

# Region Rural Banks to act as Merchant Acquiring Banks

February 10, 2020

**Source:** RBI

As announced in the Statement on Developmental and Regulatory Policies issued along with Sixth Bi-monthly Monetary Policy Statement 2019-20 of RBI, it has been decided to **allow RRBs to act as merchant acquiring banks using Aadhaar Pay – BHIM app and POS terminals.**

In this connection, the **instructions are as under:**

1. All RRBs intending to act as merchant acquiring banks (Aadhaar pay – BHIM app), shall be permitted to deploy their own devices subject to fulfilling the conditions as under:
  - a) The RRB should have **permission for mobile banking from the Reserve Bank**
  - b) Additionally, the RRB shall be required to fulfill the following **conditions:**
    - The bank's IT systems & CBS should have been subjected to an Information System Audit not earlier than six months from the date of application to confirm that the system is adequately secure.
    - The bank must ensure the necessary infrastructure for application development, safety and security of the transactions and handling of customer grievance.
    - A customer grievance redressal mechanism duly approved by the bank's board should be in place
    - The bank should have a board-approved policy on

merchant acquisition for card transactions

- There should not be any restrictions imposed on the bank for accepting deposits/ withdrawals by Reserve Bank of India.
- No penalty should have been imposed in the last two financial years.

2. All RRBs intending to act as merchant acquiring bank (POS terminals), shall be permitted to deploy their own devices provided they meet the conditions mentioned at 1 (a) and (b) above, as also the conditions given hereunder:

- c) In the preceding financial year, the **RRB should have**
  - The net worth of ₹100. crores or more as on March 31 of the preceding financial year
  - Minimum CRAR at 9%
  - Net NPA below 5%.

3. Apart from meeting the above eligibility criteria, the RRBs may be required to comply with instructions and guidelines on Merchant Acquisition for card transactions and POS issued by Department of Payment and Settlement Systems, RBI from time to time.

4. RRBs shall inform the respective Regional Offices of Reserve Bank, within a period of 15 days from the date of operationalizing the merchant acquisition business.

5. The RRBs shall furnish the requisite information to DPSS, CO, RBI directly, as indicated in the enclosed annex.