

Advisory to Corporate BCs, Payment Aggregators and Banks dealing with Payout APIs and PAs

Subject: Mandatory cessation of pass-through third-party remittance (DMT-like) activity routed through current/OD/collection accounts using PayOut APIs

This advisory is issued by the **India FinTech Foundation (IFF)** under the guidance of its **Business Correspondents Committee and the Board** in the interest of regulatory compliance, consumer protection, and systemic stability of India's fintech and assisted financial services ecosystem.

Background & Regulatory Reference

This circular is issued in reference to, and in furtherance of, the following Reserve Bank of India (RBI) notification/directions: RBI Circular No. RBI/2025-26/141; DOR.CRE.REC.347/07-02-001/2025-26, dated 11 December 2025 - **Reserve Bank of India (Commercial Banks – Credit Risk Management) – Amendment Directions, 2025**, specifically **Chapter XIA** – Maintenance of Cash Credit Accounts, Current Accounts and Overdraft Accounts, introduced vide the above amendment, particularly:

- **Clause 91L:** Prohibition on use of accounts as pass-through channels for third-party transactions (subject to permitted activity by expressly licensed/authorised entities, within scope)
- **Clause 91M:** Restriction on unlicensed entities engaging in payment or remittance activities
- **Clause 91N:** Mandatory monitoring and flagging of unusually high or inconsistent transactions
- **Clause 91F:** Restriction on collection accounts and mandatory remittance to designated accounts

These directions come into force from **1st April 2026**, with banks permitted to implement them earlier.

It has been observed with serious concern that certain entities, fintech platforms, aggregators, business correspondents, distributors, and retailers are **using PayOut APIs in journeys that mimic DMT / walk-in remittances, including**

- Acceptance of customer funds for remittance
- Routing of funds through current / OD accounts
- Absence of sender-level KYC and OTP authorisation
- Use of accounts as pass-through settlement layers

This IFF advisory operationalises member expectations to prevent **illegal/unauthorised domestic money transfer (DMT-like) activity being executed or disguised through PayOut/disbursal APIs**, especially where member-controlled accounts are used as pass-through settlement layers.

Scope and applicability

This advisory applies to any IFF member (and its agents/partners) that:

- Offers **PayOut/disbursal / transfer** capabilities (IMPS/NEFT/RTGS/UPI etc.) via API or otherwise, and/or
- Uses any **current account/overdraft account / collection account** (or equivalent) to route funds related to such PayOuts, and/or
- Operates agent/retail networks that accept funds (cash or digital) from customers and trigger PayOuts.

Definitions (for this advisory)

- **“PayOut/Disbursal”**: an outward transfer initiated by a member on rails such as IMPS/NEFT/RTGS/UPI etc., including through APIs.
- **“Third-party transaction / pass-through structure”**: any arrangement where funds received from one person/entity are routed through the member’s (or its agent’s) account primarily to pay out to unrelated beneficiaries, rather than being a genuine first-party business payment.
- **“DMT-like activity (unauthorised)”**: facilitating domestic remittances for customers (including walk-in/cash-in or agent-assisted cash-out), where the member/agent is **not** expressly licensed/authorised for such third-party remittance/payment activity.

Regulatory Position

In light of the RBI directions:

- **Members shall not facilitate pass-through/third-party remittances** by routing customer funds through current/OD/collection accounts (RBI Clause 91L) and initiating outward PayOuts
- Only entities **licensed or expressly authorised by RBI or another financial sector regulator** may provide payment or remittance services.
- Unless the entity is expressly licensed/authorised (such as Business Correspondents) by a financial sector regulator to facilitate such third-party transactions and operates strictly within the scope of that authorisation and bank-approved account structures.
- Banks are now **mandated** (not discretionary) to:
 - Monitor such activity
 - Flag accounts
 - Impose restrictions or liens
 - Convert accounts to collection-only
 - Close accounts where misuse persists

Any continued use of PayOut APIs as DMT **constitutes a regulatory breach**.

Directive

Accordingly, all members, associates, fintech platforms, business correspondents, distributors, and retailers are hereby **directed** to ensure the following:

- **Immediate cessation of onboarding or servicing** any retailer or agent using PayOut APIs for DMT-like activities.
- **Complete discontinuation of PayOut API-based DMT operations.**
- **No entity shall:**

- Accept cash or digital funds from customers for remittance using PayOut APIs
- Route customer funds through current or OD accounts for remittance purposes
- Bypass mandatory sender KYC, OTP validation, AML, or transaction monitoring requirements
- **Using Payment Aggregator to update/top up BC Wallet using Credit Cards** of walk-in customers
- Using Payment Aggregator/Banks to send **third-party remittances disguised as settlement of AePS to BC Agents**
- **Report to the IFF if any misuse is found.** Relevant measures will follow as per the next section.

Consequences of Non-Compliance

- **Bank / regulatory outcomes:** Banks are required to prevent prohibited usage and may take account-level actions consistent with RBI directions (including enhanced monitoring and other measures such as restriction, partial lien, freezing, or closure of bank accounts)
- **IFF ecosystem actions:** Non-compliance may result in referral to IFF's disciplinary / enforcement processes (including suspension/termination of membership benefits, escalation to relevant payment SROs, sponsoring banks, and to the regulator), as applicable under IFF's governance framework.

Any legal and regulatory consequences will follow under applicable laws and processes. IFF shall **not provide representation, protection, or advocacy** to any member or participant engaging in non-compliant remittance activity.

Industry Advisory

All stakeholders are strongly advised to:

- Transition to **fully regulated, RBI-compliant DMT platforms**
- Educate internal teams, sales staff, BCs, and retailers on regulatory obligations
- Conduct immediate audits to identify and eliminate non-compliant PayOut API usage
- Align business models with RBI's KYC, AML, and consumer protection framework

This advisory is issued to **protect legitimate DMT businesses**, restore trust in compliant systems, and prevent avoidable regulatory and reputational harm.

This advisory is issued in the interest of the fintech and BC ecosystem and shall form part of the official industry record.