

⁵ Alternate CDD may be conducted through PAN/Form 60 collection and verification, merchant contact point verification, obtaining certified copies of officially valid documents from the merchant or their authorised power of attorney, and for entities, verification of documents as per the Master Direction – Know Your Customer (KYC) Directions, 2016 (**KYC-MD**).

Particulars	New Provisions
Merchant Monitoring	<ul style="list-style-type: none"> i. Merchant Code: Allocate appropriate Merchant Category Codes and Merchant ID / Terminal IDs and ensure capture of merchant names for all transactions. ii. Merchant bank account verification: Put in place validation mechanisms to verify the merchant bank account. iii. Continuous monitoring: Continuous transaction monitoring of the merchant to be undertaken, to ensure transactions are in line with merchant's business profile.
Settlement and Escrow Account	<ul style="list-style-type: none"> i. Receipt of funds from other PAs for settlement to their merchant is a permissible credit to the escrow account. ii. Payment to another PA or PA-CB facilitating outward transactions, for ultimate settlement of funds is a permissible debit from the escrow account.
Applicable to PA-O and PA-P	
Settlement and Escrow Account	A PA carrying out both PA-O and PA-P activities must use the same escrow account for both business activities.
Applicable to PA-CBs	
Forex	Barred from purchasing or selling foreign currency to any other entity, except an Authorized Dealer.
Export / Import Reporting	To provide the documents / information to the Authorised Dealer Category I bank (AD Bank) for Export / Import Data Processing and Management System.
Transaction Monitoring	To identify the bonafides of a transaction, the payment transaction (outward / inward) must be identified as a cross-border transaction.

5. Obligations of AD Banks and Acquiring Bank:

- i. **AD Banks:** Required to automate their process to fetch the requisite information from a PA-CB.
- ii. **Acquiring Bank:** Required to:
 - a. have a policy for processing payments for merchants acquired through an authorized non-bank PA;
 - b. not necessarily conduct the CDD but obtain the details of CDD of the merchant, whenever required; and
 - c. ensure that merchants onboarded by their non-bank PA are in compliance with acquiring bank's policy for merchant acquiring.

Implementation Timeline

The PA-MD is effective immediately. RBI has provided a particular timeline with respect to the following:

Date	Event
December 31, 2025	Entities which are carrying on only PA-P business must apply to RBI for authorisation.
February 28, 2026	If the entities which are carrying on only PA-P business do not apply for authorisation by the said deadline, they must wind-up their business.
September 14, 2026	PAs must ensure that all merchants on-boarded till December 31, 2025, are on-boarded in compliance with the KYC requirements provided in the PA-MD.
January 1, 2026	All merchants must be on-boarded as per the KYC requirements of the PA-MD. ⁶
To be specified by RBI	Timeline for implementation of requirement to establish systems to identify each inward / outward transaction as cross border transaction.

CAM Analysis

1. Entities with existing Payment Aggregator CoA:

- No separate approval for PA-P business, only an intimation to be sent to RBI.
- Existing PAs can commence other PA business lines without separate approval by providing 30 days' prior intimation to RBI.
- Consolidation:
 - Since PA-P was unlicensed business, industry players housed PA-P operations in separate entity from authorised PA-O / PA-CB entity.
 - Such players will need to restructure, transfer, or merge PA-P business with other PA business.

2. Entities whose PA-O / PA-CB applications are under process / in-principle approval has been received:

- Must disclose details of existing PA-P business to RBI by December 31, 2025. This enables RBI to

evaluate the entity for the PA-P authorisation alongside ongoing application.

- May elongate the authorisation process, given RBI would assess the entity's PA-P business alongside existing application.

3. Other Benefits: Single licensing regime for all categories of PA business will allow:

- consolidation of all payment aggregation businesses in a single entity;
- better operational management, including reduced costs and administrative overheads; and
- elimination of multiplicity in key personnel and core functions such as risk and compliance across different categories of PA business.

⁶ Obligations under the KYC-MD will have to be adhered to as well, including any future amendments.

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