

Payment Aggregators come under common code

Online, Physical and Cross border Aggregators come under regulations; unauthorised PAs to apply by 31st Dec., 2025 with minimum NOF of Rs 15 crores

Directions for Payment Aggregators were rolled out by the RBI on 15th September, 2025 titled: [Master Direction on Regulation of Payment Aggregator \(PA\)](#) (PA Directions) which became immediately effective. The Directions apply to Online, Physical and Cross border PAs. For Physical PAs which were hitherto not required to have an authorisation, the respective PA will need to make an application for authorisation by 31st Dec, 2025 and on failing to get the same by 28th Feb, 2026 wind up business by then. The requisites include a net owned fund (NOF) of Rs 15 crores, going upto Rs 25 crores within 2 years next. Permissible debits and credits in PA accounts have been specified, whereby third party payouts will have a very narrow restricted list. Further, a PA cannot also be a marketplace. Further various other changes have been brought forth by the RBI including but not limited to:

- a. Funds belonging to merchants and held in escrow or any other accounts with Payment Aggregators who have not received authorization will no longer enjoy bankruptcy-remote status;
- b. Exclusion of certain transactions from the ambit of PA-CB activity;
- c. KYC is now being required to be conducted only for merchants;
- d. Non Bank PAs are mandatorily required to register with FIU-IND;
- e. Omission of the right of merchants to direct the PAs to transfer funds from the escrow to any account other than the designated merchant account

And many others which have been captured as a part of our Key Highlights below .

The PA Directions further repeals the earlier Guidelines on:

- a. [Guidelines on Regulation of Payment Aggregators and Payment Gateways](#), dated March 17, 2020
- b. [Guidelines on Regulation of Payment Aggregators and Payment Gateways](#) dated March 31, 2021
- c. [Regulation of Payment Aggregator – Cross Border \(PA - Cross Border\)](#) dated October 31, 2023

While the primary objective of the PA Directions has been to consolidate the existing regulatory requirements applicable to Payment Aggregators, the Directions also introduce several important changes and additions which have been discussed in the key highlights below.

Key Highlights of PA Directions, 2025

Inclusion of Physical PAs (PA-P)	PA - Physical (PA-P) (entities receiving payments through POS devices) have been recognised as a PA, and are required to comply with the new Directions.
Existing PAs acting as PA-P	<ol style="list-style-type: none"> Existing authorised PAs who are acting as PA-P as well are required to immediately intimate RBI for obtaining revised Certificate of Authorisation. For existing entities who are operating as PA-P business are required to apply to RBI for authorization within December 31, 2025, failure of which they have to wind up their business within February 28, 2026.
AD-Category-II & card transactions excluded from PA-Cross Border (PA-CB) scope	<p>In respect of PA-Cross border (PA-CB) the following would not fall under the ambit of PA-CB activity:</p> <ol style="list-style-type: none"> non-bank entity authorised as AD Category-II, and facilitating current account transactions not prohibited under FEMA (other than purchase or sale of goods or service). card transaction, where the foreign exchange settlement is facilitated by a card network and the aggregator receives the payment in local currency.
Governance	Conditions to be satisfied towards Fit and Proper criteria for promoters and directors have been explicitly mentioned under the new Directions.
Marketplace business to be segregated	<p>Under the new Directions entities carrying PA business cannot carry out marketplace business. Effectively, the marketplace business shall be carried out under a separate entity..</p> <p>Erstwhile Guidelines allowed PAs to carry out marketplace business only if they were segregated.</p>
Mandatory Merchant KYC	Under the new Directions, KYC is required to be conducted by all categories of PA's only in respect of merchants (not customers) and CKYCR is to be provided as the first option. In case records are not available on CKYCR or cannot be accessed, CDD needs to be done as per the KYC Directions- either face to face (physical, V-CIP or Digital) or non-face-to-face with EDD.
Use of Agents in conducting KYC	A non-bank PA can utilise its authorised agents to conduct Digital KYC as well as V-CIP (only to provide assistance to the merchant).
Registration with FIU-IND	Non bank PAs under the new Directions are mandatorily required to register themselves with FIU-IND.
Mandatory escrow account	Escrow accounts are mandatorily required to be maintained (to be created within a period of 2 months from receipt of authorization). Further, the escrow account shall not be operated for 'Cash-on-Delivery' transaction.
Restriction on Permitted Debits	<p>The RBI has omitted the right of merchants to transfer funds from the escrow to any account other than the designated merchant account, even if such transfer is explicitly instructed by the merchant. This will have an impact on the loan repayments of merchants that could have been linked directly with collections through the PA.</p> <p>Debit to third-party account on specific direction of a merchant, is now only allowed for merchants having physical or online presence with an annual turnover above ₹40 lakh or an annual export turnover of more than ₹5 lakh, provided the third party is the payee that interfaces with the payer for purchase / delivery of goods, services or investment products, for the underlying transaction.</p>
Settlement timelines	Timeline of settlement to be mutually agreed between the PA and the merchant. The suggested settlement

Key Highlights of PA Directions, 2025

timeline of T+1 in the erstwhile Guidelines has now been removed.

Whether bankruptcy remoteness is lost for existing unauthorized PAs?

Apart from the key highlights, we also noted a concern that may impact merchants' rights to receive payments from Payment Aggregators (PAs) that have not yet obtained RBI authorization.

Para 16(a) of the Directions (under the head "Escrow a/c by existing PA") provides that:

"...PA may migrate funds to an escrow account prior to authorisation but protection under paragraph 16(b) of these Directions shall be available only after authorisation."

Para 16(b) further states that, for the purposes of maintaining an escrow account, the payment system operated by a PA shall be deemed a "designated payment system" under Section 23A of the Payment and Settlement Systems Act, 2007 (PSSA).

Accordingly, merchants onboarded by PAs pending authorization are not covered by Section 23A protections. Under Section 23A(3) of the PSSA, funds held in designated payment systems enjoy a first and paramount charge in favour of the beneficiaries, insulating such funds from claims of liquidators, receivers, or assignees in the event of insolvency.

However, since this protection does not extend to merchants dealing with unauthorized PAs, they face a real risk of non-receipt of funds in a bankruptcy or liquidation scenario, as their escrow balances would not carry statutory priority outside the liquidation estate. Hence accordingly merchants are suggested to take adequate steps so as to ensure that their interests are protected.