Sub: Publicizing of MDR Waiver and revised BHIM incentive schemes.

Sir,

Please find attached the letter regarding Publicizing of MDR Waiver and revised BHIM incentive schemes.

This is for your information and necessary action please.

Regards,

e-Governance Cell,
Ministry of Water Resources, RD & GR,
Tel.: 011-23354648,

[Signature]

[Date]

[Stamp]

[Signature]

[Date]

[Stamp]

[Signature]

[Date]
To,

All Head of Attached Offices/ Subordinate Organizations under the Ministry.

Subject:- Publicizing of MDR Waiver and revised BHIM incentive schemes.

Sir,

I am directed to refer to DO letter No. 12(23)/2017-DPD dated 26.04.2018 received from Ministry of Electronics & Information Technology (MeitY) wherein it is conveyed that the Government of India has waived off Merchant Discount Rate (MDR) applicable on Deb Card/ BHIM UPI/ Aadhar-Pay transactions less than or equal to Rs. 2000 in value for a period of 2 years with effect from 1st January, 2018.

A copy of DO letter and Gazette Notification No. 6(19)/2017-DPD-1 dated 27.12.2017 of Government of India have been enclosed for ready reference.

Encl:- As Above

Yours faithfully,

(Ashok Kumar Gupta)
Under Secretary to the Government of India

Copy to :-

1. All Wing Heads in the Ministry.
2. NIC Cell for uploading on IntraMoWR.
Sub.: Publicizing of MDR Waiver and revised BHIM incentive schemes

Sir/Madam,

Ministry of Electronics & IT (MeitY) has been mandated to promote digital transactions in the country. MeitY has been co-coordinating with all the Ministries/Departments/States to achieve the target of 2500 Crore digital payment transactions set for FY 2017-18, by Hon'ble Finance Minister.

2. The efforts made by all Ministries/Departments/States for promotion of digital payments are appreciated, which resulted in significant growth in digital payment transactions from 1003 Cr. in 2016-17 to 2060 Cr. in 2017-18. The details of mode-wise growth in digital payments have been enclosed as Annexure A.

3. MeitY is now working with renewed focus to further strengthen the digital payment ecosystem in the country. Recently, Government of India Vide Gazette Notification No. 6(19)/2017-DPD-1, dated 27.12.2017 (attached) has waived off Merchant Discount Rate (MDR) applicable on Debit Card/BHIM UPI/Aadhaar-Pay transactions less than or equal to Rs. 2000/- in value, for a period of two years with effect from 1st January, 2018. This will help to promote small value transactions up to Rs. 2000/-.

4. Further, Government of India has recently revised and extended the following incentive schemes with effect from 1st April 2018 till 31st March 2019 for promotion and wider adoption of digital payment:
   - BHIM cashback scheme for individuals
   - BHIM incentive scheme for merchants
   - BHIM Aadhaar merchant incentive scheme

[Signature]

26.04.2018
5. Co-operation of all Ministries/Departments/States is expected to further improve the adoption of Digital Payments. It is requested that information regarding MDR waiver and BHIM incentive schemes, as mentioned above may be disseminated and widely publicized in all organizations (Attached Offices/ Affiliated bodies/Autonomous Societies/Public Sector Enterprises/ Section 8 companies/ Section 25 companies/ Statutory Organizations/ Company registered under Company Act 1956 etc.) under your Ministry / Department / States. It is further requested to appropriately display the above information in websites of your Ministry / Department / States and all concerned organizations.

With regards,

Yours faithfully,

[Signature]

(Gopalakrishnan S.)

Encl.: As above

To:

- All Secretaries, Government of India
- Chief Secretaries of all States/UTs

Copy To:

- IT Secretaries of all States/UTs
Annexure A: Growth of Digital Transactions in Last Five Years

<table>
<thead>
<tr>
<th>Modes/Year</th>
<th>FY 2013-14</th>
<th>FY 2014-15</th>
<th>FY 2015-16</th>
<th>FY 2016-17</th>
<th>FY 2017-18</th>
<th>Growth rate</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units</td>
<td>Vol (In Cr)</td>
<td>Vol (In Cr)</td>
<td>Vol (In Cr)</td>
<td>Vol (In Cr)</td>
<td>Vol (In Cr)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RTGS</td>
<td>8.11</td>
<td>9.28</td>
<td>9.83</td>
<td>10.79</td>
<td>12.48</td>
<td>16%</td>
<td>RBI</td>
</tr>
<tr>
<td>EFT/NEFT</td>
<td>66.10</td>
<td>92.75</td>
<td>125.29</td>
<td>162.21</td>
<td>194.63</td>
<td>20%</td>
<td>RBI</td>
</tr>
<tr>
<td>IMPS</td>
<td>1.54</td>
<td>7.84</td>
<td>22.08</td>
<td>50.68</td>
<td>101.29</td>
<td>100%</td>
<td>NPCI</td>
</tr>
<tr>
<td>Credit card usage at POS</td>
<td>50.91</td>
<td>61.51</td>
<td>78.57</td>
<td>108.71</td>
<td>139.23</td>
<td>28%</td>
<td>RBI</td>
</tr>
<tr>
<td>Debit card usage at POS</td>
<td>61.91</td>
<td>80.81</td>
<td>117.36</td>
<td>239.93</td>
<td>328.20</td>
<td>37%</td>
<td>RBI</td>
</tr>
<tr>
<td>m-Wallet</td>
<td>10.75</td>
<td>25.50</td>
<td>50.40</td>
<td>163.00</td>
<td>306.72</td>
<td>88%</td>
<td>RBI</td>
</tr>
<tr>
<td>PPI Cards</td>
<td>2.56</td>
<td>5.89</td>
<td>14.35</td>
<td>33.31</td>
<td>44.31</td>
<td>33%</td>
<td>RBI</td>
</tr>
<tr>
<td>NACH</td>
<td>8.65</td>
<td>32.46</td>
<td>139.27</td>
<td>196.80</td>
<td>237.20</td>
<td>21%</td>
<td>NPCI</td>
</tr>
<tr>
<td>AEPS</td>
<td>-</td>
<td>-</td>
<td>9.47</td>
<td>34.45</td>
<td>96.24</td>
<td>185%</td>
<td>NPCI</td>
</tr>
<tr>
<td>BHIM UPI/USSD</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1.75</td>
<td>91.53</td>
<td>5130%</td>
<td>NPCI</td>
</tr>
<tr>
<td>NETC</td>
<td>-</td>
<td>-</td>
<td>2.03</td>
<td>12.65</td>
<td>523%</td>
<td>NPCI</td>
<td></td>
</tr>
<tr>
<td>BBPS</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2.03</td>
<td>12.65</td>
<td>25500%</td>
<td>NPCI</td>
</tr>
<tr>
<td>Internet Banking</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.01</td>
<td>2.56</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobile Banking</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.01</td>
<td>2.56</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>-</td>
<td>-</td>
<td></td>
<td>154.92</td>
<td>65.33</td>
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<td>Banks</td>
</tr>
<tr>
<td>Closed Loop</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>170.30</td>
<td></td>
<td>Banks</td>
</tr>
<tr>
<td>Transactions</td>
<td>210.53</td>
<td>316.04</td>
<td>576.62</td>
<td>1,003.67</td>
<td>2,060.35</td>
<td>105%</td>
<td></td>
</tr>
</tbody>
</table>

*Data of Debit card, Credit card and PPI Data has not been published by RBI for the March, 2018. Calculation is been done on pro rata basis.

Note:
1. *Above mentioned modes are included in Digital Payment
2. Cash / Cheque / Demand Draft (DD) are not considered as Digital mode of payment.
बिषयः 2000 के देबिट कार्ड/पीई पूरीआई/एफएसएस लेनदेनों पर एमडीआर प्रभाव में छूट प्रदान करना।

सं. 6(19)/2017-डीपी-1—

1. डिजिटल इंडिया कार्यक्रम के अंतर्गत डिजिटल अवलंबन, डिजिटल शासन और डिजिटल सेवाएं उपलब्ध करवा कर भारत का डिजिटल रूप में समान मामला जो आन अवलंबन में परिवर्तित करने की परिक्रमण की गई है। डिजिटल भुगतान इको सिस्टम का संयोजन डिजिटल इंडिया कार्यक्रम का अन्वय अन्य है और इसमें भारत की अर्थव्यवस्था को परिवर्तित करने तथा उन सभी लोगों के लिए वित्तीय सेवाओं का मनमानता करने की अथवा है जो बचे रह गए हैं।

2. 1 फरवरी, 2017 को बिल्ट मंडी ने अपनी वजद भाषण में बिल्ट वर्ष 2017-18 के लिए 2,500 करोड़ के डिजिटल भुगतान लेनदेनों के लक्ष्य की उद्धरण की थी।

3. डिजिटल भुगतान पारिस्थितिक तंत्र में, व्यापारी महत्ववृत्त भूमिका निभाते हैं विशेष रूप से भारत जैसे देश में जहाँ सगरमा 90% व्यापार किराने की छोटी दुकानों, व्यावसायिक आउटलेट इत्यादि के कुल में अवसंगठित क्षेत्र में आते हैं। इसी में अवसंगठित व्यापारियों का भाग हिस्सा है। इसमें से प्रत्येक व्यापारी की लेनदेन राशि जाम्मौर पर छोटी होती है।

4. जब डेबिट कार्ड/पीई पूरीआई/आधार-पेन भुगतान इकोसिस्टम में कई भुगतान पीओएस सशीन या ब्रांड "स्कैन और भुगतान" या ऑनलाइन भुगतान मोड के माध्यम से व्यापारी विक्रेता विवेक (सीओएस) पर किया जाता है तो व्यापारिक छूट दर (एमडीआर), व्यापारी द्वारा उसके बैंक (अधिप्रशस्तक) को देना होता है।
5. आर्थिका ने 6 डिसेंबर, 2017 को देविट कार्ज लेनदेनों के लिए लागू एमडीआर पुनः संशोधित करते हुए एक नियम जारी किया है जो 01.01.2018 में प्रभावित करने वाला है।

6. सरकार द्वारा यह निर्देशन भी दी गई है कि देविट लेनदेनों के लिए एमडीआर को लागू करने के लिए लागू एमडीआर कार्ड की विषयें ध्यान में रखने के लिए गई है।

i. 1 जनवरी, 2018 तक लागू एमडीआर पर लागू एमडीआर, जो बायोलैंड की आवश्यकता के लिए सरकार द्वारा बन दिए गए एमडीआर पर लागू एमडीआर, और इस अधिशस्त्रकाल में बैंकों को इसकी अनुमति की जानी चाहिए।

ii. 2000 रुपये या इसके बेचने वाले लेनदेनों के मामले में कोई एमडीआर लागू नहीं होगा।

iii. यह एमडीआर का उपयोग चाहिए कि आर्थिका का प्राथमिक उद्देश्य सत्य आधारित होना चाहिए।

iv. देविट कार्ड या अधिशस्त्रकाल में एमडीआर पर कर दिए गए लागू एमडीआर का विशेषता करने के लिए लागू एमडीआर लागू नहीं होगा।

v. यह एमडीआर का उपयोग चाहिए कि एमडीआर के लिए संयुक्त प्रतिष्ठित दायियों को प्रस्तुत करना होगा।

vi. यह एमडीआर के लिए संयुक्त प्रतिष्ठित दायियों को प्रस्तुत करना होगा।

vii. यह एमडीआर का उपयोग चाहिए कि एमडीआर के लिए संयुक्त प्रतिष्ठित दायियों को प्रस्तुत करना होगा।

viii. यह एमडीआर का उपयोग चाहिए कि एमडीआर के लिए संयुक्त प्रतिष्ठित दायियों को प्रस्तुत करना होगा।

ix. यह नियम भारत में प्रभावित करने वाले होगा।

x. यह नियम 01.01.2018 से अधिशस्त्रकाल को एमडीआर की पूर्वशर्त प्रतिष्ठित दायियों पर वित्तीय-विवश करने के लिए स्थानान्तरित सरकार बैंक समूह (एमडीआर) और अन्य अधिशस्त्रकाल के लिए स्नातक डिग्री के लिए लागू एमडीआर के लिए संयुक्त प्रतिष्ठित दायियों के संबंध में लागू एमडीआर का लागू करना होगा।

xi. यह नियम 01.01.2018 से लागू होंगे एवं इसने 01.01.2018 से लागू होंगे कांग्रेस के लिए संयुक्त प्रतिष्ठित दायियों के संबंध में लागू एमडीआर का लागू करना होगा।
xii. सत्यांकार प्रक्रिया जिसमें आर्थिक आर्द्रता, आईआईटी और बैंक शामिल हैं के माध्यम से ऐसे कम मूल्य वाले लेनदेनों के संबंध में प्रतिपूर्ति तत्त्वैयार किया जाएगा। इसके बाद निमाशी आधार पर एमडीआर की प्रतिपूर्ति हेतु अधिग्राहक बैंकों के लिए प्रक्रिया तयार की जायगी तथा इसके विषय में संबंधित महत्त्व की जाता गयी।

7. बैंकों से यह सूचनात्मक करने का अनुरोध किया जाता है कि 01.01.2018 से कम मूल्य के लेनदेनों के लिए एमडीआर प्रतिपूर्ति की इस तरह योजना में परिवर्तन निर्देशन रूप से किया जाए।

Gopalan Kumar E.S., Secretary

MINISTRY OF ELECTRONICS AND INFORMATION TECHNOLOGY
NOTIFICATION

New Delhi, the 27th December, 2017

Subject: Subsidizing MDR charges on Debit Cards/BHIM UPI/ AePS transactions of value less than or equal to Rs. 2000/-.

No. 6(19)/2017-DPD-I—

1) The Digital India Programme envisions transforming India into a digitally empowered society and knowledge economy by making available digital infrastructure, digital governance and digital services to every citizen. Promotion of digital payments ecosystem is an essential aspect of the Digital India programme and has the potential to transform India’s economy and extend inclusion of financial services to all those who remain excluded.

2) Finance Minister in his Budget Speech on February 1, 2017 had announced a target of 2,500 crore digital payment transactions for FY. 2017-18.

3) In the digital payments ecosystem, merchants play a very crucial role especially in a country like India where nearly 90% of merchants are from the unorganized sector in the form of small grocery stores, local outlets, etc. Besides, there are vendors, auto/taxi drivers etc., who constitute a large share of unorganized merchants. The transaction amount at each of these merchants is generally small.

4) In the Debit Card/BHIM UPI/Aadhaar-Pay payment eco system, when any payment is made at a merchant Point of Sale (POS) through a POS machine or QR “scan & pay” or online mode of payment, Merchant Discount rate (MDR) charge is payable by the merchant to his bank (Acquirer). A portion of this is shared by the acquirer bank with the bank issuing bank and the card network operator.

5) RBI has issued a directive on 6th December, 2017 revising MDR applicable for debit card transactions which will be effective from 01.01.2018 wherein merchant category wise differential MDR rates have been proposed for transactions.

6) It has been decided by the Government to reimburse the MDR charges on small transactions which are less than or equal to Rs. 2000/- in value so that such digital payment transactions are promoted. The MDR on such transactions for the merchant will effectively become zero and hence they will come on par with cash transactions. The salient features of the scheme are as follows:

i) MDR applicable on Debit Card/BHIM UPI/Aadhaar-Pay transactions less than or equal to Rs. 2000/- in value will be borne by Government for a period of two years with effect from 1st January, 2018 by reimbursement of the same to the acquirer banks so that no MDR is payable by the merchant in respect of such transactions. Accordingly, the banks shall not charge any MDR from merchants for all eligible transactions under this scheme and consequently the consumers will not be overcharged citing MDR as a reason.

ii) No MDR will be applicable in case of transaction value less than or equal to Rs. 2000/-. However, for transaction value above Rs. 2000/-, MDR would be applicable on the entire transaction value. For example, no MDR will be applicable in case of a transaction value of Rs. 1800 and in respect of a transaction of Rs. 2300/-, MDR would be applicable on the entire transaction value of Rs. 2300/-.
iii) Each acquirer bank has to ensure that in accordance with the relevant RBI instructions, there should be no “bundled” agreement with the merchants covering both debit cards & credit cards.

iv) In line with the RBI instructions dated 6.12.2017, the agreements should include a clause that MDR charges should not be passed on by the merchants to the customers while accepting payments through debit cards/BHIM UPI/Aadhaar Pay.

v) Each acquirer bank will be required to submit their respective reimbursement claims in the format to be laid down.

vi) Such claim shall be accompanied with a certificate that the share of the MDR charges that is due to the issuer bank and the card network operator have been paid in full and the share of the acquirer bank has been clearly identified.

vii) For every quarter the acquirer banks should submit a report duly certified by their statutory auditors regarding the volume and value of the debit card/BHIM UPI/Aadhaar Pay transactions (showing on-us and off-us transactions distinctly).

viii) Along-with the claim, the acquirer banks should submit to the RBI, a certificate from their auditor confirming that with respect to the claim under examination, MDR has neither been charged from the consumer by the merchant nor charged by the bank from the merchant in respect of the applicable low value transactions.

ix) The Scheme is applicable to banks having operations in India and transactions done in India.

x) The Committee set up to look into the issues relating to reimbursement of MDR to the acquirer banks with effect from 1.1.2018, has examined the inputs from Indian Banks Association (IBA) and leading acquirer banks and has suggested a cap of 0.40% of value of total debit card transactions less than or equal to Rs. 2000/- with regard to reimbursement of MDR on such low value transactions for a period of one quarter with effect from 1.1.2018. The committee has also recommended that a detailed consultative process for the reimbursement may be worked out.

xi) Therefore, for a period of one quarter starting from 1.1.2018 there will be a cap on MDR reimbursable to the acquirer banks which will be at 0.40% of the total value of the debit card/BHIM UPI / Aadhaar Pay transactions less than or equal to Rs. 2000. If felt necessary this cap could be revisited thereafter.

xii) The reimbursement mechanism in respect of such low value transactions would be evolved through a consultative process involving the RBI, IBA and banks. Thereafter, the procedure for quarterly reimbursements of MDR to the Acquirer banks will be worked out and communicated to all concerned.

7) The banks are requested to ensure that the transition to this new scheme of MDR reimbursement for low value transactions w.e.f 1.1.2018 is done smoothly without any hitch.

GOPALAKRISHNAN S., Jt. Seey.