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RBI's Master Direction on Bharat Bill Payment System

The Reserve Bank of India ("RBI") released the '[Master Direction – Reserve Bank of India \(Bharat Bill Payment System \("BBPS"\)\) Directions, 2024](#)' on February 29, 2024 ("BBPS Master Directions"). With effect from April 1, 2024, the BBPS Master Directions will supersede the extant [BBPS Guidelines](#) and the applicable circulars. The BBPS Master Directions will govern the BBPS which regulates the payment system participants in the bill payments ecosystem involving payment and collection of bills through multiple channels using various forms of payment.

Key points under the BBPS Master Directions are set out below:

1. Scope and Applicability

The BBPS Master Directions will apply to the following:

- a) Bharat Bill Pay Central Unit ("BBPCU") which is NPCI Bharat Bill Pay Limited, a wholly owned subsidiary of National Payments Corporation of India;
- b) Bharat Bill Payment Operating Units ("BBPOUs"), which may either be a:
 - i) Biller operating unit ("BOU"), which onboards billers directly or through biller aggregators on the BBPS platform; or
 - ii) Customer operating unit ("COU") which onboards customers with a physical or digital interface to pay bills directly or through an agent institution. These entities may be banks, non-bank payment aggregators ("PAs"), or any other entity authorized as BBPOUs; and
- c) Any entity (other than a biller) that is operating a system for payment of bills outside of the scope of BBPS.

Notably, a 'bill' is now defined to include a notice for recharge of prepaid services and the customer's relationship with the biller must be validated through BBPS for such transactions.

2. Authorisation Requirement

Under the erstwhile regime, non-bank entities operating bill payments voluntarily sought authorization from the RBI under the Payment and Settlement Systems Act, 2007 ("PSSA") to be registered as an authorized BBPOU. The scope of the BBPS Master Directions has now been expanded to cover all entities (other than billers) that were operating a payment system for bills outside of the BBPS and such entities must obtain authorization under the PSSA. While the earlier guidelines had specific criteria for eligibility for non-bank entities, the BBPS Master Directions do not provide specific eligibility criteria. It is unclear whether the same eligibility criteria as set out under the erstwhile regulations apply to all non-bank BBPOUs intending to obtain authorization to operate as such.

Banks and non-bank PAs having prior authorization as a payment system from the RBI which intend to operate as BBPOUs will not require a separate authorization. They may intimate the Department of Payment and Settlement Systems, RBI, Central Office prior to the commencement of operations.

3. Roles/obligations

Indicative roles and responsibilities of BBPCU, BOUs and COUs as provided under the BBPS Master Directions are set out below:

a) BBPCU:

- i) setting participation criteria and system operations rules;
- ii) setting technical standards for participation in the system;
- iii) providing guaranteed settlement of all transactions routed through BBPCU;
- iv) ensuring all transactions have BBPS reference number from the payment initiation stage;
- v) ensuring no funds in the system flow through any Technology Service Provider; and
- vi) providing a framework for redressal of consumer disputes.

b) BOUs:

- i) onboarding billers to BBPS;
- ii) ensuring compliance to due diligence requirements in respect of onboarding of merchants prescribed in Guidelines on Regulation of Payment Aggregators and Payment Gateways dated March 17, 2020 ("**PA Guidelines**");
- iii) ensuring compliance to additional due diligence requirements which may be prescribed by BBPCU for specific biller categories; and
- iv) ensuring due diligence of billers onboarded through biller aggregators.

c) COUs:

- i) providing digital/physical interface to their customers, directly or through agent institutions;
- ii) ensuring customers (including customers of their agent institutions) have access to all billers onboarded on BBPS;
- iii) providing a system for raising disputes; and
- iv) taking responsibility for the activities of its agent institutions, for which they have entered into agreement with the COU.

The roles and responsibilities of BBPCU, BOUs and COUs are fairly similar to their respective roles under the erstwhile regime vis-à-vis the BBPS Master Directions. That said, additionally:

- d) BOUs must undertake a biller due diligence (including on billers onboarded through biller aggregators) in accordance with the PA Guidelines, resultantly also to comply with the RBI's [Master Direction – Know Your Customer \(KYC\) Directions, 2016](#).
- e) COUs are expected to provide the digital/physical interface to customers and ensure access to all billers.

4. Settlements/Settlement Account

Pursuant to the BBPS Master Directions, a non-bank BBPOU must create an escrow account exclusively for BBPS transactions, which should be operated in accordance with requirements under PA Guidelines. Settlement must be carried out only through a single/consolidated escrow account for all transactions instead of a nodal settlement account. The following transactions are permitted to be routed through the escrow account of COUs and BOUs:

- a) Credit of funds collected from the customers/debit of funds due to billers;

- b) Debit towards settlement of BBPS transactions;
- c) Credit/debit of failed/disputed transactions;
- d) Recovery of charges/commissions pertaining to bill payment transactions.

Notably, the BBPS Master Directions do not refer to the distinction between ON-US and OFF-US transactions.

5. Grievance Redressal Mechanism

BBPS Master Directions specify the guidelines governing the dispute resolution process and specify the following requirements:

- a) BBPCU must create a dispute resolution framework for centralised end-to-end complaint management system in line with RBI's guidelines on [Online Dispute Resolution \(ODR\) System for Digital Payments dated August 06, 2020](#) ("**ODR Regulations**") and BBPOUs must be integrated and handle dispute resolution in accordance with such framework.
- b) BBPOUs to ensure compliance with timelines prescribed in RBI's circular on [Harmonisation of Turn Around Time \(TAT\) and customer compensation for failed transactions using authorised Payment Systems dated September 20, 2019](#) ("**TAT Harmonisation**") in case of disputes.

Conclusion

The BBPS Master Directions represent a significant step towards a more robust and inclusive BBPS framework for stakeholders in India. The emphasis on streamlined settlements, and a centralized dispute resolution system aims to improve customer protection and overall efficiency. However, certain aspects (such as the eligibility criteria for authorisation) require further clarification, and procedural clarifications/directions may provide more guidance on the governance framework.

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