



To surcharge or not to surcharge!

The plight of small and medium merchants

Ashish Das

Department of Mathematics
Indian Institute of Technology Bombay
Mumbai-400076, India



Indian Institute of Technology Bombay
Powai, Mumbai-400 076, India



Surcharging digital payments in India



To surcharge or not to surcharge!

The plight of small and medium merchants

Contents

Executive Summary and Major Action Points	i-vi
Abstract	1
Acknowledgements	2
I. Introduction	3
II. The card and BHIM-UPI transactions	7
III. Surcharge, convenience fee and payment facilitators	13
IV. Organised surcharging by banks	19
V. The need for a surcharge and the MDR	31
VI. Concluding remarks and way forward	37
References	43
Appendix A-M	47-105
Appendix A: Surcharging debit and credit cards at NPS Trust	47
Appendix B: Screenshots I(a) – Surcharge on BHIM-UPI	49
Appendix C: Screenshots I(b) – Surcharge on BHIM-UPI	51
Appendix D: Screenshots II(a) – Surcharge on Debit card	55
Appendix E: Screenshots II(b) – Surcharge on Debit card	60
Appendix F: Screenshots II(c) – Surcharge on Debit card	63
Appendix G: Screenshots III – Surcharge on BharatQR	66
Appendix H: SBIONline surcharging on a Credit card/BHIM-UPI	67
Appendix I: HDFC Bank acquires surcharged POS transaction at Balmer Lawrie	77
Appendix J: ATOM: HDFC Bank/Axis Bank Submerchant agreement	78
Appendix K: CCAvenue: HDFC Bank/ICICI Bank/SBI Submerchant agreement	85
Appendix L: The letter to stakeholders on the surcharging issue	93
Appendix M: Extract of a response from among ‘The Big Four’ and Author’s rejoinder	99



Author's note:

(i) The focus of this present report is to understand how small and medium merchants get affected when a customer makes a credit card payment instead of a debit-based digital payment for services availed and goods purchased. We know that every debit and credit card transaction attracts a merchant fee in the form of MDR. For debit cards this MDR ranges from 0-0.9% of the transaction amount, while for credit cards it usually ranges from 1-3%.

(ii) Unlike debit cards, in the case of credit cards there are two components of MDR – one is same as that of a debit card while the other is the credit cost component. The credit card payment system is not exclusively a payment system since it contains a camouflaged loan product, which thus makes credit card MDR high.

(iii) While happily accepting payments through less expensive debit-based modes (like debit cards/ BHIM-UPI/ etc., where consumer funds are used instantly), small and medium merchants consciously promote the government's initiative on digital payments. However, they fail to see why the much expensive payment mode – the credit card – be thrust onto them. Presently, in case they want to deny acceptance of credit card, it is difficult for them to distinguish a debit and a credit card during purchases, more so after the QR code based payments are gaining grounds. Moreover, the card payment network rules force merchants to honour all cards at par, i.e., merchants who accept debit cards cannot deny credit cards. Resultantly, for small and medium merchants, there exists a strong reason for not promoting acceptance of cards due to the overall high associated MDR cost thrust on to them.

(iv) An avoidable element in the costs of digital payments is the credit cost that piggybacks on payment cost and raises the overall cost burden. This report intends to draw readers' attention on this anomaly and provides path to cross this major road block to the spread of digital payments.



To surcharge or not to surcharge!

The plight of small and medium merchants

Ashish Das⁺

Department of Mathematics, Indian Institute of Technology Bombay, Mumbai 400076

March 3, 2019

Executive Summary and Major Action Points

1. The no surcharge rule on digital payments for services availed and goods purchased was put in place with the intention to ensure that user of digital payments bear no additional costs. The rule also ensures that there exists no discrimination between various digital payment modes as well as with respect of cash usage.
2. A structured analysis shows that surcharging by agents is not only widespread but, more seriously, there is colossal ignorance about the same among those who are supposed to be monitoring/policing this rule. The plight of naïve users need not even be mentioned. The flouting of the no surcharge rule is wringing the pockets of digital payment users rampantly.

The government's efforts to promote the digital payment space

3. To see India move from being a largely cash-happy country to a digitally-savvy nation, three years back the Government of India set forth cabinet approved guidelines for [Promotion of Payments through Cards and Digital means](#). The cabinet note gave guidance to withdraw surcharges on retail digital payments and to rationalize the Merchant Discount Rate^α (MDR).
4. Despite all efforts to promote digital payments, the growth and sustenance of digital payments remains a concern for small and medium merchants. This is, *inter alia*, due to the distortionary pricing of payment products (i.e., MDR) and the continued fraudulent practice of surcharging by acquirer banks and big merchants. Small/medium merchants on the one hand and customers on the other hand are losing out, hindering the government's intent of broad basing digital payments.

⁺ Dr. Ashish Das is a Professor of Statistics with the Indian Institute of Technology Bombay. E-mail: ashish@math.iitb.ac.in

^α Merchant Discount Rate is a service charge that banks take from merchants accepting card/digital payments, which is usually a certain percentage of the transaction amount.



Impact of credit cards and organised surcharges

5. It is estimated that the merchants were burdened with nearly Rs 100 Billion^β towards credit card MDR in 2018 alone. This is exorbitant in contrast with the overall cost (Rs 35 Billion) towards debit card MDR, even though in value terms, credit and debit card transactions are nearly the same – Rs 5.7 Trillion each in 2018.

6. Moreover, if we consider a conservative estimate of the true average differential of MDR between credit cards and debits cards as 1%; on an average, credit cards have burdened the payment system users by nearly Rs 60 Billion in 2018 alone. It is noteworthy that, as with other business expenses, the high MDR of credit card drives up the prices paid by all consumers, even for those who did not use credit cards while the benefits of free credit and brownie points are enjoyed by the credit card holders alone.

7. Unauthorised surcharging has also burdened the payment system users with huge additional costs. Just for the online payments, it has led to extortions by the acquirer banks and their payment facilitators/aggregators to the tune of Rs 2 Billion in 2018 alone. This is a conservative estimate since we restrict only to the online credit and debit card payments. Naïve card users, oblivious of the set rules and regulations that prohibit surcharging, are ignorant of the fact that it is the banks that owe them this fraudulently extorted money.

Organised surcharging is by the banks themselves

8. The acquirer banks have been vested with the responsibility to protect the card and BHIM-UPI users in the country from illegal incidence of merchant surcharging. Unfortunately, rather than merchants, it is banks themselves who are causing fraudulent surcharging by resorting to outsourcing of their payments' services. Banks remain fully liable. For instance in the case of online transactions, the acquirer banks, through their payment facilitators/aggregators, add a surcharge amount in the final transaction amount. As a consequence, the acquirer banks/ payment facilitators/aggregators expand their business and revenue, at the cost of card and BHIM-UPI users. An analogy is a situation where an autorickshaw has a fast tempered meter, or demands extra money to take you to your destination; and one doesn't know how to smoothly get a redressal. This does not mean that not highlighting the issue absolves the autorickshaw driver of his fraudulent act of cheating/extortion.

9. For improvement in efficiency, in case we bring in more players, that should be within the given cost structure of the ecosystem (e.g., food delivery Apps have not increased food cost but rather increased sales for food venders which pays for the App providers' revenue). Banks should not create layers that add to the costs of the digital

^β 1 Billion = 100 Crore.



payments ecosystem, making it expensive for end users. The relationship between a bank (highly regulated entity) and a payment facilitator/aggregator (unregulated entities within the regulated space) should be symbiotic whereby not only banks and aggregators gain but the penetration of digital acceptability also grows. With a growing pie, every entity's share enlarges. However, contrastingly, rather than a symbiotic relation, if the aggregators become parasitic and feed on to the system by adding to its cost, it will not only hurt the banks and their customers, but will also lead to loss of trust in digital acceptability. This will be a retrograde step, negating all the efforts government has put in towards promotion of payments through cards and digital means. The responsibility to curtail such cost escalations should lie with the entity that has brought the intermediaries in or are functioning with them. If banks are doing business with them then banks have to own the responsibility.

Discriminatory ecosystem for credit cards

10. For two specific categories of merchants – the oil industry, and the Indian railways, there exists a clear bias. These merchants are big and thus enjoy a significant hold on policy matters to their advantage. They do not pay the MDR for credit card transactions, though they bear the MDR in the case of debit cards. In fact, Indian Banks' Association has instructed the acquirer banks not to impose credit card MDR onto fuel dealers and instead surcharge the credit card holders for the same. However, when it comes to the small and medium merchants, there is discrimination since the credit card MDR is unilaterally thrust on them. Given that urban India has the largest share of small and medium merchants and also deepest penetration of credit cards, Reserve Bank of India (RBI) and the government need to eliminate such bias.

11. Are digital payments a necessity for one merchant (and so fees are controlled and low) and a luxury for another (and so fees are high)? If not, why do card payment networks discriminate merchants on the basis of merchant categories when it comes to interchange⁷? The interchanges arrived at by the card payment networks are usually *ad valorem*. In the case of credit cards, the *ad valorem* interchange is extensively differentiated based on type of merchant (e.g., 0.7% for private utilities and 1.85-2.02% for small general stores). The differentiation has been made to such an extent that it can be almost three times more expensive for small and medium merchants as compared to bigger merchants like private utilities, say. This is so despite the issuer bank's cost to serve is same whether the credit card is used at a post office or a supermarket or a small general store irrespective of the volume of business. In the interest of being fair to small and medium merchants, the *ad valorem* interchange should be a fixed percentage and not change from one merchant category to another. This will, however, not affect the acquirer banks' commission.

⁷ Interchange or issuer interchange is the share of the MDR that the issuer bank keeps as their commission. Thus, MDR comprises of the interchange and the acquirer's commission.



The burden of credit pollutes the digital payment space

12. An avoidable element in the costs of digital payments is the credit cost that piggybacks on payment cost and raises the overall cost burden. For small and medium merchants – the largest in number among the merchant community – this cost hurts. Such merchants hesitate to accept credit cards, since for them credit card MDR is 2-3%^δ, but are happy to accept debit cards that bear an average effective MDR of less than 0.4%? The present study showcases that while for big merchants who are not ready to bear this credit cost, the banks resort to surcharging; for small and medium merchants, who have no bargaining power and no saviour, the cost burden continues to be theirs. Moreover, with front ends like physical cards and BharatQR, the merchant cannot upfront distinguish whether the card presented by customer is debit or credit card. Thus, despite all efforts by RBI and the government on the MDR front, we are unable to see a seamless and happily acceptable digital payments infrastructure vis-à-vis cash.

13. So as to overcome the adverse scenarios and possible regulatory lacuna, we give following recommendations.

Major action points and recommendations

MDR and surcharging for debit-based transactions:

i) All debit-based payment modes like debit cards/ prepaid cards/ mobile wallets/ BHIM-UPI/ NEFT/ net banking/ etc. use consumer funds instantly. Accordingly, for all types of debit-based payment modes, MDR should not exceed that of debit cards.

(Paragraph 4.26)

(Action- RBI/government)

ii) Merchants are usually paying monthly/annual fees for the physical POS or the payment gateway infrastructure. Moreover, the QR code based debit card/ BHIM-UPI/ etc. acceptance infrastructure is asset light. Accordingly, MDR should be brought down to zero for all debit-based transactions not exceeding a reasonably small amount, say Rs 1000. The payments ecosystem would bear the expenditure for these small transactions akin to free ATM withdrawals. This move would also help in migration of ATM expenses to digital payments based expenses. Alongside, free-ATM withdrawals should be reduced in urban India.

(Paragraph 6.9)

(Action- RBI/government)

^δ MDR is arrived by adding to the 1.85-2.02% interchange, about 0.3-0.5% acquirer bank's commission and further topping it with GST.



iii) For the asset light QR code based debit card acceptance RBI has set MDR caps at 0.3% and 0.8%, only 10 basis points lower than the physical POS debit card acceptance (where MDR is 0.4% and 0.9%). However, this differential is not commensurate enough to promote such asset light payments infrastructure. For asset light QR code based debit card/ BHIM-UPI/ etc. acceptance infrastructure, the MDR should be 30-60% lower than the physical POS debit card infrastructure.

(Paragraph 6.10)

(Action- RBI/government)

iv) The 'no surcharge rule' should be strictly applied and enforced for all debit-based payment modes. Public awareness against surcharging should be promoted along with developing streamlined processes of reporting a surcharge and getting appropriate redressal in form of a chargeback.

(Paragraphs 4.26-4.28)

(Action- Banks/payment networks/RBI/government)

MDR and surcharging for credit card transactions:

v) Merchants have to honour and accept debit and credit cards at par. For them, the ease of receiving money is the same for both debit and credit card. However, the high MDR for credit card acceptance overburdens small and medium merchants. Thus, from a merchant's perspective the rules of credit card MDR need to be aligned with those of debit card MDR. Accordingly, the extant rules and regulations set towards MDR/ interchange/ acquirer commission for debit cards should apply for credit cards as well.

(Paragraphs 5.19-5.23)

(Action- RBI/government)

vi) The cost of credit associated with credit card usage should be borne by the credit card user and not the merchant (who is presently bearing it by default). This does not imply that we allow merchants to surcharge for credit card usage since surcharging in the hands of a merchant has a potential of misuse by the unregulated merchant space and may not only be retrograde to the use of digital payments but also negatively impact customers' sentiments. Issuer banks alone should be allowed to impose any additional fees on to their credit card users for every credit card transaction and this should reflect in the credit card monthly statements.

(Paragraphs 5.19-5.23)

(Action- RBI/government)

vii) The credit card issuing bank should keep credit card holders informed of their Board-approved schedule of credit fees depending on the credit card type.

(Paragraphs 5.19-5.23)

(Action- RBI)



On regulatory compliance – Correcting for fraudulently extorted money:

viii) To be fair to the card holders and BHIM-UPI users, all instances of organised surcharging by the acquirer banks or their facilitators/aggregators should get corrected with retrospective effect.

(Paragraph 4.37)

(Action- RBI/government)

ix) Using the merchant's payment transaction ID, the banks should systematically reverse all instances of such surcharges that were carried out by acquirer banks or their facilitators/aggregators in a manner that all eligible *bona fide* bank customers are able to see such surcharge reversal amounts.

(Paragraph 6.5)

(Action- RBI/government)

Terms related to the card payments

1. The acquiring bank (also merchant bank or **acquirer**) is the financial institution that maintains the merchant's bank account. The contract with the acquirer enables merchants to process credit and debit card transactions. The acquiring bank passes the merchant's transactions along to the applicable issuing banks to receive payment.

2. The issuing bank is the financial institution that issues credit and debit cards to consumers on behalf of the **card payment networks** (Visa, Mastercard, RuPay). The **issuer** acts as the middle-man for the consumer and the card payment network by contracting with the cardholders for the terms of the repayment of transactions.

3. The **processor** is an organization contracted with the acquirer to process the credit and debit card transactions.

4. The **payment gateway** is essentially the card-not-present version of the point-of-sale terminal. This service provider relays transaction information from the merchant to the processor. The payment gateway is responsible for acquiring transaction authorization and data encryption.

5. Other third-party service providers used by card-not-present merchants include **payment facilitators/aggregators**.

6. The acquirer assigns a **Merchant Identification Number (MID)**. This unique code is similar to a bank account number. It's used to identify the merchant while processing transactions.



To surcharge or not to surcharge!

The plight of small and medium merchants^{*}

Ashish Das⁺

Department of Mathematics, Indian Institute of Technology Bombay, Mumbai 400076

March 3, 2019

Abstract

Government of India on February 29, 2016 came out with cabinet approved guidelines for [Promotion of Payments through Cards and Digital means](#). These guidelines provide some directions setting catalysts to migrate the country to a digital payment embracing society. Apart from rationalizing merchant discount rate (MDR), the guidelines emphasise withdrawal of any merchant charges (called surcharge) imposed on consumers while paying through cards and digital means.

During the past three years, India has seen a transformational shift of the government's push to promote digital payments. The demonetisation of specified bank notes gave a catalytic effect and led to several innovative payment products. Both RBI and the government contributed significantly by bringing in regulatory changes and incentives for end users.

However, despite all efforts by RBI and the government, there are several friction points that still inhibit the promotion of payments through cards and digital means. Focusing on MDR and related surcharge on digital payments, we look into possible sanitisation of distortions in the digital payments space.

After a quick look into the recent growth in the retail digital payments, we discuss some of the regulations enforced and their impact on the retail payment space, particularly those on surcharges in digital payments. We show multiple instances of organised surcharging on debit/credit card and BHIM-UPI transactions in violation to extant rules and regulations. We bring to light the extant lack of accountability of acquirer banks and card payment networks. Also, the ecosystem's creation of a dichotomy while allowing banks to surcharge on credit cards for only a certain category of merchants in a discriminatory fashion is also discussed. Finally, we give some concluding remarks and show the way forward.

^{*} The views expressed are those of the author and not necessarily of the institution to which he belongs.

⁺ Dr. Ashish Das is a Professor of Statistics with the Indian Institute of Technology Bombay. E-mail: ashish@math.iitb.ac.in



Acknowledgements

The author thanks few officials in the card payment corporations, banks, RBI, MeitY and DFS (Ministry of Finance) for some fruitful discussions. In this report all possible care has been taken to project the correct picture using the data gathered. Deviations, if any, are inadvertent.

A draft report was shared with ‘The Big Four’ banks, IBA and card payment networks to receive their valued comments, views or reservations. I am grateful to all who provided their formal and informal inputs to the draft report.

Lastly, I thank my wife Praggya who helped me during the preparation of this report by giving valuable inputs.



I. Introduction

The government's move

1.1 In order to set catalysts for the digital payment systems, Government of India on February 29, 2016 came out with cabinet approved guidelines for the 'Promotion of Payments through Cards and Digital means'. The Finance Ministry's office memorandum provides broad guidelines on the way forward for promotion of digital payments (reference [7]). In what follows, we quote specific provisions therein, which is the focus of this report.

"4. Definition

Digital transactions are defined as transactions in which the customer authorizes the transfer of money through electronic means, and the funds flow directly from one account to another. These accounts could be held in banks, or with entities/ providers. These transfers could be done through means of **cards (debit / credit)**, mobile wallets, mobile apps, net banking, Electronic Clearing Service (ECS), National Electronic Fund Transfer (NEFT), Immediate Payment Service (IMPS), pre-paid instruments or other similar means.

...

6. Short Term Steps

The Short Term Steps for Promotion of Payments through Card/ Digital Means, which will be implemented within one year, are suggested as follows:

A. Promotion of Card/ Digital Transactions in Government Payments and Collections

i. Government Departments/ Organizations/ Central Public Sector Undertakings/Anchor Networks shall take steps to

(a) withdraw convenience fee/service charge/surcharge on customers who prefer to make card/ digital payments for essential commodities, utility service providers, petrol pumps, gas agencies, railway tickets /IRCTC, tax department, museums, monuments etc.;

(b) take appropriate steps to bear MDR cost like other merchants;

...

B. Measures for Wider Adoption of Card/ Digital Transactions

i. Department of Financial Services/RBI shall take steps to

(a) rationalize Merchant Discount Rate (MDR) on Card transactions;

..."

1.2 Earlier, in September 2012, Reserve Bank of India (RBI) mandated banks to cap debit card Merchant Discount Rate¹ (MDR) at 0.75% for transactions upto Rs 2000 and 1% for transactions above Rs 2000. This continued till November 8, 2016. Moreover,

¹ Merchant Discount Rate or Merchant Discount Fee is a service charge that banks take from merchants accepting card/digital payments, which is usually a certain percentage of the transaction amount. The MDR paid by merchants is shared by acquirer banks, issuer banks and the card payment networks.



since their inception in India, the ‘no surcharge rule’² had been put in place by the card payment networks (like Visa / Mastercard / RuPay) for card based POS transactions³.

The demonetization

1.3 The demonetization of Rs 500 and Rs 1000 bank notes on November 8, 2016 inherently acted as a strong short term catalyst to set an increased pace for implementation of the government’s ‘Short Term Steps’.

1.4 Immediately after the demonetization of the specified bank notes, the government prompted banks to temporarily waive MDR imposed on merchants. Moreover, surcharging stopped in credit and debit card payments.

1.5 Thus, for the two-month period till end-December 2016, banks were not generating any direct revenue from debit and credit card transactions either from merchants or card users. This was so despite banks incurring heavy cost for providing the card based payment system to the country.

The period January-December 2017

1.6 Subsequently, RBI effective January 1, 2017 rationalized the MDR on debit cards by capping it at (i) 0.25% for transactions valued up to Rs 1000, (ii) 0.5% for transactions valued in excess of Rs 1000 but not exceeding Rs 2000, and (iii) 1% for transactions valued in excess of Rs 2000. The RBI's new caps on debit card MDR were a substantial reduction to the RBI's pre-demonetization cap of 0.75% for transactions valued up to Rs 2000.

1.7 With the government's decision to promote cashless transactions by disallowing government merchants to surcharge card users, RBI (based on a government decision), issued directions (reference [18]) in September 2017. All acquirer banks (banks which acquire the transactions) were to claim reimbursement of MDR charges on debit cards from RBI for government transactions up to Rs one lakh. The acquirer banks were directed not to deduct MDR charges from the receipts of government. It was categorically mentioned that MDR charges on debit card transactions above Rs one lakh and on any credit card transaction would not be absorbed by the government and hence

² The ‘no surcharge rule’ states that no merchant must require any cardholder to pay a surcharge or any part of any merchant discount or any contemporaneous finance charge in connection with a transaction. Here, a surcharge means any fee charged in connection with a transaction that is not charged if another payment method is used.

³ “POS transaction” is a Point of Sale (POS) transaction that occurs at a merchant location, whether in a Card-present environment at an attended or unattended POS terminal, or in a Card-not-present environment. In a Card-not-present environment, this may include electronic commerce (“e-commerce”), mail order, phone order, or recurring payment transactions.



will not be reimbursed by RBI. However, the acquirer banks were directed not to deduct MDR charges from the receipts of the government in these cases also.⁴

The period January 2018 onwards

1.8 Effective January 1, 2018, RBI tweaked MDR rules and claimed that it would encourage small businesses to accept debit card payments. For businesses with annual revenue below Rs 20 lakh, RBI capped the debit card MDR at 0.4% of transaction value or Rs 200, whichever is lower. For others, the debit card MDR was capped at 0.9% of the transaction value or Rs 1000, whichever is lower. For QR code based debit card acceptance, the MDR caps were set 10 basis points lower than the physical POS and online debit card acceptance infrastructure.

1.9 In parallel, effective 1 January 2018, the government decided to bear MDR for two years on all Debit Card/BHIM-UPI/Aadhaar-Pay transactions valued up to Rs 2000. However, the government fixed the MDR at 0.4% of the transaction value for debit card transactions up to Rs 2000. In effect, due to the government's intervention, RBI's decision to allow banks to charge up to 0.9% as MDR for businesses with annual revenue of Rs 20 lakh or more (even for transaction amounts less than Rs 2000), got overruled and the banks are now getting only 0.4% as MDR for such transactions. Corresponding to this MDR of 0.4%, the interchange⁵ fixed by card payment networks is 0.15%.

1.10 The acquirer banks are governed by the extant rules and regulations prohibiting a surcharge on payments. The Government of India supplemented RBI's direction on the same and prohibited acquirer banks from on-boarding merchants if MDR charges are designed to be passed onto the customers while accepting payments through debit cards/BHIM-UPI/Aadhaar Pay.⁶ RBI and the government remain unsure of the approach for credit card surcharges and are therefore silent on the same. Their silence thus implicitly endorses the extant card payment network rules in India that prohibit

⁴ RBI further reiterates that "It may please be noted that as directed by the O/o the CGA vide its OM No.S-11012/1(12)/MDR/2017/RBD/824-894 dated May 11, 2017, agency banks which have remitted the net amount of Government receipts after deduction of MDR charges to the Ministries/Departments in contravention of the guidelines referred to above are required to remit the MDR charges so deducted immediately to the concerned Ministry/Department under intimation to Reserve Bank of India."

⁵ Interchange or issuer interchange is the share of the MDR that the issuer bank keeps as their commission. Thus, MDR comprises of the interchange and the acquirer's commission.

⁶ RBI's December 6, 2017 notification says "**Banks are also advised to ensure that merchants on-boarded by them do not pass on MDR charges to customers while accepting payments through debit cards.**"

The government's December 27, 2017 Gazette of India: Extraordinary notification says "**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.**"



acquirer banks to do card payments business with any entity that disregards the prohibition of surcharging credit card transactions.

The special status of two merchant categories - the saga of OMCs and Railways

1.11 During late 1990s, the card payment networks allowed surcharging in India for fuel merchants. Later, they also agreed for railways to surcharge card payments. As a result, the fuel retailers and dealers or the Oil Marketing Companies (OMCs) never paid any MDR on credit and debit cards for fuel purchase, and instead a surcharge of 2.5% was imposed.

1.12 During demonetization, all surcharges had stopped including for fuel purchases. However, with RBI's new regulation on MDR that came into effect from January 1, 2017, the banks decided to impose MDR on fuel dealers @ 1% on credit cards; and as per the caps set by RBI for debit cards. Such a move by the banks resulted in controversies and the government had to intervene.

1.13 Based on several rounds of negotiations, the OMCs, on behalf of their fuel dealers, decided to pay 0.75% as MDR on debit card transactions. Of the 0.75% MDR, the interchange fixed by card payment networks is 0.5%. As on date, for transactions valued up to Rs 2000, the government bears the MDR for all merchants @ 0.4%.

1.14 In the case of credit cards, however, Indian Banks' Association (IBA) has instructed the banks (vide its notification, dated September 20, 2017 to its member banks) not to impose MDR on fuel dealers or OMCs for credit card transactions. Contrary to government's earlier bid to promote cashless transactions by eliminating surcharges levied on credit (and debit cards) for fuel purchase, IBA prompted the banks to impose a maximum of 1% fuel payment surcharge onto credit card users for purchase of fuel. This notification indicated that their instructions should be positively implemented by all banks on or before 15 February 2018. Of the 1% fuel payment surcharge, the interchange fixed by card payment networks is 0.75%.

An outline of what follows

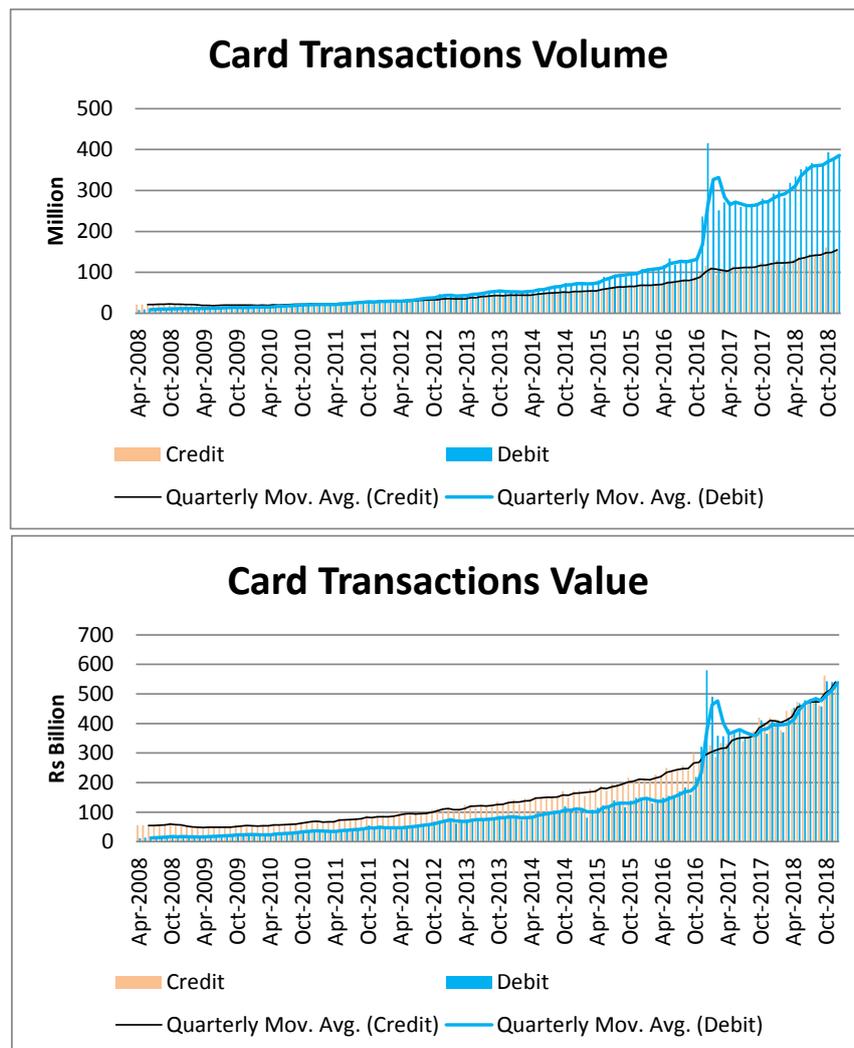
1.15 After presenting some time series payment statistics, we discuss extant rules on payment surcharge and convenience fees. In Section 4 we focus on instances of organised surcharging in violation to extant rules and regulations. In Section 5 we highlight creation of a dichotomy while allowing banks to surcharge on credit cards, in a discriminatory fashion, for only two merchant categories (fuel and railways). Finally, in Section 6, we give some concluding remarks and show the way forward.



II. The card and BHIM-UPI transactions

The card transactions

2.1 Considering the RBI data on card transactions, we see the trend over the past decade. As seen from Chart 1, two points of trend shift for debit card transactions (vis-à-vis credit cards) is seen around October 2012 and then October 2016. These could be attributed to regulatory measures on debit card MDR starting September 2012 and November 2016. However, as acknowledged by RBI the effectiveness of the September 2012 measure was shadowed by the bundling of MDR for credit-debit combine by the acquirer banks. However, by November 2016, this was controlled through fresh directions from RBI (reference [12]). Furthermore, since November 2016 there had been a significant growth in POS deployment and this supported debit card transactions under the reduced MDR regime.

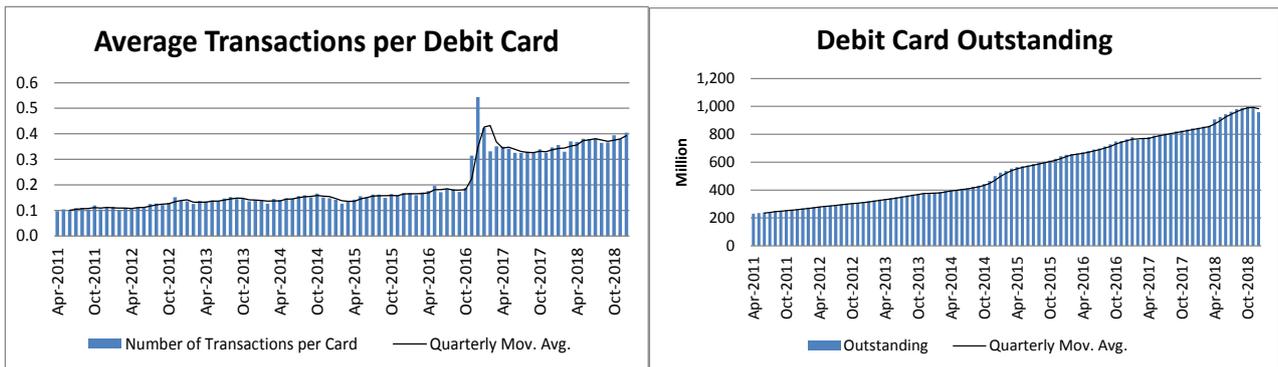


Data Source: RBI

Chart 1: Card transactions in volume and value terms



2.2 There is a possibility that the effect of reduced MDR (from October 2012 onwards and then again a further reduction from November 2016) marked an increase in acceptability of debit cards for small and medium merchants. Chart 2 depicts this in form of increase in average usage per debit card despite increase in the number of outstanding debit cards throughout the period April 2011 through October 2018. With reduced MDR the card acceptability impacted increased usage of debit cards. Additionally, the number of POS terminals increased from 0.60 Million⁷ to 3.45 Million during this period.

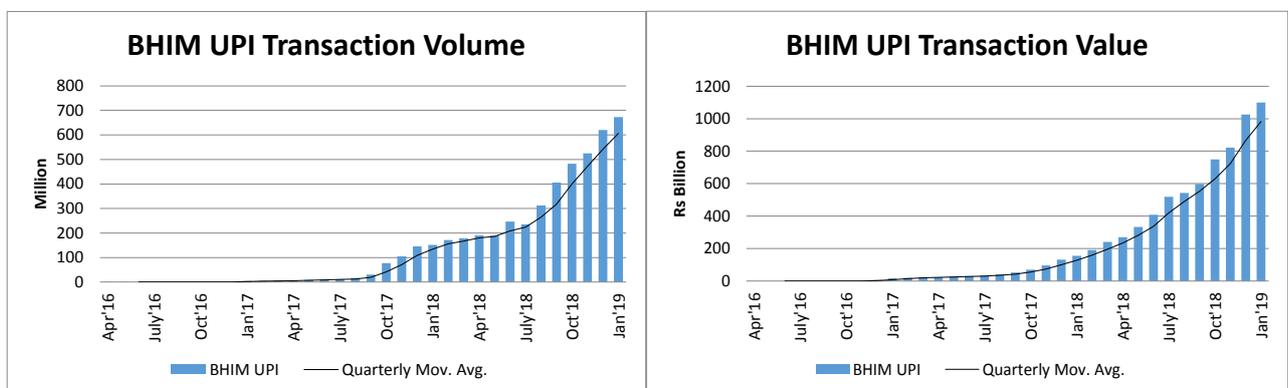


Data Source: RBI

Chart 2: (i) Average Transactions per Debit Card and (ii) Debit Card Outstanding

The BHIM-UPI transactions

2.3 BHIM-UPI has shown its potential and is catching up as a strong means for retail merchant transactions after its initial months of exclusive person to person transactions (Chart 3). With over 500 million BHIM-UPI transactions and considering that it constitutes 25% of merchant transactions, a figure of 125 Million merchant initiated transactions is a very good performance. The effect of merchant transactions catching up is getting reflected by a sharp upward growth in transactions after August 2018.



Data Source: NPCI

Chart 3: BHIM-UPI transactions in volume and value terms

⁷ 1 Billion = 100 Crore.

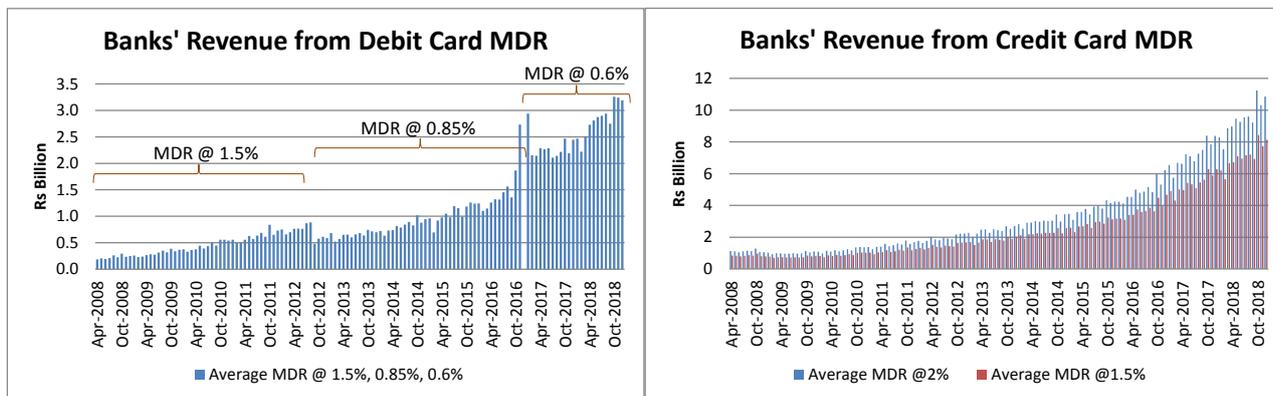


2.4 We see that many online payment gateways have added UPI as a method of payment alongside debit cards. For physical POS terminals and BHIM QRcode (or BharatQR), good net connectivity on the go is required and may sometime create frictions. Features similar to Android pay/ Google pay/ Apple pay for POS terminal based transactions may possibly be built to encourage BHIM-UPI retail payments in absence of mobile phone's net connectivity.

The MDR revenue from card transactions

2.5 Nearly 25% of the debit cards transactions are RuPay transactions while the remaining 75% majorly constitutes Mastercard and Visa transactions. With regards credit cards, the major share of transactions lie with Mastercard and Visa since RuPay has entered in this business only recently (with barely 0.2 Million RuPay credit cards issued by banks).⁸

2.6 Banks earn revenue from every transaction through the MDR imposed on merchants. This is in addition to a fixed monthly fee paid for the POS setup by the bank at the merchant location (offline and online). Chart 4 shows that since October 2012 there has been a 600% increase in revenue earned by banks through debit card MDR. For credit card this increase has been nearly 400%. Together the banks and card payment networks are currently generating revenue of nearly Rs 11 Billion every month from MDR paid by the merchants.



Data Source: RBI and author's computation.

Chart 4: Banks' revenue from card MDR

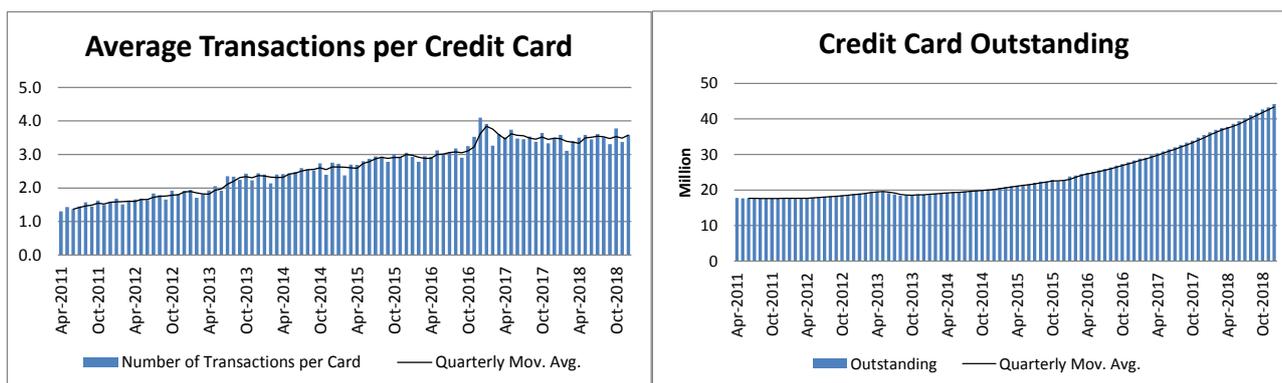
2.7 Considering an average MDR of 1.7%, based on RBI's credit card data, the merchants were burdened with nearly Rs 100 Billion towards credit card MDR in 2018 alone. This is exorbitant in contrast with the overall money (around Rs 35 Billion @ 0.6% MDR) paid by merchants or borne by the government towards debit card MDR in

⁸ In addition to Mastercard, Visa and RuPay, RBI has licensed two more card payment networks, i.e., American Express and Diners.



2018. It is noteworthy that the total share of transactions, in value terms, for credit and debit cards are nearly same – for the year 2018, it was nearly Rs 5.7 Trillion for each of them.

2.8 The banks’ credit card MDR revenue increased significantly as the reduced MDR regulations on debit cards gave a push on card acceptability. The average transactions per credit card increased from about 1.5 to 3.5 per month despite increase in the number of outstanding credit cards throughout the period April 2011 through October 2018 (Chart 5).



Data Source: RBI

Chart 5: (i) Average Transactions per Credit Card and (ii) Credit Card Outstanding

2.9 The year 2018 saw a steady growth in credit and debit cards and their usage. The number of POS terminals also grew (Table 1).

Table 1: Credit and Debit card data and number of POS for 2018

Month-Year	Credit Card Usage at POS		Debit Card Usage at POS		Number of Credit Card (Million)	Number of Debit Card (Million)	Number of POS (Million)
	Volume (Million)	Value (Rs Billion)	Volume (Million)	Value (Rs Billion)			
Jan-2018	130.0	414.4	301.4	411.0	36.2	846.7	3.1
Feb-2018	114.8	376.6	282.0	370.4	36.9	855.4	3.1
Mar-2018	127.3	443.1	318.9	418.6	37.5	861.1	3.1
Apr-2018	132.3	448.3	333.8	454.6	37.8	906.4	3.2
May-2018	138.3	472.8	352.1	468.1	38.6	924.0	3.2
Jun-2018	136.0	462.8	358.8	479.2	39.4	944.3	3.3
Jul-2018	145.0	477.6	367.4	483.1	40.2	962.0	3.3
Aug-2018	144.2	479.8	357.2	489.7	41.0	980.2	3.3
Sep-2018	138.2	461.0	362.7	458.4	41.8	982.4	3.4
Oct-2018	161.1	561.8	393.4	543.0	42.7	998.6	3.5
Nov-2018	145.8	516.2	376.6	540.4	43.2	992.4	3.5
Dec-2018	158.3	542.3	387.5	531.4	44.2	958.2	3.6
Total	1,671.3	5,656.7	4,191.8	5,647.8			

Data Source: RBI



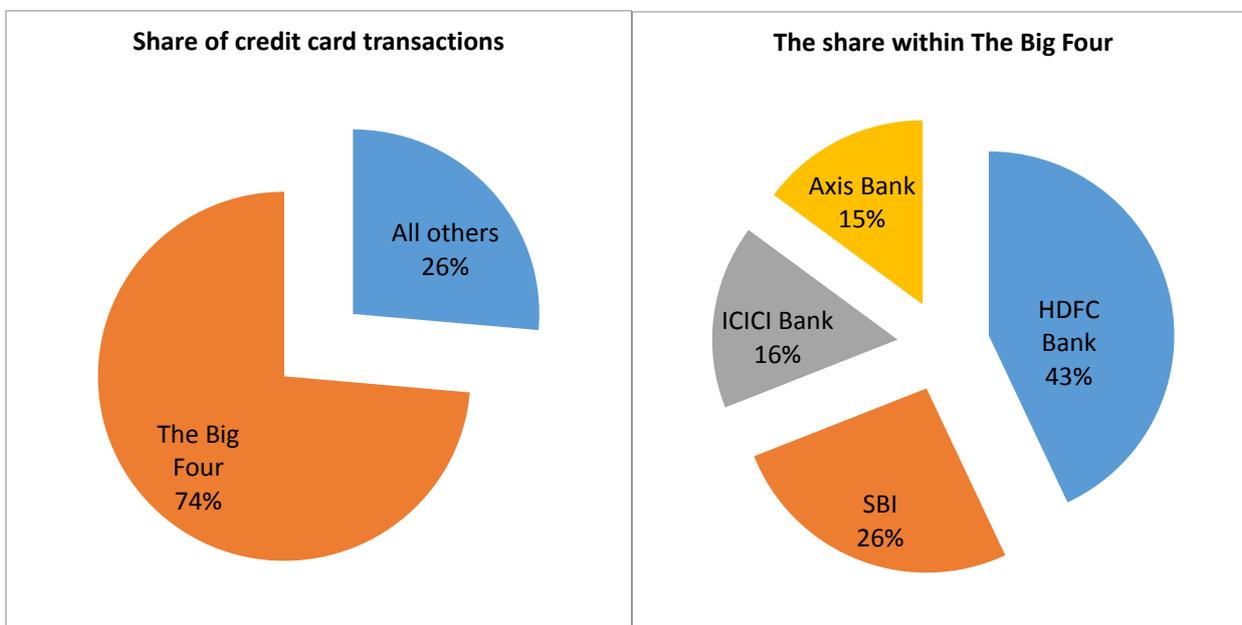
2.10 Finally, we present the contribution of banks towards the card ecosystem. Looking at the credit card business, HDFC Bank, SBI, ICICI Bank and Axis Bank constitute the Big Four. They contribute to more than 70% of the country’s credit card business in volume and value terms (Table 2). However, when it comes to debit cards, the business is about 60%. The Big Four thrust a heavy credit cost burden on the acceptance infrastructure. Chart 6 shows the share of credit card transactions within The Big Four.

Table 2: Outstanding cards and POS transactions done by cards issued by the bank - November 2018

Banks	Credit Cards			Debit Cards		
	Outstanding cards (Million)	Txn Volume (Million)	Txn Value (Rs Billion)	Outstanding cards (Million)	Txn Volume (Million)	Txn Value (Rs Billion)
HDFC Bank	12.1	40.2	148.6	26.7	45.8	70.3
SBI	7.3	22.9	89.8	323.1	109.0	166.5
ICICI Bank	5.8	19.7	55.8	45.0	37.6	57.3
Axis Bank	5.2	14.0	51.3	27.0	26.0	40.2
The Big Four	30.4	96.7	345.5	421.7	218.4	334.3
Total (excluding Amex)	41.9	139.5	469.4	992.6	376.6	540.4
The Big Four as a % of Total	73	69	74	42	58	62

Data Source: RBI

- Total is based on all banks excluding American Express which issues only Amex credit cards.



Data Source: Table 2

Chart 6: Share of credit card transactions (in value terms)



Surcharging digital payments in India



III. Surcharge, convenience fee and payment facilitators

Surcharge and convenience fee

3.1 First of all we should clearly understand what constitutes a surcharge. Most banks, either by design or unintentionally, try to misguide by claiming a surcharge as being a “convenience fee”. Though surcharging card payments is prohibited, convenience fee is technically allowed only in case of card-not-present transactions (i.e., online transactions). There is a subtle difference between a surcharge and a convenience fee.

3.2 Card corporations define this well⁹

*“A Merchant must not directly or indirectly require any Cardholder to pay a surcharge or any part of any Merchant discount or any contemporaneous finance charge in connection with a Transaction. A Merchant may provide a discount to its customers for cash payments. **A Merchant is permitted to charge a fee (such as a bona fide commission, postage, expedited service or convenience fees, and the like) if the fee is imposed on all like transactions regardless of the form of payment used, or as the Corporation has expressly permitted in writing.***

For purposes of this Rule:

- 1. **A surcharge is any fee charged in connection with a Transaction that is not charged if another payment method is used.***
- 2. **The Merchant discount fee is any fee a Merchant pays to an Acquirer so that the Acquirer will acquire the Transactions of the Merchant.**”*

3.3 For the purpose of illustration, Jet Airways imposes a convenience fee for purchase of air tickets on their website, which is payment method agnostic. Such a convenience fee has nothing to do specifically with payments and is declared much before the payment page comes up. For that matter, many more online merchants – MakeMyTrip, BookMyShow, etc. – do the same which, as on date, is perfectly in order. **Just calling a merchant’s fee as ‘convenience fee’ does not mean that it is not a surcharge unless of course the convenience fee satisfies the explicit definition as laid down by card payment networks (and that includes a condition that convenience fee needs to be payment method agnostic).**

⁹ The card payment networks have allowed surcharging in India for only two merchant specific categories – fuel and railways. Accordingly, the same is communicated under the MOST IMPORTANT TERMS AND CONDITIONS OF CREDIT/DEBIT CARD and under the *Schedule of Charges*. However, this got overruled for debit cards through the RBI January 2018 mandate. It is pertinent to mention here that in October 2009 only Mastercard (not Visa) announced their India program – Convenience Fee Program for Education and Government Merchants. This Program is subject to a condition that “the convenience fee does not discriminate against or discourage the use of Mastercard in favor of any acceptance brand deemed by Mastercard to be a competitive brand”. However, Visa’s prohibition on surcharge remained mandatory as they did not introduce a program similar to Mastercard. Thus, Mastercard’s program became discriminatory against Visa, and so technically it is not tenable. Moreover, it is impractical to selectively surcharge Mastercard cardholders but not Visa/RuPay cardholders.



3.4 Imposition of convenience fee is just like a charge for a service, and it remains merchant's prerogative to apply such a charge for rendering its service. Acquirer banks have no business to either workout such convenience fees or reflect such fees in their payment related activity. Whatever a merchant decides as his net selling price (within extant business rules) is transmitted by the merchant to the acquirer bank (or any entity working on behalf of the acquirer bank). Thereafter the acquirer bank cannot manipulate or influence the selling price amount while processing the transaction.

3.5 Since their inception, the card payment networks have clearly enforced the 'no surcharge rule' in India with full responsibility vested onto the acquirer banks for compliance. The card payment networks have set procedures for acquirer banks to acquire merchants through execution of proper *merchant agreements*. All provisions required to be included in a merchant agreement have been laid down by the card payment networks. It is considered a failure of an acquirer banks not to include the substance of any one or more of the network standards in the merchant agreement. The RBI and the government are in sync with the card payment networks on the surcharging standards, at least explicitly for debit cards and, implicitly for credit cards. RBI highlighted (reference [5]) the no surcharge rule for debit cards as early as September, 2013. Department of Banking Supervision of RBI brought out a 2013 circular which stated that:

“Levying fees on debit card transactions by merchants— There are instances where merchant establishments levy fee as a percentage of the transaction value as charges on customers who are making payments for purchase of goods and services through debit cards. Such fee are not justifiable and are not permissible as per the bilateral agreement between the acquiring bank and the merchants and therefore calls for termination of the relationship of the bank with such establishments.

Though many banks have appreciated our concerns and have discontinued with the above mentioned practices/ products, some of them still seem to persist with them. These practices/ products thwart the very principle of fair and transparent pricing of products which beholds customer rights and customer protection, especially, in the more vulnerable retail segment. Such practices thus violate, both in letter and spirit, various provisions of our MC on Interest Rate on Advances and therefore, you are advised to strictly desist from these practices hence forth.”

3.6 Moreover, in order to encourage banks to expand card acceptance infrastructure to a wider segment of merchants across all geographical locations and considering the experience gained by banks in merchant acquiring business, on May 26, 2016, RBI advised banks that they may put in place their own Board-approved policy on merchant acquisition (reference [10]). Accordingly, with acquirer banks being so proactive in



surcharging credit card purchases, a question arise as to **‘whether the bank’s Board-approved policy on merchant acquisitions explicitly rejected card payment networks’ bar on credit card surcharges?’**

Payment facilitators and card payment network rules

3.7 Payment facilitators are intermediaries that facilitate acquirer banks to on-board merchants. A payment facilitator is called an aggregator when it acquires a merchant simultaneously for more than one acquiring bank. Card payment networks have also laid down proper framework for acquiring banks to acquire transactions through payment-facilitator acquired merchants. Some of the prominent payment facilitators are BillDesk, CCAvenue, TechProcess, Paytm, SBIEPay, ATOM, etc. When such payment facilitators on-board or acquire merchants, these merchants become *submerchants* of the acquirer banks. When the facilitators execute merchant agreements, they in turn become *submerchant agreements* for the acquirer banks.

3.8 Prior to the commencement of business by a payment facilitator, the acquirer bank and the payment facilitator enter into a written agreement describing the Program Service to be performed (the “*Program Service agreement*”). In the event of any inconsistency between any provision of the Program Service agreement and the card payment network standards, the standards prevail.

3.9 An acquirer bank is entirely responsible to control their payment facilitators and enforce all program management and operating policies in accordance with the card payment network standards. The card payment network standards require that the acquirer bank must not transfer or assign any part of its responsibilities or in any way limit its responsibility with regard to any of its facilitators. An acquirer bank must conduct meaningful monitoring of its facilitators to ensure ongoing compliance by its facilitators with the standards.

The required submerchant agreement terms

3.10 A payment facilitator may enter into a submerchant agreement with a submerchant of an acquirer bank for the purpose of facilitating the acquirer’s acquiring of transactions of the submerchant. The submerchant agreement must conform to standards pertaining to merchant agreements of acquirer banks.

3.11 As regards the acquirers’ responsibility for payment facilitator and submerchant activity, the acquirer is responsible for all acts and omissions of a payment facilitator and of any submerchant. As per the card payment networks’ requirement of the ‘Submerchant Agreement Terms’, the following holds:



“A Submerchant Agreement must include all provisions required to be included in a Merchant Agreement... The failure of the Payment Facilitator to include the substance of any one or more of such Standards in the Submerchant Agreement or the grant of a variance by the Corporation with respect to any one or more such Standards does not relieve an Acquirer from responsibility for chargebacks or compliance related to the Activity of or use of the Marks by the Submerchant.”

3.12 Thus, the submerchant agreement must, in substance, include all required provisions of the card payment network. In the event of any inconsistency between any provision of the submerchant agreement and the standards, the standards will govern. The submerchant agreement must not contain any terms that conflict with any standard.

3.13 Based on the above understanding henceforth, unless expressed otherwise, we write in a language where any act of a payment facilitator is viewed as an act of the acquirer bank when it comes to violation of card payment network rules.

3.14 As an illustration, we provide two sample submerchant agreements procured for the purpose of this study from two aggregators. Here, HDFC Bank, SBI, ICICI Bank and Axis Bank are the banks who acquire the transactions. For any commission or omission in the submerchant agreement, these banks remain liable. RBI doesn't directly regulate the aggregators just as Business Correspondents (BCs) are not directly monitored by RBI.

The mushrooming of unregulated entities within the regulated space

3.15 The digital payment space, at the basic level, comprises of five players – card holders, merchants, issuing bank, acquiring banks and card payment networks. Within these players the service can be availed and provided. For improvement in efficiency, in case we bring in more players, that should be within the given cost structure of the ecosystem (e.g., food delivery Apps have not increased food cost but rather increased sales for food vendors which pays for the App providers' revenue). Banks should not create layers that add to the costs of the digital payments ecosystem, making it expensive for end users.

3.16 The relationship between a bank (highly regulated entity) and a payment facilitator/aggregator (unregulated entities within the regulated space) should be symbiotic whereby not only banks and aggregators gain but the penetration of digital acceptability also grows. With a growing pie, every entity's share enlarges. However, contrastingly, rather than a symbiotic relation, if the aggregators become parasitic and feed on to the system by adding to its cost, it will not only hurt the banks and their customers, but will also lead to loss of trust in digital acceptability. This will be a retrograde step, negating all the efforts government has put in towards promotion of payments through cards and digital means.



3.17 The responsibility to curtail such cost escalations should lie with the entity that has brought the intermediaries in or are functioning with them. If banks are doing business with them then banks have to own the responsibility. In June 2016 RBI's Payment and Settlement Systems in India VISION-2018 document, mooted the idea of regulating the payment facilitators/aggregators and the payment gateway service providers. Recently, RBI's February 2019 Statement on Developmental and Regulatory Policies reiterated the need of regulating such entities and indicated that a discussion paper on the same will be placed in the public domain for consultation with the stakeholders.

The status of “no surcharge rule” – International scenario

3.18 **Australia, Mexico and New Zealand:** Credit and debit card payment surcharge is permitted. However, there is a ban on merchants from charging payment surcharges that are excessive, i.e., from charging a customer more than what it costs the merchant to process the payment. A merchant is not required to impose a payment surcharge, but if it chooses to then it is only allowed to pass on to the customer the costs that the merchant was charged for accepting card payments.

3.19 **United States of America:** As a result of a legal settlement to resolve claims brought by a group of merchants, effective January 27, 2013, all merchants may add a surcharge to certain credit card transactions. The ability to surcharge applies only to credit card purchases, and only under certain conditions. The merchants may assess a surcharge on credit card purchases that does not exceed the MDR for the applicable credit card surcharged. However, only eleven states (California, Colorado, Connecticut, Florida, Kansas, Maine, Massachusetts, New York, Oklahoma, Texas and Puerto Rico) have laws that prohibit merchants from charging consumers with surcharges on credit card transactions. However, throughout the country, **merchants cannot surcharge debit card or prepaid card purchases.**

3.20 **Europe:** Under payment rules in Europe, effective January 13, 2018, certain types of payment surcharging are banned. The ban applies to all consumer cards, which includes debit and credit cards. The surcharge ban aims to protect consumers across Europe by prohibiting merchants from charging consumers additional fees for making payments by certain payment methods. For example, merchants, including ticketing, travel and food delivery websites, are no longer allowed to charge consumers additional fees for paying by debit or credit card.



Surcharging digital payments in India



IV. Organised surcharging by banks

4.1 During the course of this research, we came across several merchants facilitated by acquirer banks to surcharge. The prevalence of surcharging was not one off but fairly rampant. We discuss here few merchants only.

NPS Trust – Debit card surcharge

4.2 As early as March 17, 2018, a concern of surcharging by the merchant National Pension System (NPS) Trust was brought to the notice of Kotak Mahindra Bank (the debit card issuer bank). The surcharging related to a card-not-present transaction. It took the bank some time to understand the rules on surcharging or what constitutes a surcharge. An impression was left that the bank's card issuing team are not well conversant in distinguishing surcharge *vis-à-vis* common administrative/ convenience fees (which is payment method agnostic) for online merchant transactions! To begin with, like a naïve debit card user, the bank too carried an impression that since NPS Trust has upfront displayed levy of a surcharge¹⁰ on debit cards @ 0.8% (plus GST), and once the debit card user consents to pay the total displayed amount at the time of authentication by typing in the secured OTP, the whole concern becomes a non-issue.¹¹ This highlighted sheer lack of awareness of the rules on surcharging not only by front-end officers of the issuer bank but also others in the hierarchy dealing with debit card business.

4.3 Similar experience of debit card surcharge was shared with another issuer bank, Axis Bank. As in case of Kotak Mahindra Bank, Axis Bank too was oblivious in their initial understandings of what constitutes a surcharge for online card payments. Discussions with several other banks revealed that this opacity prevailed across many card issuing banks.

4.4 The acquirer banks of NPS Trust, while acquiring transactions, fraudulently coerced the naïve debit card users to pay surcharge; while the card holder remain ignorant of the set rules and regulations that prohibit surcharging (and even if they were aware, would not like to spend time to correct their specific issue on such illegal surcharges).¹¹

4.5 As a result, for every Rs 10,000 contribution to NPS Trust using a debit card, an acquirer bank, on behalf of NPS Trust, levied a surcharge of Rs 94. This surcharge amounts to 0.94% of the transaction amount (including GST). Under extant rules, this

¹⁰ The terminology used by NPS Trust for such a surcharge is “payment gateway charges”.

¹¹ An analogy is a situation where an autorickshaw has a fast tempered meter, or demands extra money to take you to your destination; and one doesn't know how to smoothly get a redressal. This does not mean that not highlighting the issue absolves the autorickshaw driver of his fraudulent act of cheating/extortion.



charge cannot be passed on to debit card users by an acquirer bank even if the merchant declines paying MDR for such transactions.

4.6 In this case, it was not the merchant but the acquirer bank, through their outsourced payment facilitator BillDesk, who themselves added the surcharge amount in the final transaction amount. It is clear from the screenshots (Appendix A) that apart from the merchant's name, the corresponding payment amount indicated against the merchant is Rs 10,000 only. The acquirer bank or their payment facilitators highlighting and adding any surcharge (even in the name of convenience fee), is not permitted. Moreover, an acquirer bank (that carries the full liability of the wrongful acts of the payment facilitator) has no business to manipulate or influence a transaction amount arrived at by a merchant. The merchant simply tells the transaction amount and the acquirer bank thereafter should simply process that amount.

4.7 Again, for an Rs 50,000 contribution to NPS Trust using a debit card, an acquirer bank on behalf of NPS Trust, levied a surcharge of Rs 470. Now, such a transaction is getting reflected under a Merchant Category Code (MCC) for which the card payment networks have set an interchange of Rs 10 (fixed; and not a % of the transaction amount). **So technically, in this case the acquirer's share vis-à-vis issuer's interchange is fraudulently disproportionate (acquirer bank and the payment facilitator got Rs 460 while issuer bank Rs 10).** The whole idea of a reduced interchange set by the card payment networks is to see that it get reflected in the MDR. The overall cost to this merchant for such a debit card based transaction should ideally not exceed Rs 25. Such behaviour of the acquirer bank hurt merchants and this by no means would promote debit card payments in the country.

4.8 There appears to be some visibility issue on part of the acquirer banks towards the payment facilitators' operations. Given that the full responsibility of processing of such payments lies with the acquirer bank who acquires the transaction, it is prudent that the acquirer bank has full control in terms of visibility of the actions undertaken by a facilitator. Not having full visibility has a potential of customer compromise (with merchants and card users as customers). Furthermore, an acquirer bank being oblivious of the contents (commission or omission) of a submerchant agreement creates a potential risk for the acquirer bank since the card payment network rules make the acquirer bank fully responsible.

4.9 This NPS Trust exercise that started in mid-March 2018, finally led to stoppage of the fraudulent practice of surcharging debit card transactions, but not before mid-December 2018. In fact, not only did they stop surcharging but also stopped all debit card payments in excess of Rs 2000 (the limit upto which the government bears the MDR).



4.10 This, however, has led to another violation of the card payment network rules. Just because the merchant has declined to pay any MDR on debit cards transactions, the acquiring banks have started promoting violation of the card payment network rule that prohibits imposition of maximum transaction amount.

4.11 The RBI and the government are in sync on the “no surcharge rule”, at least for debit cards. In this regard, we again refer to (a) paras 5 and 6 of the RBI’s 2013 notification (reference [5]) and (b) para 6A(i) of the government's 2016 office memorandum (reference [7]). RBI in fact highlighted the no surcharge rule for debit cards as early as September 17, 2013.

4.12 In the case of NPS Trust, the acquirer banks have been proactive in encouraging card payment surcharges in violation to their card payment network rules and extant RBI regulations / government of India mandates. Appendix L provides a November 03, 2018 letter to stakeholders on the surcharging issue.

More illustrations of surcharging executed by acquirer banks

4.13 We further highlight some online payment situations where fraudulent surcharging is rampant, that too in an organised fashion. Usually, such surcharging is executed in connivance or with full knowledge of acquirer banks and possibly card payment networks. This has led to consumers demanded of unlawful money to participate in the country’s payment system. Other than debit and credit cards, other digital payment modes where we see surcharging are BHIM-UPI and BharatQR.

4.14 While illustrating varied instances of organised surcharging, we focus on nine merchants, i.e., (i) the Railway (IRCTC), (ii) Adani Power, (iii) BSES Rajdhani Power, (iv) Tata Power, (v) MahaVitaran, (vi) Tirumala Tirupati Devasthanams, (vii) IIT Hyderabad (online fee payment), (viii) Kendriya Vidyalaya Sangathan (online school fee payment), and (ix) Passport Seva Kendra (passport issuance online fee payment). Box 1-4 and the screenshots in Appendix A-G demonstrate some of the above violations of extant surcharge regulations. Additionally, we illustrate organised surcharging carried out by SBI on their ‘onlineSBI collect’ portal under various merchant categories.

4.15 In all these illustrations, a significant highlight to observe is that the acquirer banks, who are supposed to guard against a surcharge, are themselves implementing this surcharge surreptitiously. The acquirer banks (through their facilitator) calculate and impose the surcharge. It depicts proliferation of organised surcharging.



Box 1: Surcharge on BHIM-UPI

- Acquirer banks, as UPI handle, facilitate **Railway (IRCTC)** to surcharge Rs 10 plus GST for a transaction amount above Rs 2000. (See screenshots in Appendix B)
- Until very recently (only after being pointed out), acquirer banks (handle) facilitated **Adani Power** to surcharge @ 1% of the transaction amount, at the BillDesk payment gateway. This was however not charged at the Paytm payment gateway.
- Till date, acquirer banks (handle) facilitate **BSES Rajdhani Power** to surcharge @ 1% of the transaction amount, at the BillDesk payment gateway. Furthermore, this is being done with no intimation by the UPI handle. This 1% amount gets fraudulently added at the BHIM-UPI pin authentication stage. (See screenshots in Appendix C)

Box 2: Surcharge on Debit card

- Acquirer banks facilitate surcharging by **Tata Power @ 0.7% plus GST**, for a transaction amount above Rs 2000. For Tata Power Delhi, surcharging is for transaction amounts above Rs 5000. (See screenshots in Appendix D)
- Acquirer banks facilitate surcharging by **Adani Power @ 0.75% plus GST**, for a transaction amount above Rs 5000. (See screenshots in Appendix E)
- Acquirer banks facilitate surcharging by **BSES Rajdhani Power @ 0.8% plus GST**, for bill amounts of more than Rs 5000. They write *“On-line payment through Credit / Debit Cards involves processing charges (0.80% + service tax, as applicable) on the bill amount by the merchant banker and will be debited to your card / account, in case the bill amount is more than Rs 5000/-.”*
- Acquirer banks facilitate surcharging by **Tirumala Tirupati Devasthanams @ 0.5% plus GST**, for a transaction amount above Rs 2000. Moreover, though there is a RBI mandated MDR cap of Rs 1000, the surcharge exceeds even Rs 1000 (See screenshots in Appendix F)



Box 3: Surcharge on BharatQR

- Acquirer banks facilitate surcharging by **Adani Power** @ 0.75 plus GST, for a transaction amount above Rs 5000, at the BillDesk payment gateway.

- ATOM payment gateway first imposes a surcharge @ 1.75% plus GST, at the **Railway (IRCTC)** for BharatQR transactions and then later refunds. They write

“The refund of Convenience charges and GST as may be applicable for debit card transactions will be initiated within 2 working days of transaction done and actual refund to the card will be as per Card Issuing Bank's process” (See screenshots in Appendix G)

Box 4: Surcharge on Credit card

- Acquirer banks facilitate many merchants to surcharge, including online payment of passport issuance fees, IIT Hyderabad student fees, Kendriya Vidyalaya Sangathan school fees, Tata Power, Adani Power, BSES Rajdhani Power, MahaVitaran, Tirumala Tirupati Devasthanams, NPS Trust contributions, etc.

- For example, **MahaVitaran** says *“Please note that a convenience fee i.e. Gateway charges levied by Master/Visa/others will be applicable for credit card exceeding Rs 500. Gateway charges are waived Off for Net Banking, Debit card, UPI, Digital Wallet & Cash Card payments.”* In fact, the surcharges (inclusive of GST) are different at the payment gateways, i.e., BillJunction-TechProcess (@ 0.9192%), Billdesk (@ 0.9216%) and Paytm (@ 0%). This rate is not revealed upfront but gets reflected as an added amount at the time of payment authentication (OTP).

- In case of IRCTC, almost all banks have set credit card surcharge @ 1.8% (plus GST). As compared to OMCs, here the surcharge is 80 basis points higher. Though interchange for this merchant is only 0.7%, the MDR, which the merchant has refused to pay, has been kept high just because the card users, who pay this in form of surcharge, have no negotiating power. There is no rationale for the acquirer bank to keep a margin as high as 1.1% for the payments component of a credit card product.



‘OnlineSBI collect’ induces surcharge for *many* merchants

4.16 SBI as a direct acquirer bank has been proactive in demanding money for online retail payments (debit/credit/BHIM-UPI) in violation to the no surcharge rule. The presence of surcharge-enabled merchants in various sectors is rampant (Appendix H). The sectors include Charitable Institutions, Commercial Services, Educational Institution, Government Department, Hospital, Industry, Merchants, Others, PSU, Recruitment, Religious Institutions. To see all the merchants under each of the sectors refer to the link <https://www.onlinesbi.com/sbicollect/sbclink/displayinstitutiontype.htm>

4.17 Technically, all those who have paid such unauthorised demand of money by SBI while paying through debit/credit cards or BHIM-UPI are entitled to get their money back, either through a chargeback process or by *suo moto* intervention of RBI to protect card/BHIM users who may have been cheated by acquirer banks in this process. SBI surcharges @ 2.12% of the transaction amount for credit cards. For BHIM-UPI, SBI surcharges for all transaction amounts, including transactions below Rs 2000.

4.18 Just because many online merchants have declined to pay towards MDR on debit card transactions, acquiring banks have started promoting violation of card payment network rule that prohibits imposition of minimum/maximum transaction amount. As a result, a trend prevails where acquirer banks have set a maximum debit card transaction amount of Rs 2000. Currently, the government bears MDR on debit card transactions up to Rs 2000.

Prohibition of imposing maximum transaction amount

4.19 In order to maintain a level playing field for debit card transactions vis-à-vis other methods of digital transactions there already exists mandates set by card payment networks onto acquirer banks where ‘a merchant must not require or indicate that it requires a maximum transaction amount to accept a valid and properly presented debit card’.

4.20 However, almost all acquirer banks are seen violating the same while making arrangements in setting up of a maximum debit card transaction amount of Rs 2000 for many of the merchants illustrated here, and rejecting usage of debit cards for transaction amounts in excess of Rs 2000. Recall that the government bears MDR on debit card transactions up to Rs 2000. Technically, an acquirer bank cannot provide card acceptance facility to a merchant in case such a practice of capping transaction amounts is made visible to card users. Moreover, this can only hurt promotion of online debit card payments.



Surcharging at physical POS

4.21 We now highlight one of the prevalent incidences of organised surcharge at physical POS, in violation to set rules in the card payment business. The specific example involves HDFC Bank acquiring surcharged-transaction at *Balmer Lawrie*. *Balmer Lawrie* (a Government of India Enterprise) is a renowned travel agent in India who has been surcharging credit and debit card payments. Since the front end operator is unable to distinguish a debit card from a credit card, the surcharge rate is kept same for both.

4.22 In an extant HSBC-Visa-HDFC Bank transaction, surcharge amount embedded in a net transaction of Rs 13,070 is Rs 319, amounting to surcharge @ 2.5% (Appendix I). Such incidents of surcharging usually do not get reported since neither the banks nor the card payment networks have tried to develop awareness among their card users to control such situations. Moreover, there appears to be no standard procedure laid down by the banks to resolve such issues of surcharging. Initial interactions with few banks that are only in the business of card issuance (i.e., HSBC, Standard Chartered Bank and Citibank) indicates that though they would like to help, but their capacity to help is very limited.

4.23 Such examples though may be rampant are difficult to establish for this study. Banks and card payment networks should develop procedures to address such irregularities. Once such procedures are put in place, awareness among their card users to control such situations should be built.

Sample submerchant agreements

4.24 We provide a sample submerchant agreement with an educational institution for education fee payment, where ATOM Technologies Limited is the aggregator while HDFC Bank and Axis Bank acquire the transactions (Appendix J). A careful look at page 5 of 7 of the submerchant agreement shows that

- (i) the debit card MDR is fixed @ 0.9% despite the fact that Education has been associated to a fixed interchange of Rs 5 for RuPay, Rs 15 for Mastercard and 0.65% for Visa;
- (ii) NEFT charges are fixed at Rs 10, which exceeds RBI's mandated cap on such charges.
- (iii) the merchant has been given an option: Transaction Fee Module [Transactions & other charges will be borne by parents] – [YES / NO], where specifying a 'YES' would mean customers (student/parents) would pay.

For any commission or omission in the contents of the submerchant agreement, the two banks remain liable.



4.25 Similar sample submerchant agreements, under the surcharge model, were obtained for (i) education fee payment and (ii) payment for general merchandise. Here, CCAvenue is the aggregator while HDFC Bank, ICICI Bank and SBI acquire the transactions. In case of general merchandise submerchant agreement (Appendix K), we observe that with no control on MDR even for debit-based payment modes like netbanking, prepaid card / mobile wallets, etc., the rates are far above the debit card MDR (rather close to the high credit card MDR), and thus, detrimental to the business cost for a merchant. It is seen that even the MDR for BHIM-UPI is higher than the debit card MDR. Are these debit-based payment modes some sort of luxury items for which there is no control on the pricing (unlike debit card payment mode)?

4.26 The above submerchant agreements raise five questions and we attempt answering them within quotes.

(a) What is the rationale for the card payment networks to give a debit card interchange concession for Education if the concession cannot percolate to the MDR?

“There appears to be no system that has been set by the card payment networks to check this. Neither have the card payment networks made the interchange rates easily accessible to the merchants and consumers to assess and compare. Lack of such transparency only hinders the payment system.”

(b) What is the rationale behind having high MDR (compared to debit card MDR) for debit-based payment modes like prepaid cards/ mobile wallets/ BHIM-UPI/ NEFT/ net banking, etc., which, like debit cards, use consumer funds instantly?

“It is astonishing to see MDR for net banking @ 1.8% (plus GST). As a means of receiving payments, none of the debit-based payment mode is a luxury for a merchant – net banking cannot be exorbitantly expensive vis-à-vis debit card. Thus, all debit-based payment modes (debit cards/ prepaid cards/ mobile wallets/ BHIM-UPI/ NEFT/ net banking, etc.) should have MDR not exceeding the debit card MDR.”

(c) What is the rationale behind acquirer banks giving merchants an option to surcharge for card and BHIM-UPI payments, given that it amounts to non-compliance?

“This is more due to acquirer banks being blind to their submerchant agreements. This lack of visibility needs to be corrected in order to follow extant rules and regulations.”

(d) Whether the present ecosystem allows surcharging for other payment modes like prepaid cards/ mobile wallets/ NEFT/ net banking/ etc.?

“As on date there is no prohibition on such surcharges. To bring in harmony, the ‘no surcharge rule’ should be strictly applied and enforced for all debit-based payment modes.”



(e) For online debit-based payment modes, we see multiple options of acceptance (debit cards/ prepaid cards/ mobile wallets/ BHIM-UPI/ NEFT/ net banking, etc.). To eliminate discriminatory MDR/fees for a merchant (who has no control on payment modes used by consumers), will it be better to have bundling of MDR/fees?

“As on date there is no prohibition against bundling of MDR/fees for debit-based payment modes so long as the MDR/fees do not exceed the mandated debit card MDR caps. Therefore, banks have some freedom to innovate on the pricing front.”

Lack of awareness issues on surcharging

4.27 While fraudulently surcharging the naïve card payment system users, who are ignorant of the set rules and regulations that prohibit surcharge, acquirer banks facilitate several online merchants. However, the banking industry is not ignorant of the same, particularly, the acquirer banks and their facilitators, who have been in the payments business for long.

4.28 When such concerns are brought to the notice of issuer banks, their front end officers have limited awareness on what constitutes a surcharge vis-à-vis common administrative/ convenience/ internet/ handling/ service fees (which is payment method agnostic). Moreover, there exists no explicit literature that banks send along with a debit/credit card that explains a seamless process of reporting a surcharge and getting appropriate redressal in form of a chargeback. In fact, what issuer banks write in their terms and conditions booklet that comes along with a new credit/debit card is

“The Bank accepts no responsibility for any surcharge levied by any Merchant Establishment and debited to the Cardholder's account with the transaction amount. However, at Railway stations and Petrol pumps, transaction charges as per industry practice will be applicable.”

Moreover, the acquirer banks when approached, says

“The card member should get in touch with the card issuing bank. It is the onus of the card issuing bank to take up the issue with the acquiring bank through appropriate channels.”

Thus there appears to be a clear dis-connect between what the cardholder should do and what the banks want the cardholder to do.

Card payment network's penal action only on paper (not on ground)

4.29 Mastercard has categorised noncompliance of the “no surcharge rule” and the “prohibition of setting minimum/maximum transaction limits” under noncompliance Category B. A Category B noncompliance assessment schedule for violation of standards has been laid down as follows:



Per violation

Up to USD 20,000 for the first violation

Up to USD 30,000 for the second violation within 12 months

Up to USD 60,000 for the third violation within 12 months

Up to USD 100,000 per violation for the fourth and subsequent violations within 12 months

Variable occurrence (by device or Transaction)

Up to USD 1,000 per occurrence for the first 30 days

Up to USD 2,000 per occurrence for days 31–60

Up to USD 4,000 per occurrence for days 61–90

Up to USD 8,000 per occurrence for subsequent violations

Variable occurrence (by number of Cards)

Up to USD 0.30 per Card

Minimum USD 1,000 per month per Portfolio

Maximum USD 20,000 per month per Portfolio

Maximum USD 40,000 per month per all Portfolios

4.30 Similar schedule of noncompliance assessment has been framed by Visa. There are even provisions against acquirer banks if found to have willfully violated the card payment network rules (adversely affecting the goodwill associated with the card product). Acquirer banks will be subject to a further noncompliance assessment in such situations. A violation is considered “willful” if the acquirer bank knew, or should have known, or its knowledge can be fairly implied, that its conduct constituted a violation of the card payment network rules.

4.31 Though Visa and Mastercard rules have been framed to mitigate rule-violations by setting penalties, etc., however, when it comes to their monitoring the same, they are nowhere to be seen. This may be due to either their business needs (in form revenue generated of such transactions involving surcharging) or their realisation that for credit cards, the no surcharge rule is faulty for a country like India.

4.32 There appears to be some lack of accountability on the part of card payment networks’ along with issuer and acquirer banks. Das (2008) (reference [1]) had shown then (by studying extensive opinions of the card payment players and RBI) prevalence of a severe dilemma among card payment networks, issuer banks, acquirer banks and the RBI towards the liability and control process of credit card surcharges. Over a decade now, we find that the same dilemma still exists. While maintaining the card standards based on card payment networks’ agreements with acquirer banks, the networks appear to have failed in their control and audit process. This has led to the downgrade of the card product standards in form of rampant surcharging for card-not-present transactions, at the cost of card users.



4.33 The building of awareness and educating bankers and consumers on the surcharging issue needs contributions from Visa/Mastercard/RuPay since they are the pioneers of the no surcharge rule, which now has the backing of RBI and the government. No one would want the existence of a potential that creates negative sentiments in the digital payments space, unless of course the extant rules and regulations on surcharging are faulty.

Merchants', banks' and RBI's take on surcharging

4.34 Online merchants in some way contribute to the practice of surcharging debit card/BHIM-UPI/ credit card transactions by refusing to bear the MDR, or by not charging a fixed administrative fee, irrespective of the online payment method. Such behaviour from the merchants prompts the acquirer banks to facilitate surcharging. These violations cannot remain unaudited.

4.35 The government's/RBI's move to promote debit cards by rationalizing their MDR is a work half done. The high credit card MDR pollutes the payment system. Aspects related to varied MDR due to different types of payment cards (for which the merchants have no control) creates a negative impression and thus discourages digital payments. In the absence of uniform MDR for a merchant (based solely on payment processing fee for credit and debit cards) should credit cards be thrust on to the merchants as a payment mode, wherein the merchants are required to pay for a virtual credit offtake?

4.36 Merchants are more than happy to accept debit cards, which are relatively cheap and attract only the payment processing cost. A clear message on the MDR has to be a uniform rate structure irrespective of the card type used at the merchant's POS. Moreover, the persistence to surcharge demonstrates that MDR matters to even big merchants. So why should it not matter small and medium merchants?

4.37 We have amply demonstrated organised surcharging on debit/credit card and BHIM-UPI transactions in violation to set rules. There appears to be complete lack of accountability of the acquirer banks and card payment networks. Card and BHIM-UPI users have lost money unknowing through such veiled extortion in the payments system. Of course being sincere, the acquirer banks, realizing their shortcoming, can now reverse the excess amounts charged in form of surcharges. At the minimum (without being penalised of noncompliance), banks need to ensure that surcharge amounts received is reversed systematically to all the eligible *bona fide* account holders. Showcasing honesty and accountability, acquirer banks would definitely not need any details from debit card / account holders (of various banks) who used the same at the payment gateways and where it has been identified that surcharging took place in a systematic manner.



Surcharging digital payments in India



V. The need for a surcharge and the MDR

5.1 For online payments through cards and BHIM-UPI, though surcharging is prohibited, we still see promotion of the same by acquirer banks. Instances of surcharge are fewer on debit card and BHIM-UPI transactions; however, its prevalence is rampant on credit card purchases. What could be the reason for such surcharging for online merchant payments?

5.2 Usually regular merchants resist bearing high MDR of 2% or more on credit cards. Just because card payment networks prohibit surcharges for card-present transactions and banks thrust the high credit card cost onto merchants, the merchants have to bear the high MDR burden. In case of card-not-present transactions (i.e., online transactions) the leverage provided by card payment networks, in form of convenience fees, is being misused by acquirer banks (through their payment facilitators) by misrepresenting surcharges as convenience fees. In absence of in-depth knowledge among the merchants and card users, this misguided system has been working well for the acquirer banks and the online merchants. This has prompted us to have a relook into the question of whether the merchants should have the freedom ‘*to surcharge or not to surcharge credit card payments*’.

IBA’s move to balance the cost of credit for OMCs

5.3 What would we advise a small or medium merchant who hesitates while accepting credit cards, since for them credit card MDR is 2-3%¹², but is happy to accept debit cards that bear an average effective MDR of less than 0.4%? How would it be possible to allow these small and medium merchants to display surcharges only for credit card purchases to the extent of say 1%? This way the merchant can encourage customers to use a cheaper debit-based digital mode of payment, if the customer has money in his bank account?

5.4 In this regard, discrimination in the payment system has been prompted by IBA, when IBA issued a notification to all member banks asking them **not to impose** any MDR on fuel dealers or OMCs for credit card transactions, and instead directed the banks to surcharge the credit card users (for their purchases at fuel stations) if they so desire; setting a cap of 1% for such surcharge. The move, though in the right direction, lacked a level playing field among the merchants accepting credit card payments.

5.5 Under the payments system framework, this raises a vital question as to why IBA has been allowed by the regulator to be selective (and thus discriminatory) towards

¹² MDR is arrived by adding to the 1.85-2.02% interchange, about 0.3-0.5% acquirer bank’s commission and further topping it with GST.



favouring a particular merchant category, given that the specific concern (of not wanting to bear the credit card MDR cost) is universally true for all merchants? Moreover, when the OMCs are bearing a debit card MDR @ 0.75% why IBA could not fix similar MDR (of 0.75%) for credit cards too to be borne by the OMCs? Clearly, the OMCs are availing bank's facility similar to debit card purchases while accepting credit cards. Promotion of digital payments requires addressing the surcharge issue since the genuine concern of this single (large) merchant category is no different from other merchants, particularly, small and medium merchants.

5.6 The card payment network rules in India do not allow a merchant to accept only debit cards (and not accept credit cards) and/or allow surcharging credit card purchases. However, the effective differential in MDR between credit and debit card usage ranges from 1% to 2.5%. Such an additional cost cannot be thrust onto small and medium merchants, when a big merchant like an OMC could manage exemption. This again showcases lack of a level playing field for merchants accepting different types of card payments in India.

How fair is convenience fee over surcharge?

5.7 In spirit, convenience fee is a fee paid by a customer for the convenience he gets for online purchases (and saving the trouble of queuing up at a physical counter). It is ideally a fixed amount and not a pro rata value. In contrast, surcharge is a charge for using a particular payment mode.

5.8 For online merchants, the MDR for credit card is high around 2% while that for debit card is in the range 0-0.9%. For online air ticket bookings, camouflaging some component of surcharge as convenience fee, irrespective of the mode of payment, becomes unfair to debit card/BHIM-UPI/net-banking users. However, if RBI considers permitting surcharges for credit card transactions, online merchants may consider reducing their convenience fees. Today, the quantum of convenience fees gets significantly influenced by the high MDR for credit cards in India.

5.9 It is noteworthy that, as with other business expenses, the high MDR of credit card drives up the prices paid by all consumers, even for those who did not use credit cards while the benefits of free credit and brownie points are enjoyed by the credit card holders alone.

Controlling the card MDR through prudent interchange

5.10 For transaction amounts within Rs 2000, the government has currently supported debit card MDR @ 0.4% and the interchange is fixed at 0.15%. However, for debit card purchases of more than Rs 2000, the card payment networks have set revised interchange based on RBI's new mandated debit card MDR caps. In this process,



though for most general merchants the debit card interchange is fixed at 0.65%, card payment networks have carefully ensured to keep the interchange low for many sectors/industries. We list some of such debit card interchange caps for transaction amounts exceeding Rs 2000.

	Sectors/industries	Visa	Mastercard	RuPay
1	Government	Rs 10	Rs 10	Rs 5
2	Education	0.65%	Rs 15	Rs 5
3	Railways	Rs 6	Rs 6	Rs 5
4	Insurance	Rs 6	Rs 10	Rs 6
5	Mutual funds	Rs 15	Rs 15	Rs 10
6	Fuel	0.5%	0.5%	0.5%

5.11 In most developed countries in America and Europe, the lending rates are far less than in India to reflect significant difference in the MDR's for credit and debit cards. As against a credit card interchange of 0.3% in Europe, in India the credit card interchange, in general, is as high as 1.85-2.02%. We list some of the sectors/industries for which the credit card interchange caps have been kept low. This list is provided for two card payment networks operating in India.

Card Payment Network - A

- (i) 0.7% - railways/ transport, post office, government, insurance, education, public/private utilities, grocery stores, supermarkets, miscellaneous food stores, convenience stores, market speciality stores;
- (ii) 0.75% - fuel.

Card Payment Network - B

- (i) 0.7% - railways/ transit/ transport, post office, government, insurance, public/private utilities, education;
- (ii) 0.75% - fuel;
- (iii) 1.1% - supermarkets.

5.12 Interchanges arrived at by the card payment networks are usually *ad valorem* (fixed interchange applies only for some special merchant categories for debit cards). In the case of credit cards, the *ad valorem* interchange is extensively differentiated based on type of merchant (e.g., 0.7% for private utilities, 0.7-1.1% for supermarkets and 1.85-2.02% for general stores). The differentiation has been made to such an extent that it can be almost three times more expensive for small and medium merchants as compared to bigger merchants like supermarkets, fuel, railways/ transport, post office, government payments, insurance, public and private utilities, and educational institutions. This is so despite the issuer bank's cost to serve is same whether the credit card is used at a post office or a supermarket or a small general store irrespective of the



volume of business. In short, the approach doesn't promote RBI's and the government's vision towards digital payments in an equitable fashion. Digital payment, for the present, is of equal necessity for all and cannot be considered a luxury for some who are selectively identified to pay more for digital payment acceptance. RBI and the government should desirably protect small and medium merchants who have embraced digital payments in lieu of cash to support government's initiatives. Accordingly, in the interest of being fair to small and medium merchants, the *ad valorem* interchange should be a fixed percentage and not change from one merchant category to another. This will, however, not affect the acquirer banks' commission.

Balancing the cost of credit in the digital payment space

5.13 The issue of sanitising credit card distortions in India's digital payments space has been dealt thoroughly in Das and Das (2016) (reference [13]). Today with credit cards being an important and relatively expensive mode of digital payments, do merchants have a level playing field while accepting such credit cards vis-à-vis debit cards or BHIM-UPI? If not, this needs to be addressed appropriately to avoid disadvantaging merchants while accepting cards (credit/debit) and other forms of digital payments (UPI/mobile wallets, etc.) at par.

5.14 MasterCard / Visa / Amex are pioneers of credit cards business since they set the business model in absence of other cashless retail payments. They could effectively develop this digital payment system through well researched strategies on interchange. They became the giants of the digital payments. However, with the inception of debit cards and its real time capabilities (thanks to Core Banking Solutions), is it time now to have a fresh relook at digital payment system models in India.

5.15 As a financial product, credit card is a combination of the payment system and the credit system of the country. Until debit cards came into being, credit cards were primarily the only digital payment product available. Unlike credit cards, the debit cards and BHIM-UPIs are solely payment product.

5.16 For any credit product (of which loans through credit cards falls in the category of unsecured credit), RBI has mandated a minimum rate, called Marginal Cost of funds based Lending Rate (MCLR), at which such credits can be given. The prevailing MCLR is of the order of 8.5% per annum. Thus, for the average credit of 38 days¹³ provided for credits enjoyed through credit cards, the credit card issuing bank, as per the RBI mandates, has to necessarily receive interest for the credit at least at the MCLR. Accordingly, the cost of credit for the 38 days (adopting the annual credit card loan rate at MCLR) works out to be at least 0.88% of the credit amount. However, given the nature of the unsecured loans being provided through credit cards, the capital adequacy

¹³ Based on average of the number of days of credit, i.e., 24 days through 52 days.



requirements would lead to further increase in capital charge, which is expensive. Considering this additional risk based cost at 0.1%, a conservative cost of credit for the 38 days works out to be at least 1% of the credit card transaction amount. This 1% cost has to be part of the interchange and thus of the MDR. This makes credit cards an expensive payment product as against debit cards or other credit-less payment products. It would be unfair to thrust such a credit loaded payment product in the name of digital payments. However, to retain such an excellent digital product for the payment needs, it would be fair to see that the beneficiaries of credit facility bear the interest burden and that the cost is not passed on in a camouflaged manner to the digital payment systems' cost.

5.17 Based on the country's current data on credit and debit card spends at POS, it is seen that though in volume terms credit cards constitute only 30% of the card transactions, in value terms credit cards constitute 50% of card transactions. Also, even if we consider a conservative estimate of the true average differential of MDR between credit cards and debits cards as 1%, the RBI data¹⁴ suggests that, on an average, credit cards have burdened the payment system users by nearly Rs 60 Billion in 2018 alone. Users of the payment system are unknowingly bearing this avoidable cost, even though other cheaper and equally efficient modes of digital payments (like debit cards / BHIM-UPI) exist alongside credit cards. This means that the non-credit card users transacting digitally are cross subsidizing for the expensive credit card system in use.

5.18 In case of online payments through cards and digital means, we have demonstrated through several illustrations that the country's payment system users are being burdened with organised surcharging, in violation to the extant rules and regulations. For the banks to do payment's business gainfully, this has led to fraudulent extortions by the acquirer banks and their payment facilitators from their gullible customers to the tune of Rs 2 Billion in 2018 alone.¹⁵ This is a conservative estimate since we restrict only to the online credit and debit card payments. Naïve card users, oblivious of the set rules and regulations that prohibit surcharging, are ignorant of the fact that it is the banks that owe them this fraudulently extorted money.

5.19 Presently merchants are not allowed to surcharge customers on credit card purchases. Credit cards being a credit mode of payment, merchants could possibly be given freedom to charge for the credit cost only. It should be made very clear that the surcharge is for use of credit and not for using digital means of payment.

5.20 One has to be careful to address the concerns of the merchants and consumers (on

¹⁴ Rs 5657 Billion worth of credit card POS transactions took place in 2018.

¹⁵ With Rs 11.3 Trillion worth of credit and debit card transactions and 30% of such transactions being on eCom (refer to RuPay Card usage data <https://www.npci.org.in/statistics>), it is estimated that online card usage had been worth Rs 3.4 Trillion. Even if we consider that only 6% of such online transactions were surcharged at an average rate of 1%, the amount of surcharge exceeds Rs 2 Billion.



this disparity designed in the electronic payment system of the country), where though a merchant is happy to accept cheaper modes like debit cards/BHIM-UPI (and accordingly price his products) but develops a negative impression of the electronic payment modes just because he is forced to accept a premier credit card with an associated MDR as high as 3%. Under the current regulations, in general, merchants are prohibited to show different prices of a product/service based on different payment modes. Going by the current mandate of honouring debit and credit cards at par, if the selling price is uniformly hiked by the merchant, it becomes unfair and discriminatory for the users of debit card and BHIM-UPI.

5.21 So, should we allow surcharge on credit cards? Merchants being given the freedom to surcharge only on credit cards could lead to misuse, given the gullible nature of customers. It will also be difficult to implement, since it is difficult to assess when a merchant is overcharging, etc. Thus, for credit card based transactions, merchants being given the freedom to surcharge based on the differentials in MDR (that exist vis-à-vis debit cards) does not appear to be a good idea.

5.22 Instead MDR for credit cards should be made same as that for debit cards (or similar forms where there is no credit cost involved) and let issuing bank be given the freedom to impose their Board-approved credit fee onto the credit card users when the credit card monthly statements are generated (compensating for the decreased interchange that the issuing bank may receive).

5.23 Such a move would impact the domestic credit card usage (and the credit card business) and one would see decline in the usage by explicit credit-cost conscious customers for sure but would lead to migration of credit card payments to other non-credit based electronic payments which are seamless, secure and cheaper for merchants with no apparent cost to consumers.



VI. Concluding remarks and way forward

6.1 In any game, given the set of standards and rules and presence of umpires who ensure that standards are maintained and rules are observed, players channelize their energies to give in their best so as make the game attractive, make it more popular and draw more participation. However, if players/observers see that people within the game play with the rules and not by the rules, the game may lose its sheen and people may over time choose to bow out.

6.2 The rules of digital payments are similar. They are set by RBI, the government and also by the network providers like RuPay, Mastercard and Visa. Having set the rules and regulations, ensuring compliance is also their responsibility. That the payment system space is duly regulated and supervised gives confidence to its users to migrate from the hitherto traditional/physical modes of payments to digital alternatives. In the last one decade and more focussed during the last five years, riding on the digital payment wave, our country has invested enormous resources to include all citizens under the financial services cover. While the cover has nearly reached the last mile, and the users are more sanguine about the digital payment alternatives now than ever in the past, its sustenance should not be taken for granted. One slip can be damaging and may take us several miles back.

6.3 No surcharging on digital payments, for services availed and goods purchased, is one such rule in the digital payment space that ensures that no additional costs are thrust on the user of digital payments. This rule is intended to check any discrimination between various digital payment modes and also cash. Given that the space is regulated, the users take compliance of such rules, by service providers, for granted.

6.4 The story begins when, by accident, an incident of surcharge came to fore. Curiosity led to check if this was a one off incident. Few more random payments showed that surcharging may not actually be one off. Thereafter a dive into the digital payment space was done to look deeper. What came to light after a structured analysis and detailed interactions with the participants involved was the revelation that there is not only rampant prevalence of surcharging but, more seriously, colossal ignorance about the same among those who are supposed to be wearing the umpires' hat. The plight of naïve users need not even be mentioned. Most banks try to misguide by claiming a surcharge as a 'convenience fee'. However, there is a subtle difference between the two – while convenience fee is payment method agnostic, surcharge is a charge for using a specific digital payment mode. Under the garb of convenience fee the no surcharge rule is not only being flouted but has taken shape of well organised practice, wringing the pockets of millions of digital payment users. So what do we do about it? Certainly the hard earned trust of citizens for using digital payments needs to be nurtured. Transparency and credibility in digital payments cannot be compromised because these



are the factors that keep users on-board. Therefore, such stealthy practices that create negative sentiments in the digital payments space need to be addressed.

6.5 Technically all such illegal extortion of money from the debit card users can be easily reversed. For example, all debit card transactions at a merchant like NPS Trust have a unique Merchant-ID specific to every acquirer. Accordingly, chargeback for all debit card transactions at NPS Trust (surcharged @ 0.8% plus 18% GST) can be executed with a chargeback amount equal to $94t/10094$, where t is the acquired transaction amount.¹⁶ Such a move would boost the spirit behind the letters (of the extant RBI and card payment network rules). Acquirer banks are eager to correct their operational lapse and reversing the surcharge amounts specific to individuals who come forward to showcase this organised surcharging. However, to play a fair game, The Big Four (HDFC Bank, SBI, ICICI Bank and Axis Bank) should show the path of systematically reversing the same to all affected debit card users. Incidentally, SBI (and their facilitator SBIEPay) has indicated that though they continued acquiring debit card transactions of NPS Trust, they were sincerely bearing the cost of MDR on transactions above Rs 2000, and not surcharging the debit card users. This continued for some initial months in 2018 before the debit card channel was closed by SBI for transaction amounts exceeding Rs 2000. However, not being fully confident, SBI has requested for instances of possible debit card surcharges for correcting the same.

6.6 We have amply demonstrated organised surcharging on debit/credit card and BHIM-UPI transactions. Card and BHIM-UPI users have lost money through veiled extortion in form of unauthorised surcharges by banks. Of course being honest and sincere, all the acquirer banks, realizing their shortcoming, can now reverse the excess amounts charged.

6.7 Visa and Mastercard, who have set noncompliance assessment schedule for noncompliance to the “no surcharge rule” and the “prohibition of setting minimum/maximum transaction limits”, have been lax in their monitoring and audit. This has led to rampant surcharging by banks themselves for card-not-present transactions. Moreover, clear and streamlined chargeback processes have not been laid out by the card payment networks to handle incidences specific to surcharges.

6.8 A draft version of this report was circulated among ‘The big Four’, IBA and the card payment networks. Other than many informal inputs received on the draft, a formal response was also received (Appendix M). We have added our comments as a rejoinder at the end of their response in the Appendix.

¹⁶ With 18% GST over the surcharging rate of 0.8%, for every Rs 10,000 transaction the surcharge amount is Rs 94. Therefore, if the acquired amount (inclusive of surcharge) is Rs 10,094, the reversal amount is Rs 94. Thus, if the acquirer bank’s acquired amount is Rs t , the reversal amount is Rs $94t/10094$.



The way forward

6.9 Reasonable MDR for small payments: The government has decided to bear the MDR for debit card and BHIM-UPI acceptance infrastructure for transaction amounts not exceeding Rs 2000. As it stands today, this provision of bearing MDR for the merchants is for two years, ending on December 31, 2019. However, merchants are usually paying monthly/annual fees for the physical POS or the payment gateway infrastructure. Moreover, the QR code based debit card/ BHIM-UPI/ etc. acceptance infrastructure is asset light. Thus, to retain the encouragement of small and medium merchants, in general, MDR should be brought down to zero for all debit-based transactions not exceeding a reasonably small amount, say Rs 1000. The payments ecosystem can easily bear the expenditure for these small transactions akin to free ATM withdrawals. This move would also help in migration of ATM expenses to digital payments based expenses. Alongside, free-ATM withdrawals should be reduced in urban India.

6.10 Reasonable MDR for asset light acceptance infrastructure: For the asset light QR code based debit card acceptance RBI has set MDR caps at 0.3% and 0.8%, only 10 basis point lower than the physical POS debit card acceptance (where MDR is 0.4% and 0.9%). However, this 10 basis point differential (which is a meagre 11% lower than MDR of 0.9%) is not commensurate enough to promote such asset light payments infrastructure. For asset light QR code based debit card/ BHIM-UPI/ etc. acceptance infrastructure, the MDR should be 30-60% lower than the physical POS debit card infrastructure.

6.11 Separating digital payment and credit feature of credit card: The credit card as a payment product can be bundled with a loan product to serve the payment needs of India so long as the credit cost is not thrust onto the merchants. Due to the inherent difference in cost while executing a credit card transaction (vis-à-vis a debit card transaction), there should be distinction while carrying out such digital payment transactions using credit card so as to separately reflect the true cost of availing credit and the cost of processing the payment. Accordingly, to be fair, one needs to be transparent in showing the cost of (conscious or unconscious) credit taken by the unsuspecting card holder while transacting using a credit card. The average cost of such credit is about 1% of the transaction amount, which is currently overburdening the payment system. The freedom of choice does not exist today (in the present credit- and debit-card model) to allow reduction in the cost of digital payments because of a forced-expense, polluting the digital payment system of the country. Accordingly, as a corrective measure, we should make the MDR for credit cards same as that of debit cards and let banks be given the freedom to separately charge their customers for the inherent loan associated to credit cards. Such a move would remove the discrimination between customers at the hands of the merchants created by the card payment system



where cost to the merchant is as high as 2% more for credit card purchases over debit cards.

6.12 Banks may surcharge credit card users for the credit cost: For credit card based transactions, merchants should not be given the freedom to surcharge based on the differentials in MDR that exist vis-à-vis debit cards. Instead MDR for credit cards should be made same as that for debit cards or similar forms where there is no credit involved. The issuing bank will have the freedom to impose a credit fee when the credit card monthly statements are generated.

6.13 Conscious credit in the hands of the card holder: Credit card business should earn from conscious credit offered in the hands of the card holder and the scope of more credit utilization through rollover of credit dues. The flip side in the promotion of acceptance infrastructure (including BharatQR) is the current credit card payment system, where the cost of providing such credit is not borne by the person enjoying the benefits but are borne by the merchants (which is eventually borne unconsciously by all the other customers). Therefore, it is time that the government and RBI take appropriate steps to control such negatives in the digital payments system by making things more apparent and upfront. This would help in the true discovery of reduced acceptance costs for our digital payments system.

6.14 Incentivising and awareness building for non-cash usage: It is important to project that electronic transactions, if not better, are at par with cash transactions. Thus any scope of potential disincentives of the use of non-cash over cash transactions or/and incentives of use of cash over non-cash transactions should be recognised beforehand. There is a requirement of awareness building through a concentrated financial education program to educate the people of India on the country's benefits of cashless/paperless transactions. People should make cashless transactions a culture and RBI should impart this important message of financial/depositor education.

6.15 With the government's initiative in place and with RBI as the regulator of financial systems, we conclude by saying that this report is intended to help them smoothen some of the existing frictions in the payments systems, thereby leading the country to a seamless digital payments society.

Summarising major action points

MDR and surcharging for debit-based transactions:

i) All debit-based payment modes like debit cards/ prepaid cards/ mobile wallets/ BHIM-UPI/ NEFT/ net banking/ etc. use consumer funds instantly. Accordingly, for all types of debit-based payment modes, MDR should not exceed that of debit cards.

(Action- RBI/government)



ii) Merchants are usually paying monthly/annual fees for the physical POS or the payment gateway infrastructure. Moreover, the QR code based debit card/ BHIM-UPI/ etc. acceptance infrastructure is asset light. Accordingly, MDR should be brought down to zero for all debit-based transactions not exceeding a reasonably small amount, say Rs 1000. The payments ecosystem would bear the expenditure for these small transactions akin to free ATM withdrawals. This move would also help in migration of ATM expenses to digital payments based expenses. Alongside, free-ATM withdrawals should be reduced in urban India.

(Action- RBI/government)

iii) For the asset light QR code based debit card acceptance RBI has set MDR caps at 0.3% and 0.8%, only 10 basis points lower than the physical POS debit card acceptance (where MDR is 0.4% and 0.9%). However, this differential is not commensurate enough to promote such asset light payments infrastructure. For asset light QR code based debit card/ BHIM-UPI/ etc. acceptance infrastructure, the MDR should be 30-60% lower than the physical POS debit card infrastructure.

(Action- RBI/government)

iv) The 'no surcharge rule' should be strictly applied and enforced for all debit-based payment modes. Public awareness against surcharging should be promoted along with developing streamlined processes of reporting a surcharge and getting appropriate redressal in form of a chargeback.

(Action- Banks/payment networks/RBI/government)

MDR and surcharging for credit card transactions:

v) Merchants have to honour and accept debit and credit cards at par. For them, the ease of receiving money is the same for both debit and credit card. However, the high MDR for credit card acceptance overburdens small and medium merchants. Thus, from a merchant's perspective the rules of credit card MDR need to be aligned with those of debit card MDR. Accordingly, the extant rules and regulations set towards MDR/ interchange/ acquirer commission for debit cards should apply for credit cards as well.

(Action- RBI/government)

vi) The cost of credit associated with credit card usage should be borne by the credit card user and not the merchant (who is presently bearing it by default). This does not imply that we allow merchants to surcharge for credit card usage since surcharging in the hands of a merchant has a potential of misuse by the unregulated merchant space and may not only be retrograde to the use of digital payments but also negatively impact customers' sentiments. Issuer banks alone should be allowed to impose any additional fees on to their credit card users for every credit card transaction and this should reflect in the credit card monthly statements.

(Action- RBI/government)



vii) The credit card issuing bank should keep credit card holders informed of their Board-approved schedule of credit fees depending on the credit card type.

(Action- RBI)

On regulatory compliance – Correcting for fraudulently extorted money:

viii) To be fair to the card holders and BHIM-UPI users, all instances of organised surcharging by the acquirer banks or their facilitators/aggregators should get corrected with retrospective effect.

(Action- RBI/government)

ix) Using the merchant's payment transaction ID, the banks should systematically reverse all instances of such surcharges that were carried out by acquirer banks or their facilitators/aggregators in a manner that all eligible *bona fide* bank customers are able to see such surcharge reversal amounts.

(Action- RBI/government)



References (*Chronological from oldest*)

[1] Das, Ashish (2008). Acceptability Standards in Credit Card Industry. November 10, 2008.

<http://www.math.iitb.ac.in/~ashish/workshop/CreditCard23November10.pdf>

[2] Das, Ashish Das and Agarwal, Rakhi (2010). Cashless Payment System in India- A Roadmap. IIT Bombay Technical Report. May 31, 2010.

<http://dspace.library.iitb.ac.in/jspui/handle/10054/1732>

[3] Merchant Discount Rates Structure for Debit Card Transactions. RBI/2011-12/625 DPSS.CO.PD.No.2361/02.14.003/ 2011-12 dated June 28, 2012.

https://www.rbi.org.in/scripts/FS_Notification.aspx?Id=7304&fn=9&Mode=0

[4] Merchant Discount Rates (MDR) structure for debit card transactions. RBI/2012-13/110 DPSS.CO.PD.No. 27/02.14.003 /2012-13 dated July 04, 2012.

https://www.rbi.org.in/scripts/FS_Notification.aspx?Id=7422&fn=9&Mode=0

[5] Pernicious practices of select banks deterring customer protection and accounting integrity. RBI/2013-14/292 DBS.CO.PPD No. 3578 /11.01.005/2013-14 dated September 17, 2013.

<https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=8461&Mode=0>

[6] Das, Ashish (2016a). Incentivising ATM-cash and cheques over electronic transactions - A policy gap. IIT Bombay Technical Report. January 26, 2016.

<http://dspace.library.iitb.ac.in/jspui/handle/100/18425>

[7] Promotion of Payments through Cards and Digital means. Government of India OM (Ministry of Finance), DEA F.No-01/02/2015-Cy.I dated February 29, 2016.

https://dea.gov.in/sites/default/files/Promo_PaymentsMeans_Card_Digital_0.pdf

[8] Concept Paper on Card Acceptance Infrastructure. RBI, March 8, 2016.

<https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=840>

[9] Das, Ashish (2016b). Promotion of payments through cards and digital means. IIT Bombay Technical Report. April 24, 2016.

<http://dspace.library.iitb.ac.in/jspui/handle/100/18428>

[10] Merchant Acquisition for Card transactions. RBI/2015-2016/410 DPSS.CO.PD.No./2894/02.14.003/2015-2016 dated May 26, 2016.

https://www.rbi.org.in/scripts/FS_Notification.aspx?Id=10418&fn=9&Mode=0



- [11] Payment and Settlement Systems in India: Vision-2018. RBI, June 23, 2016.
<https://www.rbi.org.in/Scripts/PublicationVisionDocuments.aspx?Id=842>
- [12] Merchant Discount Rates (MDR) structure – unbundling of charges. RBI/2016-17/59 DPSS.CO.PD No.639/02.14.003/2016-17 dated September 1, 2016.
<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10591&Mode=0>
- [13] Das, Ashish and Das, Praggya (2016). Sanitising Distortions in Digital Payments. IIT Bombay Technical Report. November 28, 2016.
<http://dspace.library.iitb.ac.in/jspui/handle/100/18430>
- [14] Special measures upto March 31, 2017: Rationalisation of Merchant Discount Rate (MDR) for transactions upto ₹ 2000/-. RBI/2016-17/184 DPSS.CO.PD.No. 1515/02.14.003/2016-17 dated December 16, 2016.
https://rbi.org.in/scripts/FS_Notification.aspx?Id=10780&fn=9&Mode=0
- [15] Draft Circular - Rationalisation of Merchant Discount Rate (MDR) for Debit Card Transactions. RBI. DPSS.CO.PD.No./02.14.003/2016-17. February 16, 2017.
https://www.rbi.org.in/Scripts/bs_viewcontent.aspx?Id=3317
- [16] Das, Ashish (2017). Discovering the right MDR for India. IIT Bombay Technical Report. February 28, 2017.
<http://dspace.library.iitb.ac.in/jspui/handle/100/18431>
- [17] Rationalisation of Merchant Discount Rate (MDR) for Debit Card Transactions – Continuance of Special Measures RBI/2016-17/264 DPSS.CO.PD No. 2737/02.14.003/2016-17 dated March 30, 2017.
https://www.rbi.org.in/scripts/FS_Notification.aspx?Id=10901&fn=9&Mode=0
- [18] Reimbursement of Merchant Discount Rate (MDR) Charges for Government transactions up to Rs. 1 lakh through debit cards. RBI/2017-18/55 DGBA.GBD.No. 505/31.02.007/2017-18 dated September 7, 2017.
<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11117&Mode=0>
- [19] Das, Ashish and Das, Praggya (2017). Digital payments in India: The road ahead. IEEE Potentials. November 10, 2017.
<http://www.math.iitb.ac.in/~ashish/workshop/08103109.pdf>
- [20] Rationalisation of Merchant Discount Rate (MDR) for Debit Card Transactions. RBI/2017-18/105 DPSS.CO.PD No. 1633/02.14.003/2017-18 dated December 06, 2017.
https://www.rbi.org.in/scripts/FS_Notification.aspx?Id=11183&fn=9&Mode=0



[21] Subsidizing MDR charges on Debit Cards/BHIM-UPI/AePS transactions of value less than or equal to Rs. 2000/-. Gazette of India notification, Ministry of Electronics and Information Technology, New Delhi, the 27th December, 2017. No. 6(19)/2017-DPD-1. http://meity.gov.in/writereaddata/files/gazette_notification_on_subsidizing_mdr_charges.pdf

[22] RuPay debit card interchange structure. NPCI/2018-19/RuPay/011 dated June 20, 2018. <https://www.npci.org.in/sites/default/files/circular/RuPay%20Interchange.pdf>

[23] Visa Core Rules and Visa Product and Service Rules. 13 October 2018. © 2014-2018 Visa. <https://usa.visa.com/dam/VCOM/download/about-visa/visa-rules-public.pdf>

[24] Chargeback Guide. 13 December 2018. ©1988–2018 Mastercard. <https://www.mastercard.us/content/dam/mccom/en-us/documents/rules/chargeback-guide.pdf>

[25] Mastercard Rules. 18 December 2018. ©1969-2018 Mastercard. <https://www.mastercard.us/content/dam/mccom/global/documents/mastercard-rules.pdf>



Surcharging digital payments in India



Appendix A
Surcharging debit and credit cards at NPS Trust (Date 02-11-2018)

'NPS Trust' screenshot 1 of 4

Payment Gateway Charges

English हिन्दी

Net Banking: ₹ 0.60 per transaction + Goods & Services Tax (GST) @ 18%

Debit Card: 0.80% of the transaction amount + Goods & Services Tax (GST) @ 18%

Credit Card: 0.90% of the transaction amount + Goods & Services Tax (GST) @ 18%

* For SBI Payment Gateway Debit Card options available only up to ₹ 2000/-

You will now be re-directed to Payment Gateway website. Your Subsequent Contribution against your Permanent Retirement Account Number (PRAN) will be confirmed after Successful payment.

Proceed Cancel

Goods & Services Tax (GST) ₹ 0.00

Amount Payable ₹ 50000.00

Payment Gateway Option

'NPS Trust' screenshot 2 of 4

Confirmation of contribution rec... Personal Banking | Internet Bank... BillDesk - All Your Payments, Sim... Digital payments market: Visa s... +

https://pgi.billdesk.com/pgidsk/ProcessPayment?wpage=OF5g6bvoygQECIMGnZT0I0HY

Credit Card

Debit Card

Debit Card + ATM PIN

Internet Banking

Pay using Debit Card

VISA Mastercard RuPay

Card Number: 5366-1000-1181-3115

Expiration Date: 05 (May) 2023

CVV/CVC: ...

Card Holder Name: Ashish Das

Merchant Name: NPS - National Pension System Trust

Payment Amount: ₹ 10000.00

Make Payment Cancel

BillDesk



'NPS Trust' screenshot 3 of 4

The screenshot shows the Axis Bank website interface for a payment confirmation. The page displays transaction details and an OTP verification step.

AXIS BANK

Date : 02 Nov 2018
Card Number : XXXX XXXX XXXX 3115
Merchant Name : National Pension System T
Amount : ₹ 10094.00
Mobile Number : XXXXXX8551
Email Id : N/A

✔ **OTP is Sent**

Authenticate the Transaction Using the Below Options

OTP (One Time Password) | Register for MCSC

Enter OTP

SUBMIT

'NPS Trust' screenshot 4 of 4

The screenshot shows the National Pension System Trust website interface for a payment receipt confirmation. The page displays a receipt for an electronic fund transfer.

Receipt of Payment Confirmation - Subsequent Contribution

NPS TRUST National Pension System Trust

Electronic Fund Transfer

Permanent Retirement Account Number (PRAN)	110111233964
Name of the Subscriber	ASHISH DAS
Contribution Amount*	INR 10000.00
Contribution Tier Type	Tier I
POP Trail Commission + Goods & Services Tax (GST)*	INR 0.00
Payment Gateway Charge + Goods & Services Tax (GST)*	INR 94.00
Acknowledgement Number	12380752
Contribution Receipt Number	12639695016623036
Transaction Reference Number	PAXG6853403971
Transaction Date	02-11-2018 07:33:41
Transaction Status	Successful

SAVE/PRINT PAYMENT RECEIPT



Appendix B

Screenshots I(a) – Surcharge on BHIM-UPI

- Acquirer banks as UPI handle facilitate **Railway (IRCTC)** surcharge of Rs 10 plus GST for a transaction amount above Rs 2000. (Date 25-01-2019)

'IRCTC' screenshot 1 of 5

The screenshot shows the IRCTC website interface. On the left, there is a 'Payment Options' menu with items like 'Preferred Bank', 'IRCTC - iPay', 'BHIM/ UPI/ USSD', etc. The 'BHIM/ UPI/ USSD' option is selected, showing a 'Credit and Debit cards / UPI (Powered by IRCTC)' box with details on charges for domestic debit cards, credit cards, and netbanking. A 'Make Payment' button is visible. On the right, a ticket summary for 'KERLA S KRANTI (12218)' is displayed, showing a total fare of ₹6,270.00 and a total amount payable of ₹6,281.80. The browser address bar shows 'https://www.irctc.co.in/nget/bkgPaymentOptions'.

'IRCTC' screenshot 2 of 5

The screenshot shows the IRCTC iPay website. On the left, there is a 'Virtual Payment Address' section for UPI, showing the address '9833388551@upi' and the name 'Ashish Das'. A 'Pay ₹ 6281.80' button is present. On the right, there is a payment summary box with 'Order ID: 100001649285396', 'Amount: ₹ 6270.00', 'Convenience Fee: ₹ 11.80', and 'Amount Payable: ₹ 6281.80'. The browser address bar shows 'https://www.irctcipay.com/pgui/jsp/surchargePaymentPage.jsp'.



'IRCTC' screenshot 3 of 5

• User can have a maximum of 6 Banks in their Preference list. User can manage their Bank Preferences under My Profile section.

Payment Options

- Preferred Bank
- IRCTC - iPay
- BHIM/ UPI/ USSD
- Multiple Payment Service
- Debit Card with PIN
- Netbanking
- Bharat QR / Scan & Pay
- Wallets / Cash Card
- Pay-On-Delivery/Pay later
- Payment Gateway / Credit Card / Debit Card

Safe & Secure Payments

Pay using BHIM (Powered by HDFC BANK) also accepts UPI
Rs. 10 + Applicable Taxes ,For UPI transaction Amount above Rs.2,000

Pay using BHIM (Powered by AXIS BANK) also accepts UPI

Pay using BHIM (Powered by PAYTM) also accepts UPI

Add as Preferred Bank

Please Enter Virtual Private Account(VPA)

In case of cancellation, please visit "Refund Rule" section at IRCTC home page.

Make Payment

KERLA S KRANTI (12218)
AC First Class (1A) , GENERAL Quota, 1 Travellers

Ticket Fare:	₹6,270.00*
Service Charge: (Incl. of GST)	₹0.00
Travel Insurance Premium: (Incl. of GST)	₹0.00
Total Fare :	₹6,270.00

RUPEES SIX THOUSAND TWO HUNDRED SEVENTY AND ZERO PAISA

*Ticket fare includes total GST of ₹299.00

'IRCTC' screenshot 4 of 5

• User can have a maximum of 6 Banks in their Preference list. User can manage their Bank Preferences under My Profile section.

Payment Options

- Preferred Bank
- IRCTC - iPay
- BHIM/ UPI/ USSD
- Multiple Payment Service
- Debit Card with PIN
- Netbanking
- Bharat QR / Scan & Pay
- Wallets / Cash Card
- Pay-On-Delivery/Pay later
- Payment Gateway / Credit Card / Debit Card

Safe & Secure Payments

Pay using BHIM (Powered by HDFC BANK) also accepts UPI

Pay using BHIM (Powered by AXIS BANK) also accepts UPI

Pay using BHIM (Powered by PAYTM) also accepts UPI
Rs. 10 + Applicable Taxes ,for transaction Amount above Rs.2,000

Make Payment

Add as Preferred Bank

In case of cancellation, the refund will be applicable as per New Railway Refund Rules. Please visit "Refund Rule" section at IRCTC home page.

KERLA S KRANTI (12218)
AC First Class (1A) , GENERAL Quota, 1 Travellers

Ticket Fare:	₹6,270.00*
Service Charge: (Incl. of GST)	₹0.00
Travel Insurance Premium: (Incl. of GST)	₹0.00
Total Fare :	₹6,270.00

RUPEES SIX THOUSAND TWO HUNDRED SEVENTY AND ZERO PAISA

*Ticket fare includes total GST of ₹299.00



'IRCTC' screenshot 5 of 5

The screenshot shows the IRCTC website's payment options page. The browser address bar displays the URL: <https://www.irctc.co.in/nget/bkgPaymentOptions>. The page title is "Indian Railway Catering And Tourism Corporation Ltd [IN]".

Payment Options

- Preferred Bank
- IRCTC - iPay
- BHIM/ UPI/ USSD
- Multiple Payment Service
- Debit Card with PIN
- Netbanking
- Bharat QR / Scan & Pay
- Wallets / Cash Card
- Pay-On-Delivery/Pay later
- Payment Gateway / Credit Card / Debit Card

Safe & Secure Payments

- International cards (Powered by ATOM)
- Credit & Debit cards / Net Banking / Wallet (Powered by Paytm)
- Credit & Debit cards / Net Banking / Wallet (Powered by ITZ)
- Credit & Debit cards / Net Banking / Wallet (Powered by PayU)
- Credit & Debit cards / Wallet / UPI (Powered by PhonePe)
For UPI: NIL for amt upto Rs. 2000, Rs. 10 + Applicable taxes for amt above Rs. 2000
For Debit Card: NIL for amt upto Rs. 100,000
For Credit Card/Wallet: 1.8% + Applicable taxes

KERLA S KRANTI (12218)
AC First Class (1A) , GENERAL Quota, 1 Travellers

Ticket Fare:	₹6,270.00*
Service Charge:	₹0.00 (Incl. of GST)
Travel Insurance Premium:	₹0.00 (Incl. of GST)
Total Fare :	₹6,270.00

RUPEES SIX THOUSAND TWO HUNDRED SEVENTY AND ZERO PAISA

*Ticket fare includes total GST of ₹299.00

Now Get Probability of Confirmation of Waitlist Tickets on IRCTC's Revamped eTicketing Website

Transaction Summary: RETAIL-PAYMENTS...xlsx, organisedsurchargi...zip, surchargedbymerc...zip, mastercard-rules (1).pdf, TransactionSumma...pdf

System tray: Type here to search, 55% battery, 16:15, 25-01-2019

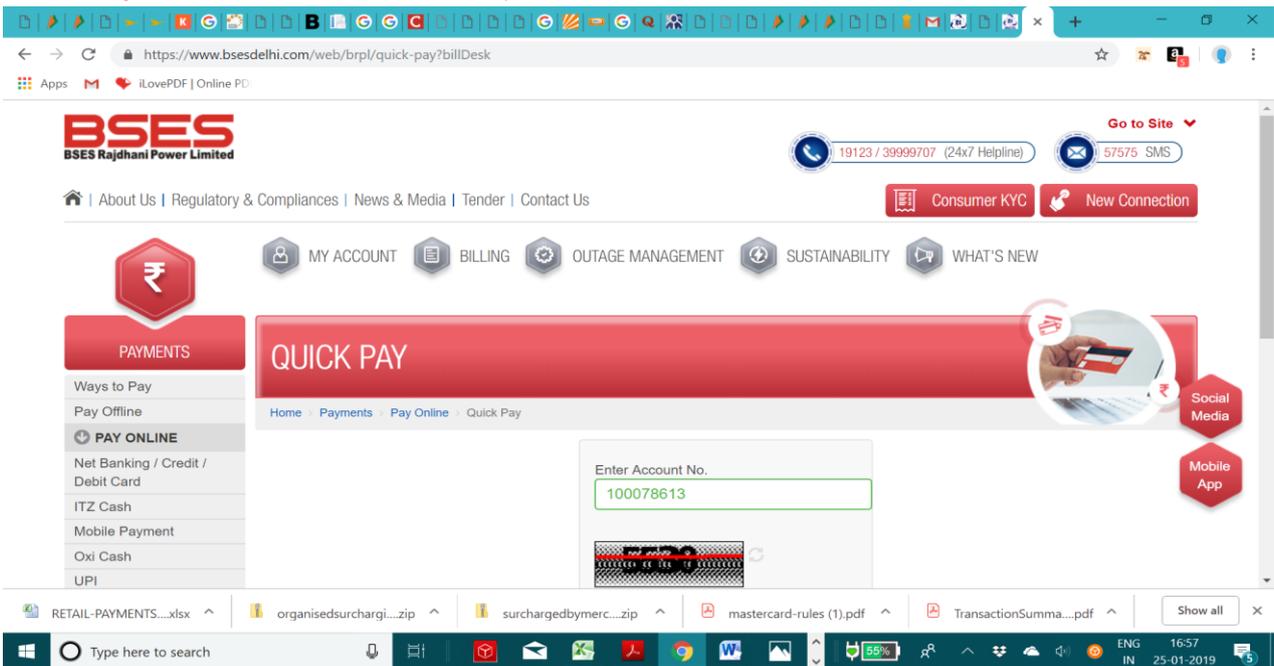


Appendix C

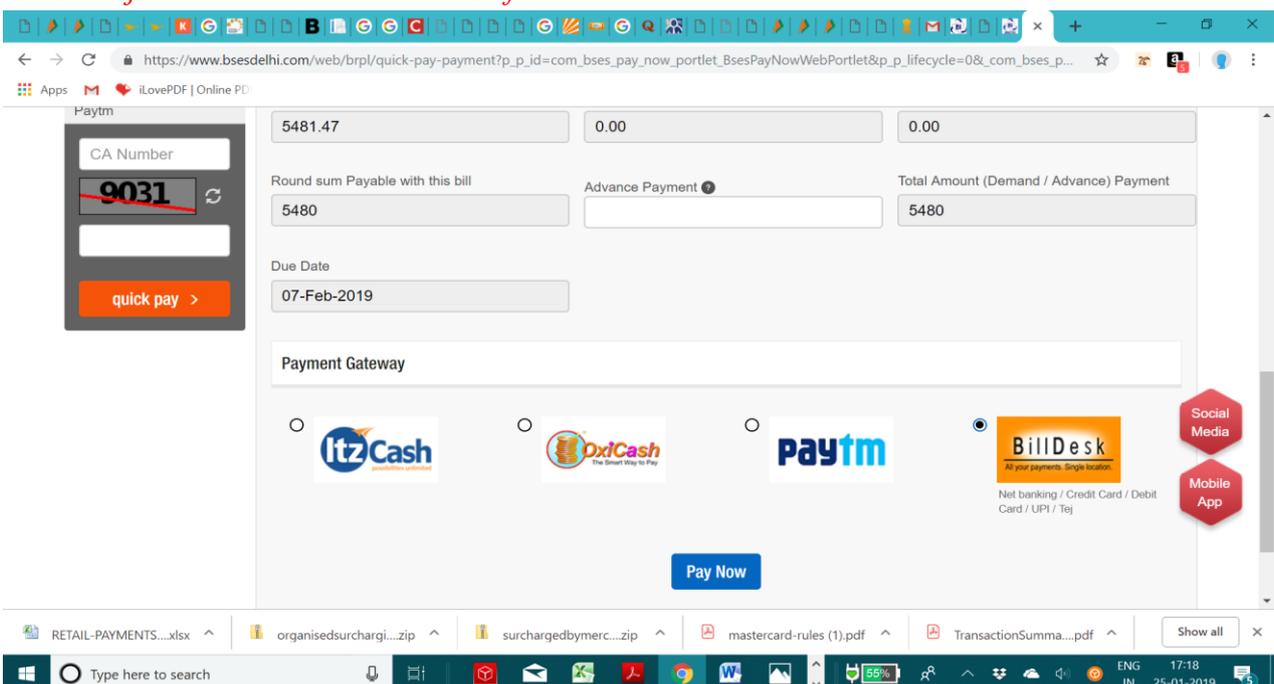
Screenshots I(b) – Surcharge on BHIM-UPI

- Acquirer banks (handle) facilitate **BSES Rajdhani Power** in surcharging 1% at the BillDesk payment gateway. Furthermore, this is being done without any intimation by the UPI handle and fraudulently gets added up at the BHIM-UPI PIN authentication stage. (Date 25-01-2019)

'BSES Rajdhani Power' screenshot 1 of 5

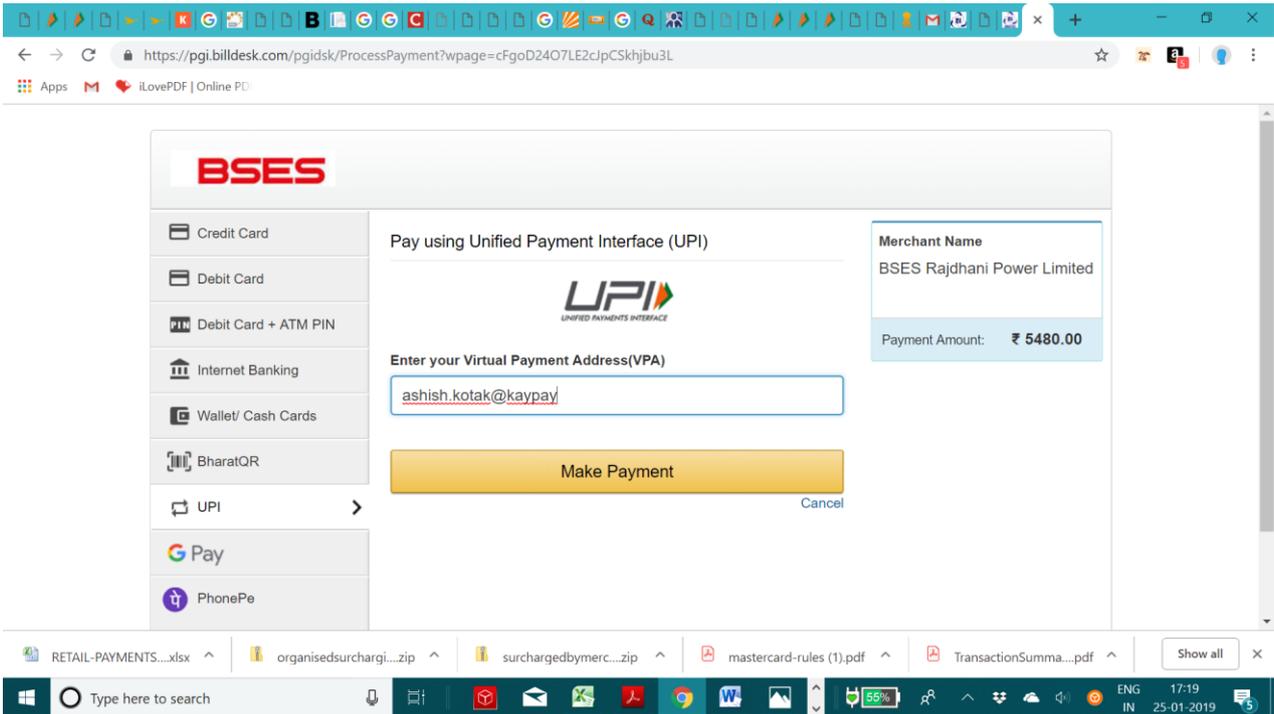


'BSES Rajdhani Power' screenshot 2 of 5

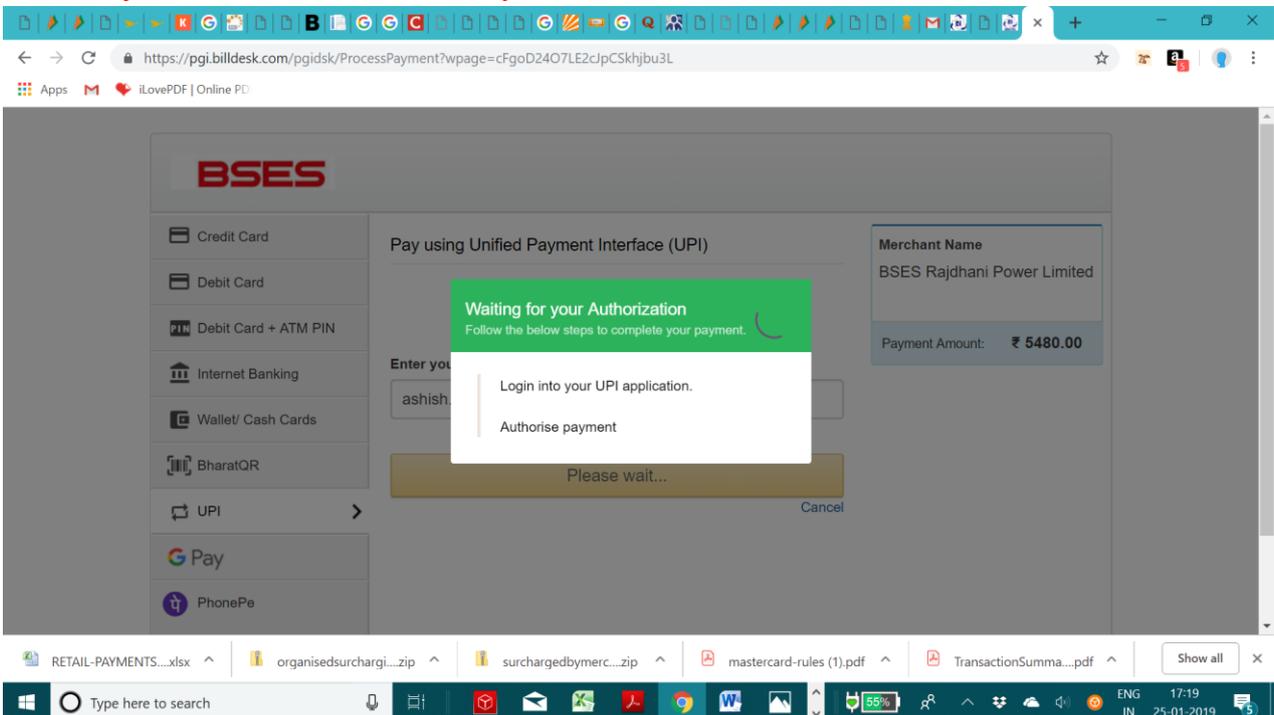




'BSES Rajdhani Power' screenshot 3 of 5



'BSES Rajdhani Power' screenshot 4 of 5





'BSES Rajdhani Power' screenshot 5 of 5

The screenshot displays a mobile application interface for handling UPI payments. It is divided into three main sections:

- Pending Requests:** A list of requests with the following details:
 - To: BilldeskBSES Rajdhani
 - Amount: ₹5534.80
 - From: billdeskpg.bsesrajdh... (25 Jan 2019)
 - Options: Accept (green checkmark) / Decline (red X)
- Details Pop-up:** A modal window showing transaction details:
 - To: BilldeskBSES Rajdh- billdeskpg.bsesrajdhani@ic...
 - Amount: ₹5534.80
 - From: ashish .kotak@kaypay (with a QR code icon)
 - Date: 25 Jan 2019
 - Remarks: collect-pay-request
- UPI PIN Entry:** A screen for entering the UPI PIN:
 - Header: UPI UNIFIED PAYMENTS INTERFACE
 - Recipient: BilldeskBSES Rajdhani
 - Amount: ₹ 5534.80
 - Field: ENTER UPI PIN (with a SHOW eye icon)
 - Keypad: A numeric keypad with digits 1-9, 0, a backspace (X) button, and a confirm (checkmark) button.
 - Bottom Button: A large blue 'Confirm' button.

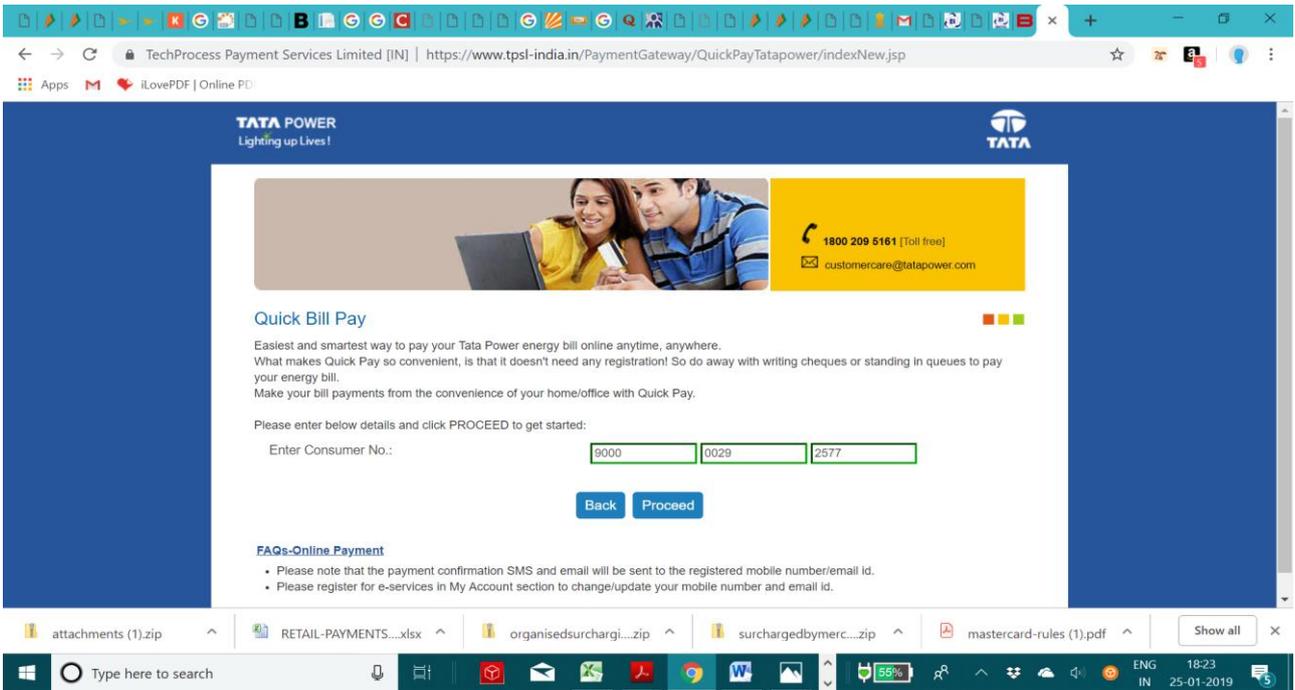


Appendix D

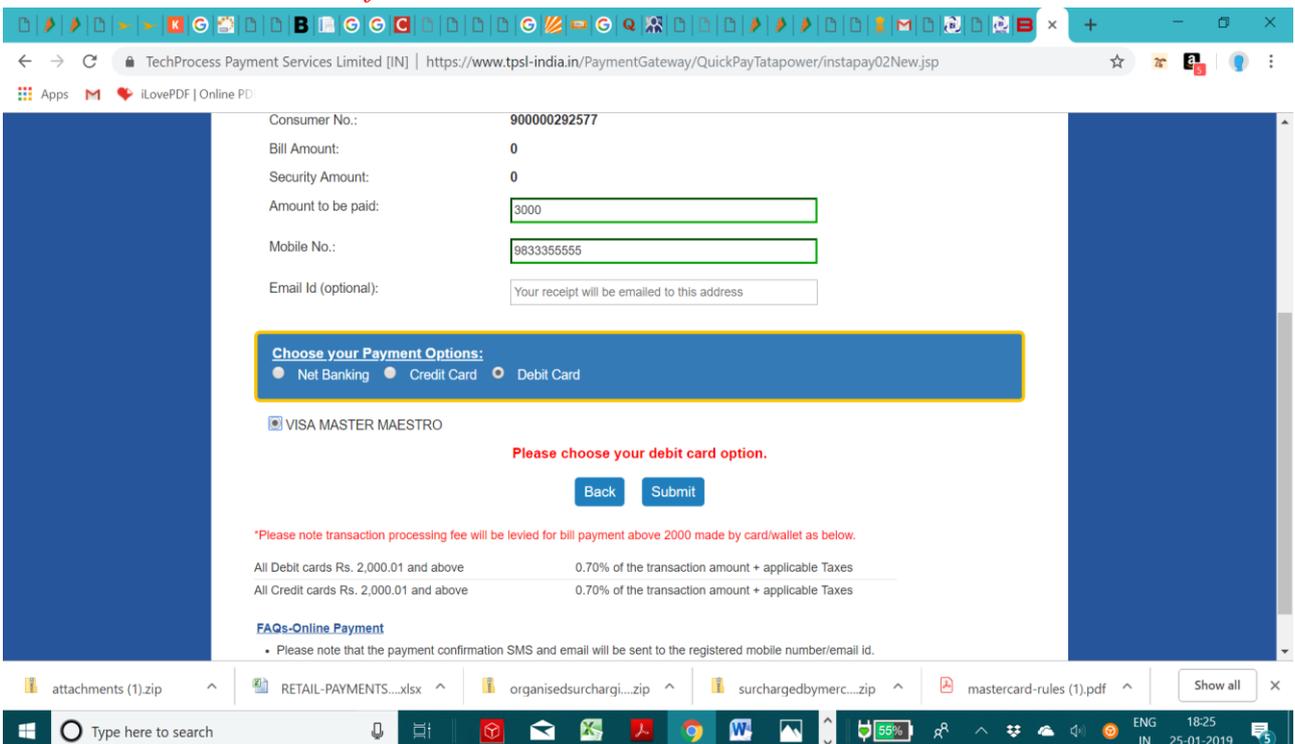
Screenshots II(a) – Surcharge on Debit card

- Acquirer banks facilitate **Tata Power** surcharge for a transaction amount above Rs 2000 (For Tata Power Delhi it is above Rs 5000). (Date 25-01-2019)

'Tata Power' screenshot 1 of 5



'Tata Power' screenshot 2 of 5





'Tata Power' screenshot 3 of 5

Reference No : TPQP25182510605
Amount : 3000.00

Cards

Please Note: Transaction processing fee 0.7% + Applicable taxes will be levied for bill payment above 2,000 made by cards/wallet

Pay using

For Maestro cards, please enter Expiry Date and CVV no. if available or else ignore and proceed.

Card number : * 4280 9431 1081 4278

Card holder name : Ashish Das

Expiry date : * 08 2022

CVV number : *

PAY NOW

'Tata Power' screenshot 4 of 5

TechProcess Payment Services | ingenico GROUP

CONFIRMATION

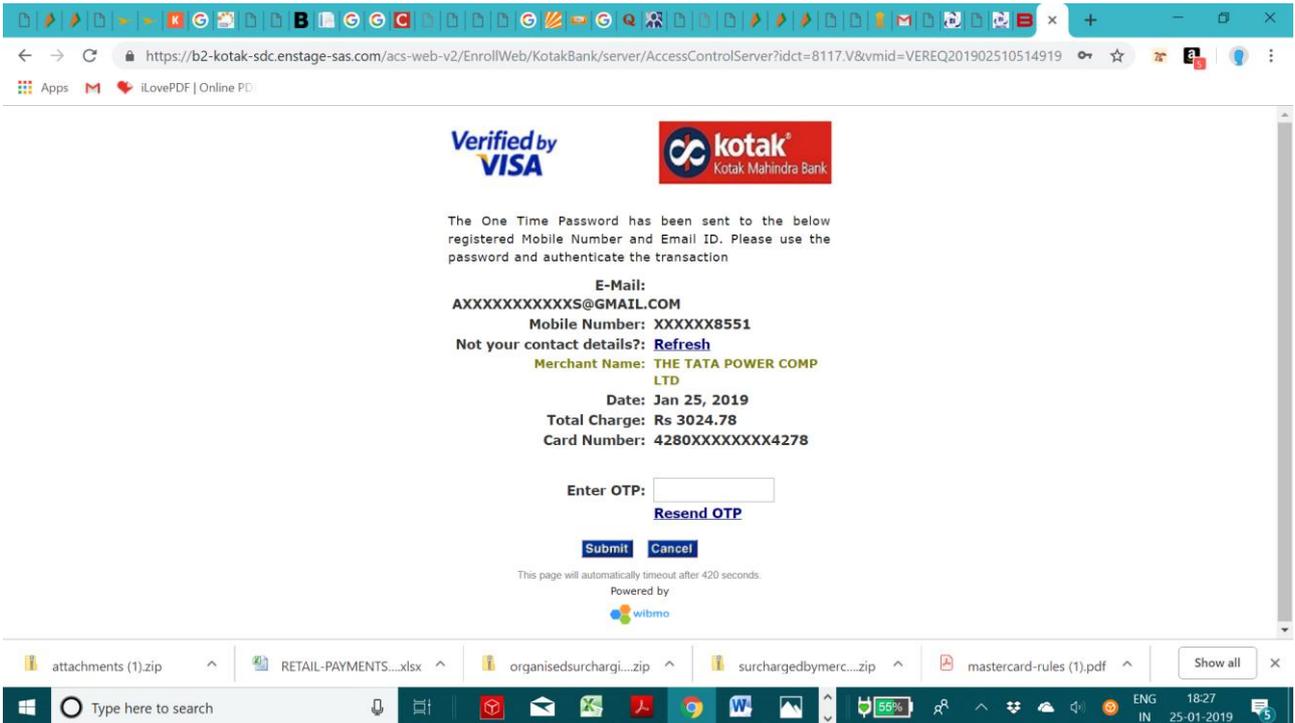
Amount (in INR.)	3000.00
Convenience Fees (in INR.)	21.0
Tax (in INR.)	3.78
Total Amount (in INR.)	3024.78

BACK **CONFIRM**

VeriSign Trusted
PCI DSS COMPLIANT
This webpage is maintained by
TechProcess Payment Services Ltd. (Part of Ingenico Group)
Visit us at www.techprocess.co.in

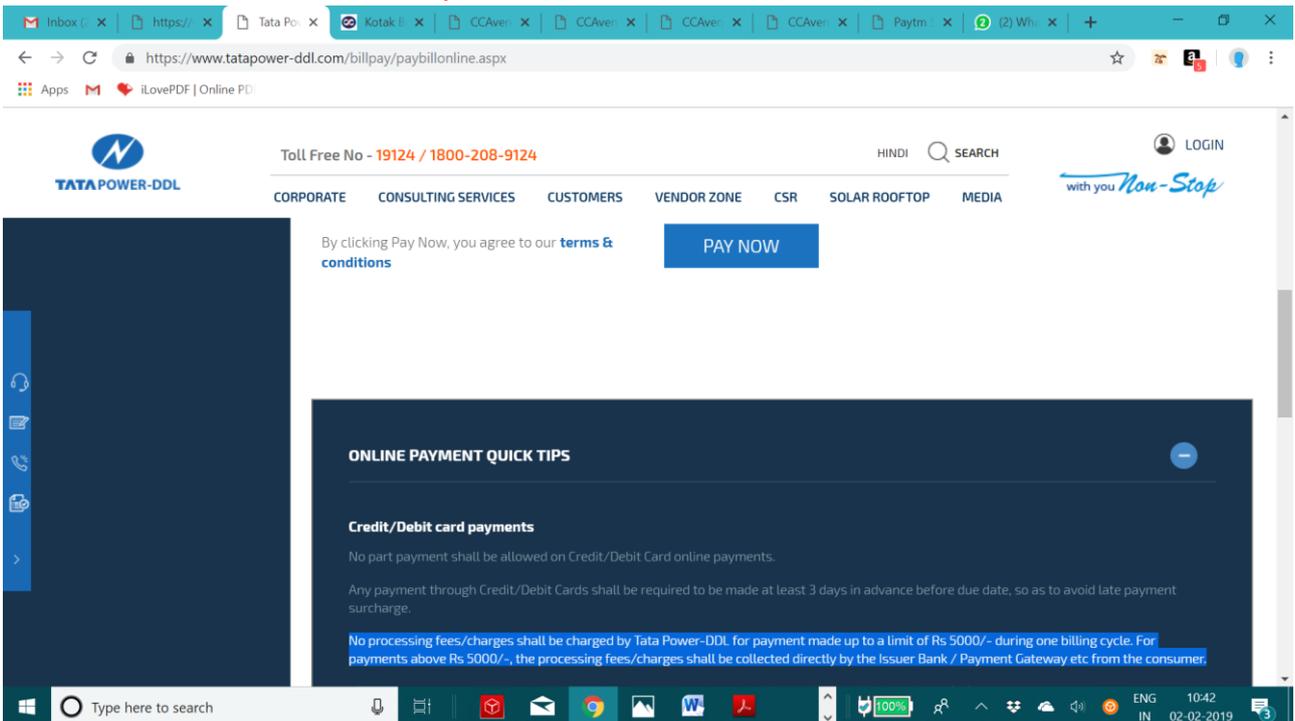


'Tata Power' screenshot 5 of 5



- Acquirer banks facilitate **Tata Power Delhi** surcharge for a transaction amount above Rs 5000. (Date 02-02-2019)

'Tata Power Delhi' screenshot 1 of 5





'Tata Power Delhi' screenshot 2 of 5

The screenshot shows the Tata Power DDL payment gateway interface. At the top, there is a navigation bar with the Tata Power DDL logo, a toll-free number (19124 / 1800-208-9124), a search bar, and a login button. Below the navigation bar, there are several menu items: CORPORATE, CONSULTING SERVICES, CUSTOMERS, VENDOR ZONE, CSR, SOLAR ROOFTOP, and MEDIA. The main content area displays 'Success Rate' information: Bill desk 95.54%, PayUMoney: 100%, Bill Junction: 100%, Oxicash: 100%, and Itz Cash: 100%. Under the 'Debit Card' section, there are four payment options: HDFC BANK, BillDesk, PayUmoney, and paytm. A text input field shows the amount ₹ 10000, and a 'PAY NOW' button is visible below it. The browser's address bar shows the URL https://www.tatapower-ddl.com/billpay/selectpaynew.aspx. The Windows taskbar at the bottom shows the system tray with the date 02-02-2019 and time 10:43.

'Tata Power Delhi' screenshot 3 of 5

The screenshot shows the Tata Power Delhi Distribution Limited payment page. The header displays 'TATA POWER DELHI DISTRIBUTION LIMITED'. Below the header, there is a text input field containing the number 60000190011. A language dropdown menu is set to 'English'. The page is divided into two main sections: 'Payment Information' and 'ORDER DETAILS'. The 'Payment Information' section shows 'Debit Cards' with a 'Card Number' field containing 459200066010063 and a 'VISA' logo. The 'Expiry Date' is set to Dec (12) 2021, and the 'CVV' field contains 576. Below the card information, there is a checkbox for 'I agree with the Privacy Policy by proceeding with this payment.' and a total amount of INR 10083.29. The 'ORDER DETAILS' section shows 'Order #: HDF1797893', 'Order Amount: 10083.29', and 'Total Amount: INR 10083.29'. At the bottom of the payment information section, there are 'Make Payment' and 'Cancel' buttons. The browser's address bar shows the URL https://secure.ccavenue.com/tpddl.do?command=initiateTPDDLAction. The Windows taskbar at the bottom shows the system tray with the date 02-02-2019 and time 10:44.



'Tata Power Delhi' screenshot 4 of 5

The screenshot shows a payment gateway interface. At the top, there are browser tabs for 'Inbox', 'https://', 'CCAver', 'Kotak L', 'CCAver', 'CCAver', 'CCAver', 'CCAver', 'Paytm', and '(2) Wh'. The address bar shows 'https://secure.ccavenue.com/tpddl.do?command=initiateTPDDLAction'. The page content includes a 'Payment Information' section with a 'Debit Cards' dropdown, a 'Card Number' field containing '459200066010063' with a 'VISA' logo, an 'Expiry Date' dropdown set to 'Dec (12)' and '2021', and a 'CVV' field with '578'. Below this is a checkbox for 'I agree with the Privacy Policy by proceeding with this payment.' and a total amount of 'INR 10083.29 (Total Amount Payable)'. To the right, an 'ORDER DETAILS' box shows 'Order #: HDF1797893', 'Order Amount: 10083.29', and 'Total Amount: INR 10083.29'. At the bottom, there are logos for 'HDFC BANK', 'Norton', and 'PCI-DSS'. The Windows taskbar at the bottom shows the search bar, taskbar icons, and system tray with the date '02-02-2019' and time '10:44'.

'Tata Power Delhi' screenshot 5 of 5

The screenshot shows an SBI authentication page. At the top, there are browser tabs for 'Inbox', 'https://', 'SBI ACS', 'Kotak L', 'CCAver', 'CCAver', 'CCAver', 'CCAver', 'CCAver', 'Paytm', and '(2) Wh'. The address bar shows 'STATE BANK OF INDIA [IN] | https://acs2.onlinesbi.com/bdacs/SBIValidate/V'. The page content includes a 'Verified by VISA' logo and an 'SBI' logo. Below this, a table shows transaction details: 'Merchant : TATA POWER DELHI DISTRIBU', 'Transaction Amount : INR 10083.29', and 'SBI Debit Card : xxxx xxxx xxxx 0063'. The 'Authenticate Payment' section states 'OTP sent to your mobile number ending 8551' and has an input field for 'Enter One Time Password (OTP)'. A 'Make Payment' button is present, along with a 'Resend OTP' link and a link to 'Click here to abort transaction and go back to merchant site'. At the bottom, there is a 'PCI DSS Certified' logo and an 'Important' notice: 'Important -To activate your SBI debit card for online transactions (if you are a new SBI customer or haven't transacted online after June 01, 2015), please send an sms SWON<space>ECOM<space>XXXX to 09223966666 (where XXXX is the last 4 digits of your SBI Debit Card) from your registered mobile number.' The Windows taskbar at the bottom shows the search bar, taskbar icons, and system tray with the date '02-02-2019' and time '10:45'.

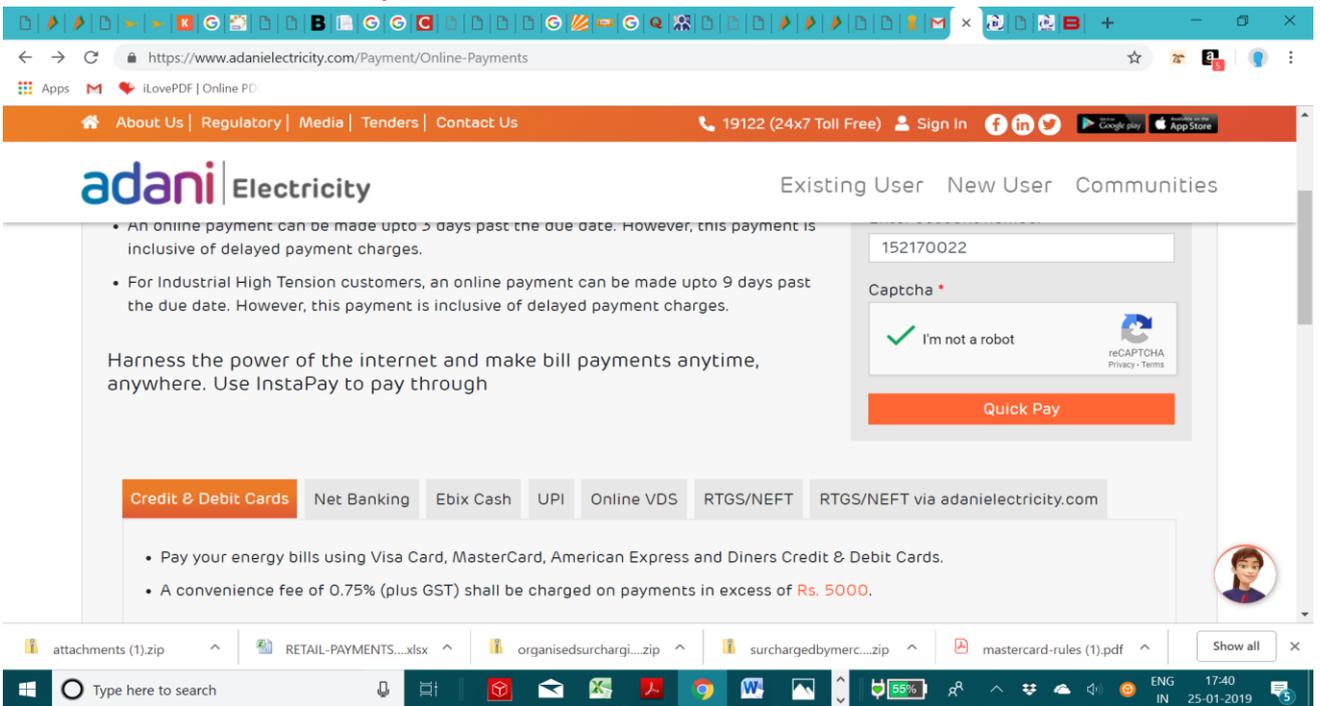


Appendix E

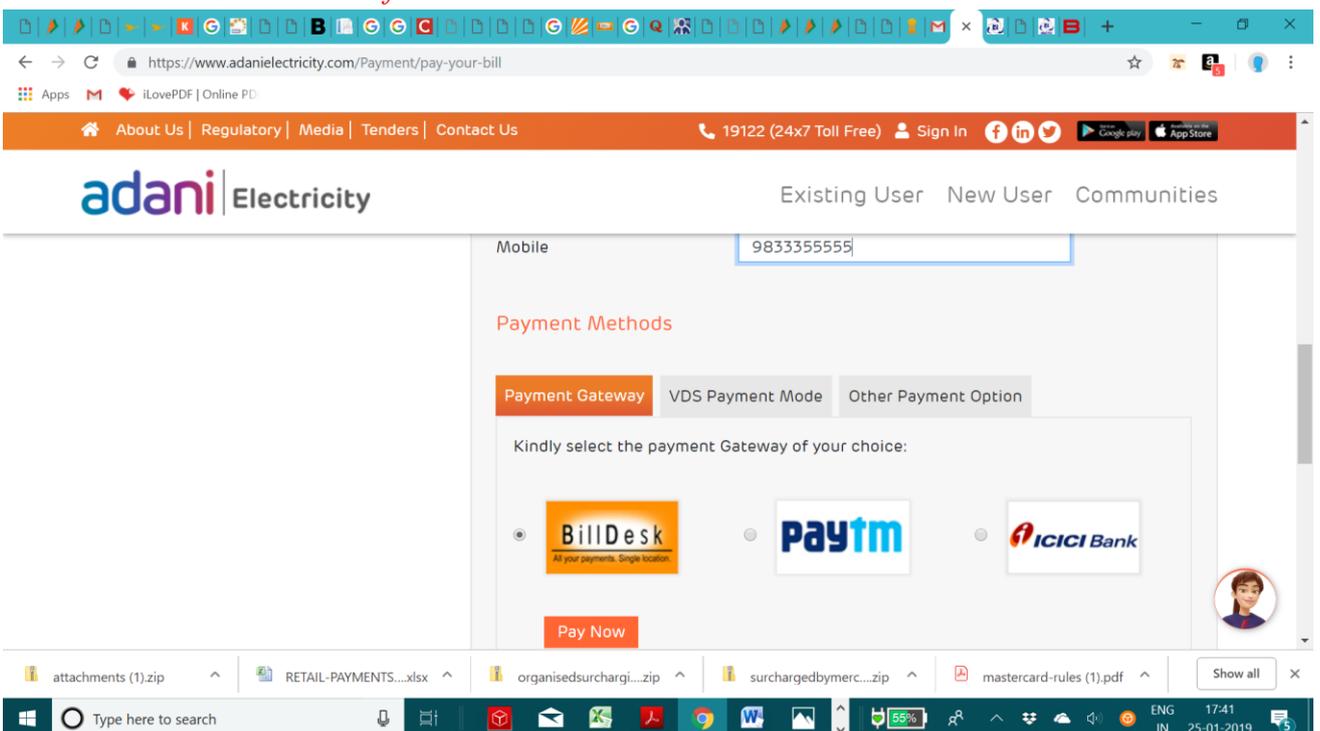
Screenshots II(b) – Surcharge on Debit card

- Acquirer banks facilitate **Adani Power** surcharge for a transaction amount above Rs 5000. (Date 25-01-2019)

'Adani Power' screenshot 1 of 5



'Adani Power' screenshot 2 of 5





'Adani Power' screenshot 3 of 5

Merchant Name: Adani Electricity Mumbai Limited
Payment Amount: ₹ 10000.00

Card Number: 4592-0000-6601-0063
Expiration Date: 12 (Dec) 2021
CVV/CVC: ...
Card Holder Name: Ashish Das

Make Payment

'Adani Power' screenshot 4 of 5

Convenience Fees
A convenience fee as shown below will be charged to you, in addition to your Bill Amount. If you want to change your payment option, please [click here](#)

Bill Amount (₹)	10,000
Convenience Fee (₹)	75.42
GST (₹) @ 18.00%	13.58
TOTAL AMOUNT	₹ 10,089

Proceed with Payment



'Adani Power' screenshot 5 of 5

Verified by VISA SBI

Merchant	: ADANIELECMUM
Transaction Amount	: INR 10089.00
SBI Debit Card	: xxxx xxxx xxxx 0063

Authenticate Payment
OTP sent to your mobile number ending 8551

Enter One Time Password (OTP)

Make Payment

[Resend OTP](#)

[Click here to abort transaction and go back to merchant site](#)

PCI DSS Certified

Important -To activate your SBI debit card for online transactions (if you are a new SBI customer or haven't transacted online after June 01, 2015), please send an sms **SWON**<space>**ECOM**<space>**XXXX** to **09223966666** (where XXXX is the last 4 digits of your SBI Debit Card) from your registered mobile number.

attachments (1).zip | RETAIL-PAYMENTS...xlsx | organisedsurchargi...zip | surchargedbymerc...zip | mastercard-rules (1).pdf | Show all

Type here to search | 55% | ENG IN | 17:45 | 25-01-2019

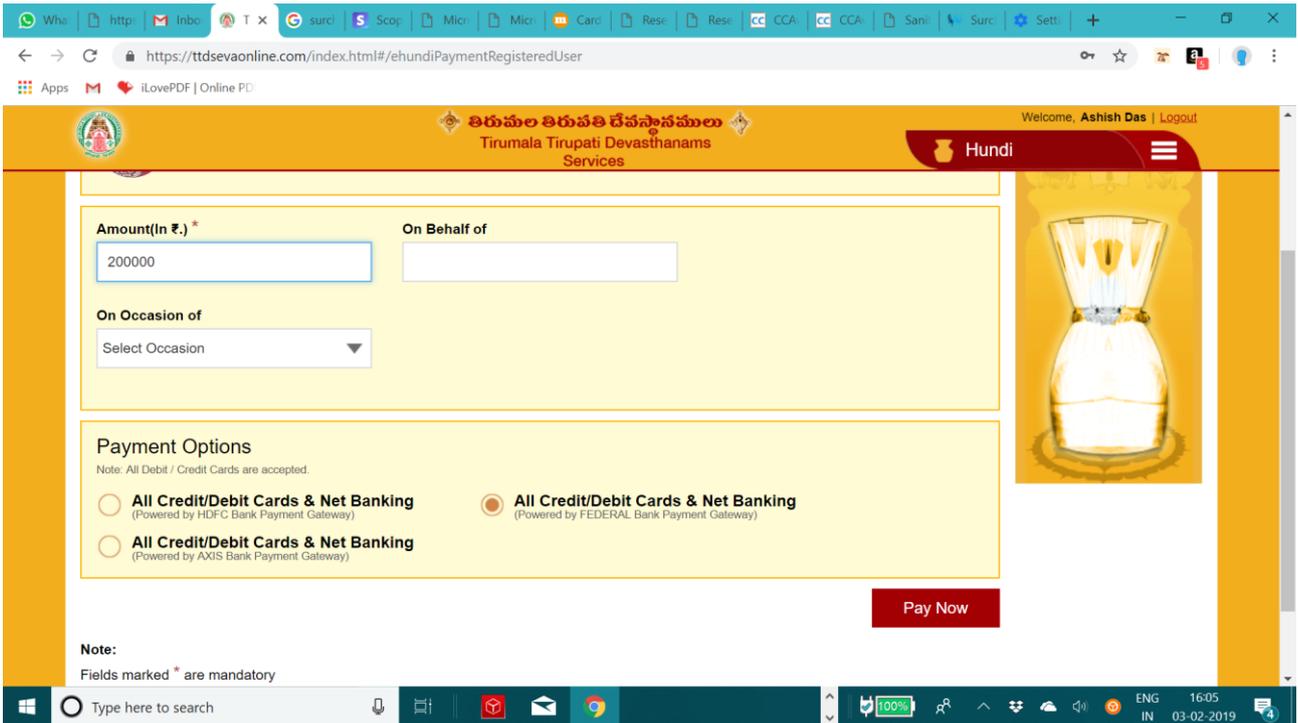


Appendix F

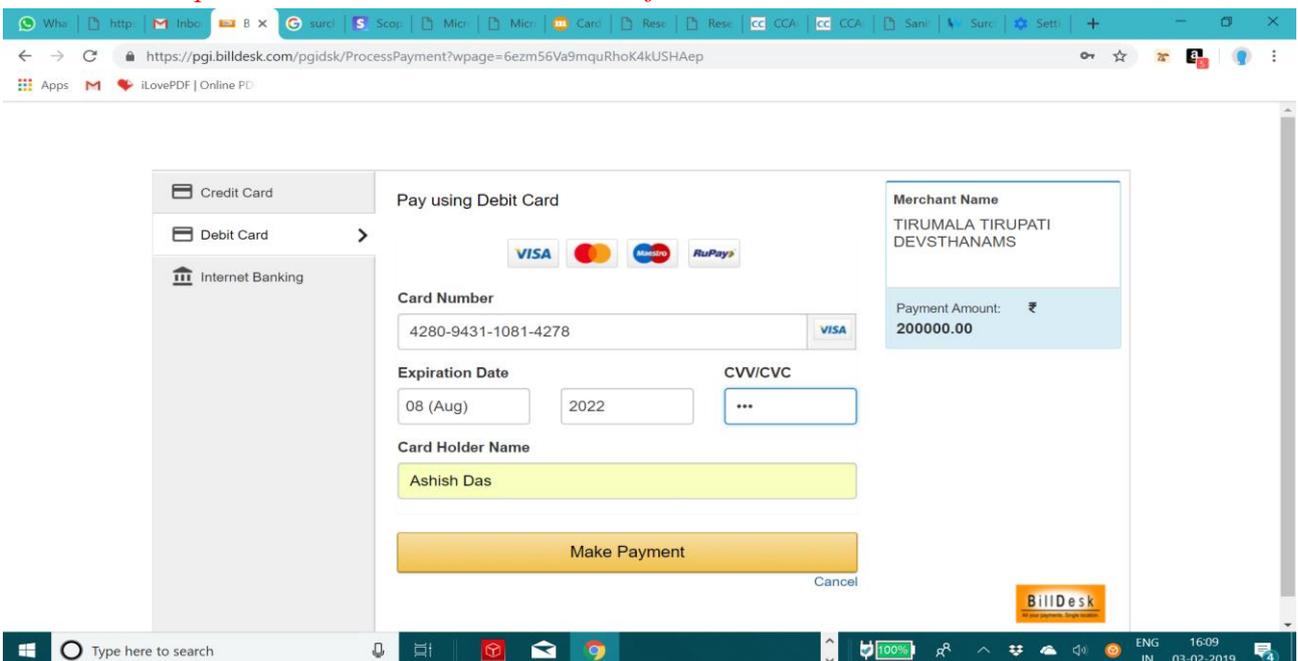
Screenshots II(c) – Surcharge on Debit card

- Acquirer banks facilitate **Tirumala Tirupati Devasthanams** surcharge for a transaction amount above Rs 2000. Moreover, though there is a RBI mandated MDR cap of Rs 1000, the surcharge exceeds even Rs 1000. (Date 03-02-2019)

‘Tirumala Tirupati Devasthanams’ screenshot 1 of 5



‘Tirumala Tirupati Devasthanams’ screenshot 2 of 5





'Tirumala Tirupati Devasthanams' screenshot 3 of 5

Verified by VISA

Kotak Mahindra Bank

The One Time Password has been sent to the below registered Mobile Number and Email ID. Please use the password and authenticate the transaction

E-Mail: AXXXXXXXXXS@GMAIL.COM
Mobile Number: XXXXX8551
Not your contact details?: [Refresh](#)
Merchant Name: Tirumala Tirupati Devasth
Date: Feb 03, 2019
Total Charge: Rs 201180.00
Card Number: 4280XXXXXXXX4278

Enter OTP:
[Resend OTP](#)
[Submit](#) [Cancel](#)

This page will automatically timeout after 420 seconds.
Powered by wibmo

'Tirumala Tirupati Devasthanams' screenshot 4 of 5

Credit Card

Debit Card

Internet Banking

Pay using Debit Card

VISA MasterCard Maestro RuPay

Card Number: 4280-9431-1081-4278

Expiration Date: 08 (Aug) 2022 CVV/CVC: ...

Card Holder Name: Ashish Das

Merchant Name: TIRUMALA TIRUPATI DEVSTHANAMS

Payment Amount: ₹ 10000.00

[Make Payment](#) [Cancel](#)

BillDesk



'Tirumala Tirupati Devasthanams' screenshot 5 of 5

Verified by **VISA**

The One Time Password has been sent to the below registered Mobile Number and Email ID. Please use the password and authenticate the transaction

E-Mail:
XXXXXXXXXS@GMAIL.COM
Mobile Number: XXXXX8551
Not your contact details?: [Refresh](#)
Merchant Name: Tirumala Tirupati Devasth
Date: Feb 03, 2019
Total Charge: Rs 10059.00
Card Number: 4280XXXXXXXX4278

Enter OTP:
[Resend OTP](#)

[Submit](#) [Cancel](#)

This page will automatically timeout after 420 seconds.
Powered by

Windows taskbar: Type here to search, 100% battery, 16:18, 03-02-2019



Appendix G

Screenshots III – Surcharge on BharatQR

- ATOM payment gateway refunds the surcharge imposed (1.75% + GST) at the Railway (IRCTC) for BharatQR transactions. (Date 25-01-2019)

They write “The refund of Convenience charges and GST as may be applicable for debit card transactions will be initiated within 2 working days of transaction done and actual refund to the card will be as per Card Issuing Bank's process”

‘IRCTC’ screenshot 1 of 2

The screenshot shows the IRCTC website interface. At the top, a yellow banner states: "User can have a maximum of 6 Banks in their Preference list. User can manage their Bank Preferences under My Profile section." Below this, the "Payment Options" section is visible, listing various methods like IRCTC - iPay, BHIM/ UPI/ USSD, etc. A "Bharat QR (powered by Atom)" option is highlighted with a "1.75% + Applicable Taxes" surcharge and a "Make Payment" button. To the right, a ticket summary for "KERLA S KRANTI (12218)" is displayed, showing a total fare of ₹6,270.00 (Rupees Six Thousand Two Hundred Seventy and Zero Paise). The ticket details include AC First Class (1A), GENERAL Quota, 1 Travellers, and a breakdown of charges: Ticket Fare (₹6,270.00), Service Charge (₹0.00), Travel Insurance Premium (₹0.00), and Total Fare (₹6,270.00). A note at the bottom of the ticket states: "Ticket fare includes total GST of ₹299.00".

‘IRCTC’ screenshot 2 of 2

The screenshot shows the ATOM payment gateway interface. The "PAYMENT MODE" is set to "Scan and Pay". The "Scan & Pay" section displays logos for Mastercard, BHIM RuPay, and VISA, along with a QR code for the BharatQR transaction. The "Amount Payable" is ₹6399.47. The transaction details include "IRCTC LTD BHARATQR" and "Transaction Id : 100001649424915". A note at the bottom of the screen states: "The refund of Convenience charges and GST as may be applicable for debit card transactions will be initiated within 2 working days of transaction done and actual refund to the card will be as per Card Issuing Bank's process".



Appendix H

SBOnline surcharging on a Credit card/BHIM-UPI

- SBI as an acquirer Bank has been proactive in demanding money for online retail payments in violation to the no surcharge rule.

Surcharging credit card purchases (Date 27-01-2019)

'OnlineSBI collect' screenshot 1 of 11

The screenshot shows the 'STATE BANK COLLECT' multi-modal payment portal. It features a banner with a house, a globe, and a laptop displaying 'PAYMENT ONLINE'. Below the banner is a 'DISCLAIMER CLAUSE' section with a 'Terms Used' link. The disclaimer text includes:

- > **Corporate Customer:** Firm/Company/Institution (F/C/I) collecting payment from their beneficiaries.
- > **User:** The beneficiary making a payment to F/C/I for the services/goods availed.
- > Bank shall not be responsible, in any way, for the quality or merchantability of any product/merchandise or any of the services related thereto, whatsoever, offered to the User by the Corporate Customer. Any disputes regarding the same or delivery of the Service or otherwise will be settled between Corporate Customer and the User and Bank shall not be a party to any such dispute. Any request for refund by the User on any grounds whatsoever should be taken up directly with the Corporate Customer and the Bank will not be concerned with such a request.
- > Bank takes no responsibility in respect of the services provided and User shall not be entitled to make any claim against the Bank for deficiency in the services provided by the Corporate Customer.
- > The User shall not publish, display, upload or transmit any information prohibited under Rule 3(2) of the Information Technology (Intermediaries guidelines) Rules, 2011.
- > In case of non-compliance of the terms and conditions of usage by the User, the Bank has the right to immediately terminate the access or usage rights of the User to the computer resource of the Bank and remove the non-compliant information.

At the bottom of the disclaimer, there is a checkbox labeled 'I have read and accepted the terms and conditions stated above.' which is checked, and a 'Proceed' button below it.

'OnlineSBI collect' screenshot 2 of 11

The screenshot shows the 'State Bank Collect' interface. It includes the SBI logo and a navigation menu with 'State Bank Collect' and 'State Bank Mops'. Below the menu is a breadcrumb trail 'State Bank Collect / State Bank Collect' and an 'Exit' button. The main content area is titled 'State Bank Collect' and shows the date and time '27-Jan-2019 [02:30 PM IST]'. It contains a form with two dropdown menus: 'State of Corporate / Institution *' (set to 'All India') and 'Type of Corporate / Institution *' (set to '----- Select Type -----'). A 'Go' button is positioned below the form. A red banner at the bottom of the form area contains the following text:

- Mandatory fields are marked with an asterisk (*)
- State Bank Collect is a unique service for paying online to educational institutions, temples, charities and/or any other corporates/institutions who maintain their accounts with the Bank.



'OnlineSBI collect' screenshot 3 of 11

The screenshot shows the SBI State Bank Collect website interface. A dropdown menu is open for the 'Select Type' field, listing various categories: Charitable Institutions, Commercial Services, Educational Institutions, Govt Department, Hospital, Industry, Merchant, Others, PSU - PUBLIC SECTOR UNDERTAKING, Recruitment, and Religious Institutions. The 'Go' button is visible below the form fields. A footer contains the text '© State Bank of India' and links for 'Privacy Statement', 'Disclosure', and 'Terms of Use'.



'OnlineSBI collect' screenshot 4 of 11

The screenshot shows the SBI State Bank Collect website interface. The 'State of Corporate / Institution' dropdown is set to 'All India' and the 'Type of Corporate / Institution' dropdown is set to 'Merchant'. The 'Go' button is visible below the form fields. A footer contains the text '© State Bank of India' and links for 'Privacy Statement', 'Disclosure', and 'Terms of Use'.





'OnlineSBI collect' screenshot 5 of 11

The screenshot shows the SBI OnlineSBI collect interface. The browser address bar displays 'STATE BANK OF INDIA [IN] | https://www.onlinesbi.com/sbicollect/payment/listinstitution.htm'. The page header includes the SBI logo and 'State Bank Collect'. The main content area shows a 'Merchant Name *' dropdown menu with a list of merchants: G.P. MOTORS PRIVATE LIMITED, 9DAIL INDIA, A AND A AUTO SALES PVT LTD, A K ENTERPRISES, A N BROTHERS, A ONE UNITED BROTHERS, A V MOTORS, ABR CAFE AND BAKERS PVT LTD, and ADHAR .IAN KAI YAN SAMITI. A 'Submit' button is visible below the dropdown. A 'Sharing Screenshot' notification from Dropbox is overlaid on the right side of the page. The Windows taskbar at the bottom shows the search bar, taskbar icons, and system tray with the date '27-01-2019' and time '14:31'.

'OnlineSBI collect' screenshot 6 of 11

The screenshot shows the SBI OnlineSBI collect interface with the 'Merchant Name *' dropdown menu now displaying 'A K ENTERPRISES'. The 'Submit' and 'Back' buttons are visible below the dropdown. The 'Sharing Screenshot' notification is no longer present. The browser address bar and page header are the same as in the previous screenshot. The Windows taskbar at the bottom shows the search bar, taskbar icons, and system tray with the date '27-01-2019' and time '14:31'.



'OnlineSBI collect' screenshot 7 of 11

The screenshot shows the 'State Bank Collect' payment details page. The browser address bar displays 'STATE BANK OF INDIA [IN] | https://www.onlinesbi.com/sbicollect/payment/showpaymentdetails.htm'. The page header includes the SBI logo and 'State Bank Collect'. Below the header, there are navigation links for 'State Bank Collect' and 'State Bank Mops'. The main content area displays the merchant information: 'fashionLoop' logo, 'A K ENTERPRISES', and the address '315,PLOT NO-6 NSP PITAMPURA, , DELHI-110034'. A section titled 'Provide details of payment' contains several input fields: 'Select Payment Category *' (dropdown menu with 'fashionloop' selected), 'Name', 'Address Line 1', 'Address Line 2', 'Mobile Number', 'Email id', and 'Amount Paid'. The Windows taskbar at the bottom shows the search bar, task icons, and system tray with a battery level of 60% and the date 27-01-2019.

'OnlineSBI collect' screenshot 8 of 11

The screenshot shows the 'State Bank Collect' payment confirmation page. The browser address bar displays 'STATE BANK OF INDIA [IN] | https://www.onlinesbi.com/sbicollect/payment/confirmpayment.htm'. The page header includes the SBI logo and 'State Bank Collect'. Below the header, there are navigation links for 'State Bank Collect' and 'State Bank Mops'. The main content area displays the merchant information: 'fashionLoop' logo, 'A K ENTERPRISES', and the address '315,PLOT NO-6 NSP PITAMPURA, , DELHI-110034'. A section titled 'Verify details and confirm this transaction' contains a table with the following details:

Category	fashionloop
Amount Paid	10000
Total Amount	INR 10,000.00
Remarks	

Below the table, there is a red warning message: 'Please ensure that you are making the payment to the correct payee.' At the bottom of the page, there are two buttons: 'Confirm' and 'Cancel'. The Windows taskbar at the bottom shows the search bar, task icons, and system tray with a battery level of 60% and the date 27-01-2019.



'OnlineSBI collect' screenshot 9 of 11

STATE BANK OF INDIA [IN] | https://www.onlinesbi.com/sbicollect/payment/mopspage.htm

State Bank **MOPS**
Multi Option Payment System

State Bank Collect

Net Banking

- State Bank of India
Bank Charges: Rs 11.8
[Click Here](#)
- Other Banks Internet Banking
Bank Charges: Rs 17.7
[Click Here](#)

Card Payments

This payment mode is not available between 23:30 hours IST and 00:30 hours IST

- State Bank ATM-cum-Debit Card
Bank Charges: --
Not Enabled
- Other Banks Debit Cards
Bank Charges: --
Not Enabled
- Credit Cards
Bank Charges: Rs 212.4
[Click Here](#)

Other Payments Modes

- SBI Branch
Bank Charges: --
Not Enabled
- NEFT/RTGS
Bank Charges: --
Not Enabled
- UPI
Bank Charges: --
Not Enabled

UPI is not available between 22:30 hours IST and 23:30 hours IST

Type here to search

ENG 14:35
IN 27-01-2019

'OnlineSBI collect' screenshot 10 of 11

भारतीय स्टेट बैंक
State Bank of India
हर भारतीय का बैंक
THE BANKER TO EVERY INDIAN

Merchant	SBCCREDITCARD	Website	https://onlinesbi.com
Amount	Rs 10212.40	Track Id	DUA7926672

Pay by

Credit Card

Card Number: 4862698901982991 **VISA**

Expiry Date: 10/2019

Card Holders Name: Ashish Das

CVV: 3TMZ2

Type the characters: 3TMZ2 6TMZ2

3-digit Card Verification Number: 6TMZ2

Pay Cancel

STATE BANK OF INDIA [IN] | https://securepay.onlinesbi.com/PG/paymentpage.htm?PaymentID=201902760009727#d

Type here to search

ENG 14:36
IN 27-01-2019



Surcharging digital payments in India

'OnlineSBI collect' screenshot 11 of 11

The screenshot shows a web browser window displaying the HSBC SecurePay authentication page. The page header includes the 'Verified by VISA' logo and the HSBC logo. The main content area contains the following text:

Please enter the One-Time Password (OTP) sent via SMS to your mobile number. Primary Credit cardholders please enter the OTP OR your registered Securepay password.

Merchant Name: SBCCREDITCARD0
Card Number: XXXX XXXX XXXX 2991
Payment: INR10,212.40
Personal Assurance Message: Dogs of War
SMS OTP / Securepay Password:

Buttons: Confirm, Cancel, Help

Links: [Did not receive SMS OTP?](#), [Get Another SMS OTP](#)

Footnote: © Copyright. The Hongkong and Shanghai Banking Corporation Limited 2004-2006. All rights reserved. [Privacy and Security](#), [Terms of Use](#), [Hyperlink Policy](#)

The Windows taskbar at the bottom shows the search bar, task view, and system tray with the date 27-01-2019 and time 14:37.

Surcharging BHIM-UPI purchases at SBionline (Date 27-01-2019)

'OnlineSBI collect' screenshot 1 of 9

The screenshot shows the SBI State Bank Collect payment page. The page header includes the SBI logo and 'State Bank Collect'. The main content area contains the following text:

State Bank Collect / State Bank Mops

State Bank Collect / State Bank Collect [Exit](#)

State Bank Collect 27-Jan-2019 [02:37 PM IST]

Select from Merchant

Merchant Name *

Buttons: Submit, Back

Footnote: Mandatory fields are marked with an asterisk (*)

Page footer: © State Bank of India [Privacy Statement](#) | [Disclosure](#) | [Terms of Use](#)

The Windows taskbar at the bottom shows the search bar, task view, and system tray with the date 27-01-2019 and time 14:38.



'OnlineSBI collect' screenshot 2 of 9

State Bank Collect 27-Jan-2019 [02:38 PM IST]

9DAIL INDIA
REDNAM REGENCY DWARAKANAGAR, VISAKHPATNAM-530016

9DIAL INDIA

Provide details of payment

Select Payment Category * COLLECTION

NAME * Ashish Das

MOBIL NO * 9833355555

Email ID

AMOUNT * 10000

'OnlineSBI collect' screenshot 3 of 9

COLLECTION

NAME * Ashish Das

MOBIL NO * 9833355555

Email ID

AMOUNT * 10000

Remarks

Please enter your Name, Date of Birth (For Personal Banking) / Incorporation (For Corporate Banking) & Mobile Number. This is required to reprint your e-receipt / remittance(PAP) form, if the need arises.

Name * Ashish Das

Date Of Birth / Incorporation * 1/1/2000

Mobile Number * 9833355555

Enter the text as shown in the image * FBC82

Submit Reset Back



'OnlineSBI collect' screenshot 4 of 9

The screenshot shows a web browser window displaying the SBI online collect payment confirmation page. The URL is <https://www.onlinesbi.com/sbicollect/payment/confirmpayment.htm>. The page features the SBI logo and a header with the text "Verify details and confirm this transaction". Below this, a table lists the transaction details:

Category	COLLECTION
NAME	Ashish Das
MOBIL NO	9833355555
AMOUNT	10000
Total Amount	INR 10,000.00
Remarks	

A red warning box contains the text: "Please ensure that you are making the payment to the correct payee." Below the warning box are "Confirm" and "Cancel" buttons. The footer includes "© State Bank of India" and links for "Privacy Statement", "Disclosure", and "Terms of Use". The Windows taskbar at the bottom shows the search bar, task icons, and system tray with the date 27-01-2019 and time 14:40.

'OnlineSBI collect' screenshot 5 of 9

The screenshot shows the SBI online collect payment options page. The URL is <https://www.onlinesbi.com/sbicollect/payment/mopspage.htm>. The page is titled "State Bank MOPS Multi Option Payment System" and "State Bank Collect". It is divided into three main sections:

- Net Banking:** Includes "State Bank of India" (Bank Charges: Rs 11.8) and "Other Banks Internet Banking" (Bank Charges: Rs 17.7), both with "Click Here" buttons.
- Card Payments:** Includes "State Bank ATM-cum-Debit Card" (Bank Charges: --, Not Enabled), "Other Banks Debit Cards" (Bank Charges: --, Not Enabled), and "Credit Cards" (Bank Charges: Rs 212.4, Click Here). A note states: "This payment mode is not available between 23:30 hours IST and 00:30 hours IST".
- Other Payments Modes:** Includes "SBI Branch" (Bank Charges: Rs 59.0, Click Here), "NEFT/RTGS" (Bank Charges: Rs 18.0, Click Here), and "UPI" (Bank Charges: Rs 11.8, Click Here). A note states: "UPI is not available between 22:30 hours IST and 23:30 hours IST".

The Windows taskbar at the bottom shows the search bar, task icons, and system tray with the date 27-01-2019 and time 14:41.



'OnlineSBI collect' screenshot 6 of 9

The screenshot shows a web browser window with the URL <https://www.onlinesbi.com/sbicollect/payment/upipayment.htm>. The page header includes the SBI logo and 'State Bank Collect'. The main content area is titled 'State Bank Collect' and 'State Bank Mops'. Below this, there is a breadcrumb trail 'State Bank Collect / State Bank Collect' and an 'Exit' button. The page is dated '27-Jan-2019 [02:41 PM IST]'. The main section is 'UPI Payment Remittance Details' and contains the following information:

Sbcollect Reference Number	DUA7926709
Transaction Amount	10,011.80
<input checked="" type="radio"/> VPA	<input type="radio"/> QR code
Virtual Payment Address(VPA) *	<input type="text" value="ashish.kotak@kaypay"/>

At the bottom of the form, there are 'Submit' and 'Cancel' buttons. A red message box at the bottom states: 'Mandatory fields are marked with an asterisk (*)'. The footer includes '© State Bank of India', 'Privacy Statement', 'Disclosure', and 'Terms of Use'. The Windows taskbar at the bottom shows the search bar, taskbar icons, and system tray with a battery level of 80% and the date 27-01-2019.

'OnlineSBI collect' screenshot 7 of 9

The screenshot shows a web browser window with the URL <https://www.onlinesbi.com/sbicollect/payment/validateVPA.htm>. The page header includes the SBI logo and 'State Bank Collect'. The main content area is titled 'State Bank Collect' and 'State Bank Mops'. Below this, there is a breadcrumb trail 'State Bank Collect / State Bank Collect' and an 'Exit' button. The page is dated '27-Jan-2019 [02:42 PM IST]'. The main section is 'UPI Payment Remittance Details' and contains the following information:

Sbcollect Reference Number	DUA7926709
Transaction Amount	10,011.80
Virtual Payment Address(VPA)	ashish.kotak@kaypay

At the bottom of the form, there is a 'Submit' button. The footer includes '© State Bank of India', 'Privacy Statement', 'Disclosure', and 'Terms of Use'. The Windows taskbar at the bottom shows the search bar, taskbar icons, and system tray with a battery level of 80% and the date 27-01-2019.



'OnlineSBI collect' screenshot 8 of 9

Please note this transaction number for future reference: **DUA7926709**

Transaction Status : Collect request initiated successfully.

This transaction request will expire after 5 minutes. Within the period please provide approval in the SBI Pay App. Please check the transaction status in "Payment History" link after approving the transaction request.

Time Left **04:33**

Payment Details :

SBCollect Reference Number	DUA7926709
Category	COLLECTION
NAME	Ashish Das
MOBIL NO	9833355555
AMOUNT	10000
Transaction Charge	INR 11.80
Total Amount	INR 10,011.80
Remarks	

'OnlineSBI collect' screenshot 9 of 9

Pending Requests

State Bank Collect	₹10011.80
statebankcollect@sbi	27 Jan 2019
✓ Accept	✗ Decline

To State Bank Collect
statebankcollect@sbi

Amount ₹10011.80

From ashish.kotak@kaypay

Date 27 Jan 2019

Remarks 9DAIL INDIA

Confirm

UPI UNIFIED PAYMENTS INTERFACE

State Bank Collect ₹10011.80

ENTER UPI PIN SHOW

1 2 3
4 5 6
7 8 9
✕ 0 ✓



Appendix J

ATOM: HDFC Bank/Axis Bank Submerchant agreement (Date 15-01-2019)

MERCHANT SERVICES AGREEMENT

This MERCHANT SERVICES AGREEMENT ("Agreement") is entered into at

..... on this day of, 20..... ("Execution Date") and is effective as of,, ("Effective Date")

By And Between:

Atom Technologies Limited, a company incorporated under the Companies Act, 1956, having its registered office at FT Tower, CTS No. 256 & 257, Suren Road, Chakala, Andheri (E), Mumbai - 400 093, India, (hereinafter referred to as "Atom", which expression shall unless repugnant to the subject or context shall mean and include its successors and assigns) of the One Part; And

..... a sole proprietary concern / an individual / a limited liability partnership / a partnership firm / a company / a Trust / a Society; incorporated under the Act, having its registered office at & corporate office at (if any)

(hereinafter referred to as the "Merchant/Seller", which expression shall unless repugnant to the subject or context shall mean and include in the case of the Merchant/Seller being: (i) a sole proprietary concern/individual - the heirs, administrators, executors, legal representatives and permitted assigns of the Proprietor/Individual; (ii) a limited liability partnership/partnership firm - the designated partners/ partners for the time being and from time to time of the firm, the survivor or survivors of them, their respective heirs, administrators, executors, legal representatives and permitted assigns; (iii) a Company - its successors and assigns [as the case may be] (iv) a Trust - The trustees from time to time of the Trust, administrators, beneficiaries and the survivor or survivors of them, executors, legal representatives and permitted assigns [as the case may be] (v) a Society - the governing body, managing person or beneficiaries [by whatever name called and as the case may be]) of the Other Part. Atom and the Merchant/Seller shall hereinafter be are individually

referred to as a "Party" and collectively as the "Parties".

WHEREAS:

A. Atom is, inter alia, engaged in the business of providing multiple payment facilities over multiple channels such as Internet, IVR and Mobile using credit/debit card, net banking, loyalty, prepaid cards, wallets, IMPS, POS MPOS, QR, UPI, Mobile Application - 'mGalla' and other payment related services/solutions.

B. Merchant/Seller is engaged in the business of and has requested Atom, and Atom has agreed to provide it's payment related services more specifically mentioned in Schedule I hereto, on the Merchant/Seller's platform in order to enable Customers to purchase the products of the Merchant/Seller and/or avail the services provided by the Merchant/Seller.

NOW THEREFORE it is acknowledged by and agreed between the Parties hereto as follows:

1. DEFINITIONS:

In addition to the terms defined in the introduction to this Agreement and other parts of this Agreement, wherever used in this Agreement, unless repugnant to the meaning or context thereof, the following expressions shall have the meanings set forth below:

- (1) Affiliate: in case of a Party being a body corporate, any entity that directly or indirectly controls, is controlled by, or is under the common control of that Party; (2) Authentication: shall mean the process by which Customer identification is authenticated in the Processing Mechanism; (3) Card Association(s): Card Association(s) shall mean any of VISA, MasterCard, NPCI, Amex, or any other card association as may be specified by Atom from time to time. (4) Chargeback: shall mean a transaction that refers to the reversal of any transaction on account of (i) any alleged forgery of the card or other details (ii) any charge/debit made on a card that has been listed as a hot listed card or otherwise listed on the card association warning bulletins (iii) duplicate processing of the Transaction; (iv) any amount required to be refunded due to, denial of Transaction by the Customer as wrongly charged payment/ extra payments and/or due to the fraudulent use/service related/quality related/misuse of the personal and financial information of the Customer by any unauthorized person; and (v) subject to applicable law, any other dispute received from bank/ card association or

circumstance that may result in the existence of a claim for reversal of any transaction as determined reasonably by Atom; (5) Confidential Information: shall mean any and all information or data of a confidential nature, application, network configuration, documents, software, accounts, business plans and processes and/or any other information in whole or in part of either Party; (6) Customer: shall mean any person who is availing services or products of the Merchant/Seller using Atom Services; (7) Fees: shall mean such fee that has been agreed between the Parties payable by the Merchant/Seller to Atom for Atom Services, and as detailed in Schedule I hereto; (8) Guidelines: shall mean the Card Association, Bank or Policy Guidelines on Issuance and Operation of Pre-paid Payment Instruments in India, issued by Reserve Bank of India; (9) Payment Channels: shall mean Internet, IVR, Mobile, Point of sale or any other channel where electronic payments are accepted using credit/debit card, net banking, loyalty, prepaid cards, wallets, IMPS or any other payment instrument. (10) Payment Gateway: shall mean the protocol that may be stipulated by or through Atom to enable the Authentication of Customers and the Authorization of payments in accordance with the Processing Mechanism; (11) Payment Gateway Network: shall mean the hardware, software and telecommunications tools necessary to perform protocol conversion between different networks or applications and all associated software required for the Merchant/Seller to submit Authorization and data capture transactions to Atom and to transmit Authorization and settlement transactions between the Merchant/Seller and the Payment Service Provider(s); (12) Payment Modes: shall mean payment via credit cards, debit cards, pre-paid wallets/cards, net banking, Mobile payments, IMPS, EMI, or any other payment mode as applicable. (13) Processing Mechanism: shall mean the mechanism utilizing the Payment Channels of the Payment Service Providers through Atom Services and/or through such other modes and mechanisms of payment, as may be notified by Atom from time to time; (14) Payment Gateway Providers: shall mean Banks, financial institutions and any other person authorized to issue or process payments or any persons acting on their behalf. (15) Payment Service Provider(s): shall mean Payment Gateway Providers and Atom; (16) MSP Model: shall mean the services to be provided by Atom to the Merchant/Seller wherein the Merchant/Seller's 'code /

identification number' is obtained by Atom and the charges and settlement process is the responsibility of Atom subject to clause 5 herein below. (17) Non-MSP Model: shall mean the services to be provided by Atom to the Merchant/Seller wherein the Merchant/Seller's 'code /identification number' is obtained by the Merchant/Seller directly from the bank and the charges and settlement process is solely the responsibility of the Bank. (18) Transaction: shall mean a financial transaction conducted by the Customer using Atom Services.

2. SCOPE OF THE AGREEMENT:

2.1 Atom has developed technologies, processes and software which enables the end-user/Merchant/Seller to make/accept payments vide the respective Payment Channels through any of the Payment Modes under the MSP/Non-MSP Models (hereinafter referred to as the "Atom Services") as outlined in Schedule I hereto.

2.2 If any new Payment Channel(s) /Payment Mode(s) under MSP/Non-MSP Model(s) is/are available with Atom at a later date, which is/are beyond the scope of services as provided in Schedule-I and if the Merchant/Seller requests Atom to provide such additional services, then the Parties shall negotiate in good faith with respect to the terms, conditions, and compensation for such additional services. Any agreement for such additional services shall be set forth in writing and considered as an addendum to this Agreement.

3. ATOM SERVICES:

3.1 During the subsistence of this Agreement with the Merchant/Seller, Atom agrees to permit the Merchant/Seller to use the Atom Services as listed in Schedule I, and which may be amended from time to time at the discretion of Atom by providing written notice to the Merchant/Seller.

3.2 The Atom Services facilitate payments made by Customers through any of the Payment Modes under the respective Payment Channels made available by Atom, and provide technological and payments support in relation to Transactions involving the Payment Mechanism compliant with requirements of Payment Service Provider(s) so as to enable receipt of such payments by the Merchant/Seller or any person acting on the Merchant/Seller's behalf.

3.3 The Merchant/Seller hereby agrees to the installation of certain software and hardware solutions to integrate the Merchant/Seller's billing system with Atom Services as part of this Agreement.

3.4 On the date of installation of Atom Services, the Merchant/Seller shall be

Initial & Seal

Initial & Seal



deemed to have accepted the Atom Services.

3.5 The Merchant/Seller agrees and acknowledges that in processing the Transactions, Atom shall be entitled to rely upon all electronic communications, orders or messages sent to Atom through the Processing Mechanism and Atom shall not be obligated to verify or make further inquiry into the identity of the sender, or the message integrity, of any communications, orders or messages. The Merchant/Seller shall under no circumstances dispute such reliance by Atom. Atom shall not be bound by or obligated to act, on any electronic communications, orders or messages received on-line, from the Merchant/Seller or the Customer, which do not properly utilize the security measures, as may be applicable from time to time.

3.6 As and when Atom requests for a particular document, bills/invoices, proof of delivery or any other supporting documents, the same shall be handed over to Atom within *four (04) days* of the request. If on account of non-compliance, Atom incurs any loss, the same shall be made good by the Merchant/Seller, inclusive of all charges, interest and costs. Atom with or without intimation shall be entitled at any times to disclose any and all information concerning the Agreement and transactions of the Merchant/Seller, within the knowledge and possession of Atom to any Regulator RBI, Card Associations or law enforcement, in connection with any card facility provided.

3.7 Nothing in this Agreement shall prohibit Atom from providing services similar to those provided under this Agreement to others, including competitors of the Merchant/Seller.

4. FEES FOR ATOM SERVICES:

4.1 The Merchant/Seller agrees to pay to Atom, the fees and charges ("**Fees**") as stipulated in **Schedule I** attached hereto this Agreement, along with any other sums including but not limited to, reimbursable expenses for the implementation of the Atom Services, and any and all applicable statutory taxes, including without limitation, service tax.

4.2 Atom shall have the right to vary the Fees specified in this *clause 4* at any time after the Execution Date.

4.3 All fees / charges paid to Atom will be non-refundable.

5. MERCHANT/SELLER OBLIGATIONS:

5.1. The Merchant/Seller hereby agrees to the obligations, duties and responsibilities of the Merchant/Seller as, applicable for availing the selected Atom Services under this Agreement, enumerated in **Schedule II** hereto.

6. CHARGES AND SETTLEMENT OF ACCOUNTS:

6.1 The transfer of the Customer's payment to the Merchant/Seller by Atom under the MSP Model of the Atom Services shall be governed by the following terms:

a) Subject to applicable law, payments shall be made available by Atom to the Merchant/Seller after making the following adjustments, deductions and any other deductions in terms of this Agreement from the amount of the Transaction (*subject to the limits volumes/limits allowed to the Merchant/Seller*):

(i) the consideration/fees, the TDR along with other dues, fees, charges, out of pocket expenses, etc., due to Atom in terms of **Schedule I** of this Agreement or at any other rates and percentage as amended from time to time for all Transactions processed;

(ii) the sum of all customer charges denied, refused, or charged back by the customer/partner Banks;

(iii) all costs, charges, expenses, etc., of whatsoever nature on account of, inquiries, disputes, cancellations and/or refunds processed on account of Merchant/Seller's customer charges and/or chargeback; (*refunds, chargeback recovery shall be done at gross amount. If any convenience fees is applicable or exchange rate fluctuations the same shall be borne by the Merchant/Seller*)

(iv) any taxes, including but not limited to, service tax, education cess, as may be applicable, penalties, charges or other items, reimbursable under any of the provisions of this Agreement, or otherwise, occurring in any manner whatsoever.

b) Atom shall reconcile the accounts and make payments to the Merchant/Seller subject to the right of Atom to withhold payments of the amount arrived at, for any charges of chargeback recovery/debits that may be fraudulently incurred/suspicious transactions or for any reason whatsoever either in terms of this Agreement or otherwise to the extent and as permissible under applicable law. Atom shall release such payments withheld for any charges/debits fraudulently incurred once determined at Atom's sole discretion that such charge/debit is in fact a valid charge and Atom shall not be liable for any penalty/interest on account of the same. Merchant/Seller shall indemnify Atom of any losses suffered by Atom in the event that Atom is unable to withhold payment in respect of suspected fraudulent charge/debit, *provided however that*, Atom shall be entitled to set-off any such claims against the security deposit or to otherwise require the Merchant/Seller to make corresponding payments to Atom not later than *two (02) days* from the date of the Merchant/Seller being notified.

c) The Parties hereby agree and acknowledge that, irrespective of any payment made by Atom to the

Merchant/Seller, the same shall be made, without prejudice to any claims, or rights, that Atom may have, against the Merchant/Seller and such payments, shall not constitute any admission by Atom, as to the performance, by the Merchant/Seller of its obligations, under this Agreement and the amount payable to the Merchant/Seller.

6.2 If deemed necessary by Atom, the Merchant/Seller shall provide such further assurances, guarantees or security, as specified in **Schedule I** hereto. Atom shall have the right, to set off claim amounts, against the said security deposit, in the event of (i) any material breach of the terms of this Agreement (ii) Atom is unable to withhold payment in respect of suspected fraudulent charge/debit or (iii) due to the existence of any other claims against the Merchant/Seller, or by Atom including without limitation as described in *clause 5.4* hereto.

6.3 **Time of making payments / due date of payment** : Upon completion of the Transaction and the receipt of funds by Atom, and where applicable, on receipt of proof of delivery of the dispatch of the relevant product and/or services of the Merchant/Seller, Atom shall deliver payments to the Merchant/Seller, to the later of: (i) two (02) business days from the date of receipt of funds from the Banks or financial institutions (ii) the maximum period of time for the making of payments by Atom as specified under extant regulations from time to time.

6.4 The making of payments under this Agreement by Atom to the Merchant/Seller, due to Atom being unable to exercise set-offs against amounts due to Atom, shall not constitute a waiver of its rights to recover amounts payable by the Merchant/Seller to Atom and seek indemnities from the Merchant/Seller for losses suffered by Atom for claims permissible under applicable law or for any reason, including but not limited to:

a) Any Transaction is for any reason unlawful or unenforceable.

b) Any information presented electronically to Atom in respect of the Transaction is not received in accordance with Atom's requirements as specified from time to time.

c) Any Transaction made outside the territory authorized for the use of such instrument.

d) Transaction which is posted more than once to cardholder's account.

e) Transaction which is doubtful or erroneously paid for, to the Merchant/Seller.

Atom reserves the right to discontinue, with the provision of the Atom Services and recover such amounts from the Merchant/Seller and be indemnified in relation to any losses in connection thereto.

7. CHARGEBACK AND OTHER DUES:

7.1 Atom shall be entitled and Merchant/Seller hereby authorizes Atom to debit to the account of the Merchant/Seller, from time to time, to recover any amounts due from it or incurred by Atom on account of the following:

(i) Chargeback of Transactions; or
(ii) Any penalties, charges/fees, consequential loss or claims including but not limited to legal claims that may be made against Atom by Payment Service Providers, Customers or regulatory authorities for any other reason than a breach of this Agreement by Atom. These amounts shall include without limitation any costs arising as a result of excessive Chargeback of Transactions or failure of Transactions or Customer disputes.

7.2 The Merchant/Seller agrees that any charges accepted by Merchant/Seller, which prove to be uncollectable, shall be the exclusive financial responsibility of the Merchant/Seller alone. The Merchant/Seller agrees to such charges or the Chargeback of such uncollectable charges (*as the case may be*) by Atom, without any demur or protest.

7.3 The Merchant/Seller acknowledges that Atom is entitled to exercise its right to set off a lien on the credit value in the account of the Merchant/Seller or the unsettled transactions in the pipeline in the event of failure by the Merchant/Seller in providing necessary valid proof of transaction to the retrieval request / Chargeback / suspicious Transaction received from the issuer through the card schemes (*VISA / MasterCard / NPCI / Amex*).

8. REPRESENTATIONS AND WARRANTIES:

8.1 Atom represents and warrants that:

(i) it is duly organized and validly existing and is duly qualified, including for undertaking the transaction contemplated by this Agreement, as per the laws of India and the jurisdiction where it maintains its principal or registered office; and

(ii) it has all the requisite power, including corporate power and authority to enter into this Agreement, to perform its obligations thereunder and to consummate the transaction contemplated hereby.

8.2 Merchant/Seller represents, warrants and covenants that:

(i) it has full capacity, power and authority to enter into this Agreement and has already taken and will continue to take all necessary and further actions, (*including where applicable without limitation obtaining of all governmental and other necessary approvals / consents / licenses in all applicable jurisdictions*) and to authorize the

Initial & Seal

Initial & Seal

Page 2 of 7



execution, delivery and performance of this Agreement;

(ii) it shall not use the Atom Services in any manner, or in furtherance of any activity, which constitutes a violation of any law or regulation or which may result in fraud on any person or which may cause Atom to be subject to investigation, prosecution or legal action;

(iii) it shall disclose its privacy policy on the website and ensure that Merchant/Seller conducts its business in accordance with the same;

(iv) it shall take all such precautions as may be feasible or as may be directed by Atom to ensure that there is no breach of security and that the integrity of the link between Merchant/Seller's website, Payment Gateway, POS and the Payment Mechanism is maintained at all times. Merchant/Seller shall ensure that all Customers upon accessing the link are truly and properly directed to the Payment Gateway;

(v) it shall not describe itself as an agent or representative of Atom;

(vi) Atom shall not be a party to any agreement(s), assurance(s) or undertaking(s) between the Customers and Merchant/Seller in any manner whatsoever.

(vii) it shall use the Atom Services only for Merchant/Seller's website(s), POS and product/service categories approved by Atom under this Agreement and for no other sites, products or services. If Merchant/Seller wishes to use the Atom Services for any other website/product or service, Merchant/Seller shall obtain prior written approval from Atom for the same; and it shall at all times during the subsistence of this Agreement observe and comply with all applicable laws, rules and regulations in each applicable jurisdiction.

9. TERM AND TERMINATION:

9.1 This Agreement shall be effective as of the Effective Date and shall remain in force for a period of one (01) year thereafter (the "Initial Term"). The Initial Term shall automatically be renewed and shall extend for successive twelve (12) month terms (each a "Renewal Term" and all such Renewal Terms together with the Initial Term, the "Term"), commencing at the conclusion of the Initial Term or any Renewal Term, unless either Party gives the other written notice at least 60 days prior to the conclusion of the Initial Term or the then current Renewal Term, as the case may be, that the Agreement will not be renewed, failing which the Agreement shall be deemed renewed automatically.

9.2 This Agreement may be terminated by either Party by giving sixty days (60) days prior notice in writing to the other without being

required to assign or give any reasons.

9.3 Either Party shall be entitled to terminate this Agreement in case of the defaulting Party's failure to remedy the breach of any terms and conditions of the Agreement within thirty (30) days of receipt of written notice stating such breach.

9.4 Atom reserves the right to terminate the Agreement immediately without any notice period in case of fraud, or if, the Merchant/Seller has violated any of the terms of the Agreement. In such cases all fees/charges paid by Merchant/Seller shall be forfeited.

9.5 Further Merchant/Seller acknowledges that it shall honour all Transactions until the Agreement is in force. The Merchant/Seller shall provide necessary documentation related to Transactions done by Merchant/Seller post termination upto a period of fifteen (15) months in case of Customer disputes, failing which the Merchant/Seller will indemnify Atom towards such Transaction loss.

10. CONFIDENTIALITY:

Each Party acknowledges and agrees that in connection with this Agreement, the receiving Party shall not disclose to any Third Party any Confidential Information of the disclosing Party that it may have access to during and in connection with its performance of services hereunder. Merchant/Seller shall ensure that that neither the Merchant/Seller nor any of its employees are privy to any information relating to Customer details and information relating to passwords/pins and other private matters in respect of the Atom Services. Merchant/Seller shall not reverse engineer, decompile or disassemble any software shared/disclosed by Atom. Each party acknowledges that monetary damages may not be a sufficient remedy for unauthorized disclosure of any Confidential Information / materials and that the disclosing party shall be entitled, without waiving any other rights or remedies, to such injunctive or equitable relief as may be deemed proper.

11. INTELLECTUAL PROPERTY:

11.1 Merchant/Seller acknowledges and agrees that Atom owns or has the right to use all the intellectual property incorporated in the software and associated with the Atom Services. This Agreement does not grant the Merchant/Seller any rights to, or in, patents, copyrights, trade secrets, trade names, trademarks (whether registered or unregistered), or any other rights or licenses in respect of the software or in relation to the Atom Services, other than as specified in this Agreement.

11.2 Merchant/Seller shall not copy, modify, duplicate, create derivative works from, frame, mirror, republish, display, transmit, or distribute, all or any portion of the software in any form or media, or by any means, attempt to reverse compile, disassemble, reverse engineer or otherwise, reduce to human-perceivable form, all or any part of the software.

11.3 Merchant/Seller shall not access any part of the software, in order to build a product or service which competes with the software or the businesses of Atom.

12. INDEMNIFICATION:

12.1 Notwithstanding anything contained in this Agreement the Merchant/Seller hereby undertakes and agrees to indemnify and hold harmless Atom and its directors, affiliates, representative, employees and agents against all actions, proceedings, claims, liabilities (including statutory liabilities), penalties, demands and costs (including without limitation, legal costs of Atom on a solicitor / attorney and own client basis), awards, damages, losses and/or expenses however arising directly or indirectly as a result of:

(i) any claim or proceeding brought by the Customer or any other person against Atom, in respect of any Chargeback, fraud or services offered by the Merchant/Seller;

(ii) any gross negligent act of Merchant/Seller's agents, employees, licensees or Customers;

(iii) any fines, penalties or interest imposed directly or indirectly on Atom on account of Merchant/Seller's services or Transactions conducted through Merchant/Seller under this Agreement; and

(iv) breach of any of terms and conditions of this Agreement by the Merchant/Seller, its agents, employees or representatives.

13. NO WARRANTY:

13.1 Notwithstanding anything contained in this Agreement, Atom disclaims all warranties, express or implied, written or oral, including, but not limited to, warranties of fitness for a particular purpose with respect to the Atom Services or otherwise made as regards this Agreement. Merchant/Seller acknowledges and accepts that the Atom Services are provided on an "as is" basis. The Merchant/Seller also acknowledges that the services provided by the Payment Gateway Providers to Atom which is passed on to the Merchant/Seller under this Agreement, can be in any event brought to an abrupt end in any event whatsoever by Atom and/or the Payment Gateway Providers, for any reason whatsoever and in such an event the Atom Services to the Merchant/Seller will in turn be

terminated without Atom having to be given any reason whatsoever.

13.2 Atom's sole obligation and the Merchant/Seller's sole and exclusive remedy in the event of interruption to the Atom Services or loss of use and/or access to Atom's website and the Payment Gateway Provider's Processing Mechanism and services, shall be, to use all reasonable endeavors to restore the Atom Services and/or access to the Processing Mechanism as soon as reasonably possible.

13.3 Without prejudice to any other provision of this Agreement, Atom does not warrant that:

(a) the Atom Services, and the Payment Gateway Provider's Processing Mechanism will be provided 'uninterrupted' or 'free from any errors'; or

(b) the Atom Services are free from any virus, Trojan or other malicious, destructive or corrupting code, program or macro.

13.4 Atom reserves the right to make changes, enhancements, and/or modifications, due to mandatory, or regulatory or periodic requirements, applicable to the Atom Services from time to time in such manner as it may deem necessary or appropriate for the provision of the Atom Services by providing notice to the Merchant/Seller of the same. Merchant/Seller agrees to comply with the directions and/or instructions issued by Atom to suitably modify/upgrade the Merchant/Seller's systems to comply with the standards of the Processing Mechanisms (then in force) and the standards applicable to the Atom Services. If so requested by the Merchant/Seller, Atom shall provide such additional services to the Merchant/Seller to suitably modify/upgrade the Merchant/Seller's systems and the Merchant/Seller agrees to pay Atom such additional charges as Atom deems fit in this regard.

14. LIMITATION OF LIABILITY:

14.1 In no event shall either Party be liable, whether in contract or in tort or otherwise for special, punitive, indirect or consequential damages, including without limitation, loss of profits or revenue arising under or in connection with this Agreement.

14.2 Notwithstanding any other term of this Agreement or any damages that may be incurred by the Merchant/Seller for any reason whatsoever, the entire liability of Atom under this Agreement, shall be limited to an amount not exceeding the Fees received from the Merchant/Seller for the Atom Services for the month immediately preceding the date of such proven claim/demands.



15. NON-SOLICITATION:

Merchant/Seller agrees that during the term of this Agreement and for a period of two (2) years thereafter, it shall not, without the prior written approval of Atom hire or enter into a contract with any employee, agent or representative of Atom to provide services to the Merchant/Seller or, directly or indirectly, induce or attempt to induce or otherwise counsel, discuss, advise or encourage any employee, consultant, agent or representative of Atom to leave or otherwise terminate such person's relationship with Atom.

16. BANNED PRODUCTS & SERVICES:

16.1 The Merchant/Seller hereby expressly agrees not to directly or indirectly deal in such product(s) or service(s) in restricted categories as provided in atom's website www.atomtech.in at any time during the subsistence of this Agreement. Without prejudice whatsoever to Atom's other rights and privileges, the Merchant/Seller binds himself unequivocally to be solely liable for including but not limited to any legal actions and suits, and to make good to Atom immediately upon demand damages suffered by Atom directly or owing to claims by any third party, levy of assessment fees or fines, penal actions taken by VISA/MasterCard/NPCI/Amex/RuPay, the Reserve Bank of India and any other statutory or competent authorities for any breach of any terms of this Agreement.

17. MISCELLANEOUS:

17.1 Relationship between the Parties:

The relationship between the Parties hereunder this Agreement shall be on a principal-to-principal basis. Nothing in this Agreement shall constitute an

agency, partnership or any other relationship whether in the nature of a joint venture or otherwise between the Parties.

17.2 Entire Agreement:

This Agreement with all its Schedules comprise the final understanding of the Parties relating to the subject matter hereof and cancels all prior discussion or agreements, whether written or oral, between the Parties. Any modification of or amendment to this Agreement, shall be effective upon a notification to the Merchant/Seller by email, or any other mode of communication as agreed between the Parties.

17.3 Severability:

If any provision of this Agreement is determined to be unenforceable in whole or in part thereof for any reason, then such provision or part thereof, shall to that extent be deemed deleted from this Agreement and the legality, validity and enforceability of the remaining provisions of this Agreement shall not be in any way be affected thereby and any act of omission/commission of the Parties hereto done prior to the provisions being held unenforceable shall be deemed to be valid and/or binding on the other.

17.4 Assignment:

Both Parties acknowledge and agree that either Party shall not assign this Agreement or any of the rights, duties or obligations herein without the prior written consent of the other Party and which consent shall not be unreasonably delayed and/or withheld.

17.5 Rights, Remedies and Waiver:

All rights and remedies hereunder shall be cumulative and may be exercised singularly or concurrently.

If either Party fails to perform its obligations under any provision of this Agreement and if the other Party does not enforce such provision then, failure to enforce on that occasion shall not prevent enforcement on later occasions.

17.6 Governing Law, Jurisdiction and Dispute Resolution:

This Agreement shall be governed by and construed in accordance with the laws in India. The Parties agree to submit to the exclusive jurisdiction of the courts located in Mumbai, India as regards any claims or matters arising under or in relation to the terms and conditions of this Agreement. The Parties hereto will endeavor to settle amicably by mutual discussion any disputes, differences or claims whatsoever, related to this Agreement or arising on account of this Agreement. Failing such amicable settlement, any dispute shall be settled by arbitration by a single arbitrator who shall be appointed by Atom. The Arbitration and Conciliation Act, 1996 as amended from time to time shall govern the arbitration proceedings. The jurisdiction for the purpose of conducting arbitration proceedings or otherwise any proceedings before the courts shall always be that of Mumbai, India. The arbitral procedure shall be conducted in the English language and any award or awards shall be rendered in English.

17.7 Notices:

Any notice or notification in connection with this Agreement shall be in writing and any notice or other written communication pursuant hereto shall be signed by the Party issuing the same and shall be addressed to Atom or the

Merchant/Seller at their respective addresses mentioned hereinabove or to such other address as the concerned Party may inform the other Party in accordance with the provisions of this Agreement.

(a) Any notice, direction or instruction given under this Agreement shall be in writing and delivered by hand, registered post, courier, cable, facsimile or telex to:

If to Atom:

Attn:
Add: FT Tower, CTS Nos. 256 & 257, Suren Road, Chakala, Andheri (E), Mumbai - 400 093.

E-mail:

Tel:

If to the Merchant/Seller:

Attn:

Add:

.....

.....

E-mail:

Tel:

(b) Nothing in the aforesaid clauses shall affect any communication given by way of the internet or other electronic medium as otherwise provided in this Agreement for the purpose of rendering the services.

17.8 Counterparts:

The Parties may execute this Agreement in counterparts and each fully executed counterpart shall be deemed an original.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their respective duly authorized officers as of the date first above written.

Table with 2 columns for signatures and names of Atom Technologies Limited and Merchant/Seller. Includes fields for Name, Designation, and Date.



SCHEDULE - I

SERVICES, COMMERCIALS AND TERMS AND CONDITIONS

PART - A: ATOM SERVICES & COMMERCIALS:

❖ Please select the Atom Services through the Payment Channels via the Payment Modes as more specifically mentioned hereunder:

Sr. No.	CHANNEL	INTEGRATION FEES (Rs.)	AMC /Monthly Rental (Rs.)	Select (√)	PAYMENT MODE	Select (√)	TRANSACTION CHARGES (Rs.)
1	ONLINE / MOBILE				Credit Card (VISA / MASTER / RUPAY) (First Preference is HDFC Pg, In case of technical issues we may move to AXIS PG)		0.90% per trnx*
					Debit Card below 2000 (First Preference is HDFC Pg, In case of technical issues we may move to AXIS PG)		NA
					Debit Card above 2000 (First Preference is HDFC Pg, In case of technical issues we may move to AXIS PG)		0.90% per trnx*
					Net Banking		
					• SBI & Group		Rs. 16/- per trnx*
					• ICICI		Rs. 12/- per trnx*
					• HDFC		Rs. 16/- per trnx*
					• AXIS		Rs. 6/- per trnx*
					• CITI		Rs. 6/- per trnx*
					• Other Banks		Rs. 6/- per trnx*
					IMPS		NA
					QR Code		1.60% per trnx*
					UPI		Rs. 10/- per trnx*
					AMEX		1.5% per trnx*
NEFT / RTGS		Rs. 10/- per trnx*					
Prepaid Wallets		2% per trnx*					
E – PayLater		2.8% per trnx*					
Google Pay (TEZ)		Rs. 10/- per trnx*					
2	IVR: MSP				Credit Card		NA
					Debit Card: < 2000		NA
					Debit Card: > 2000		NA
					AMEX		NA
3	IVR: NON-MSP				(NA)		NA
4	POS /MPOS				Debit Card: < 2000		NA
					Debit Card: > 2000		NA
					Credit Card		NA

PARTICULAR - ANOTHER REQUIREMENT	SPECIFY
Transaction Fee Module – [YES / NO] [Transactions & other charges will be borne by parents]	Yes

*Taxes Applicable

PART - B: TERMS & CONDITIONS:

1. If the Merchant/Seller requests for user training to be carried out by Atom in conjunction with the employees of the Merchant/Seller vide telephone as agreed by Atom in writing, then the Fees paid by the Merchant/Seller shall include a one-time charge as agreed between the Parties. Further installation and training charges outside Mumbai, Delhi-NCR, Ahmedabad or Bangalore, if any, will be chargeable at INR 7,500/- (Indian Rupees Seven Thousand and Five Hundred only) per man day with reimbursement of additional costs such as traveling/boarding & other expenses, which will be payable at actuals.

2. For any customization or modification required in Atom Services, the Merchant/Seller shall

pay INR per man day or as may be mutually agreed between the parties in writing

3. Charges For Settlement Of Accounts (Only Under MSP Model):

3.1 Settlement Period of the Funds: Atom will settle funds to the Merchant/Seller's bank account in T+2 days. The TDR shall be the amount of the bill excluding taxes, tips, shipping, charges, etc. which shall be additionally chargeable as applicable. For avoidance of any doubts, it is hereby clarified that all taxes of whatsoever nature, including but not limited to, service tax, education cess, consumption tax, value added tax, withholding taxes whether currently in force or introduced after the date of this Agreement and any other taxes, duties, fees and charges arising out of

the performance of this Agreement, shall be borne by the Merchant/Seller.

3.2 Security (If Applicable): The Merchant/Seller agrees to pay an amount of Rs...../- (Rupees Only) as a refundable deposit that will act as security for obligations and liabilities of the Merchant/Seller under this Agreement, and Atom shall be entitled to set off amounts against such obligations and liabilities anytime on or prior to the expiry of this Agreement

4. In case of POS /MPOS; the Merchant/Seller agrees that:

4.1 Merchant/Seller shall verify the signature of the card member on a valid card with the signature of the card member on the charge slip. *The Merchant/Seller shall retain the Charge Slip(s) and the bills/invoices*

pertaining to the Charge Slip for a period of 18 months from submission date or such further period as THE BANK may stipulate from time to time and make those promptly available to Atom/Bank on request. As and when the Atom/Bank representative requests for a particular charge slip, the same shall be handed over to the Bank within *four (04) days* of the request. If on account of non-compliance, the Bank incurs any loss, the same shall be made good solely by the Merchant/Seller, inclusive of all charges, interest and costs.

4.2 Merchant/Seller shall verify id proof & collect front copy of id proof for all transactions above INR 7500/-.

4.3 Merchant/Seller shall not use card for working capital usage and shall not dispense cash against card usage.

Initial & Seal

Initial & Seal



4.4 Merchant/Seller agrees to settle the transaction within seven (07) days, if any transaction settled post seven (07) days results in a 'Late Settlement Chargeback' the amount of the chargeback shall be recovered from the Merchant/Seller as there are no representation rights for Late Settlement. Atom/Bank has the right to hold back payments for delayed settlement cases and also levy additional charges in case of a Late Settlement.

4.5 Merchant/Seller shall permit Atom or its representative for installation of the POS terminal/device in the premises of the Merchant/Seller at the time of the 'Merchant/Seller boarding' and during un-installation of the POS terminal in case of un-boarding. Atom shall have the right to install or un-install the terminal and Merchant/Seller shall not have any objection towards installation or un-installation. Any damage to terminal shall be responsibility of the Merchant/Seller and Atom shall have the right to recover such damages/charges from Merchant/Seller.

SCHEDULE II

MERCHANT/SELLER DUTIES, OBLIGATIONS AND RESPONSIBILITIES

❖ The Duties, Obligations and Responsibilities of the Merchant/Seller for availing the applicable Atom Services under this Agreement are as under:

1. Merchant/Seller shall ensure that its Merchant/Seller shall duly fulfill all Customer Orders in accordance with the order of the Customer.
2. Merchant/Seller is aware that Atom/Partner Bank is not guaranteeing any transactions with the Customers in any manner whatsoever. The debit to the Customer's Account will be subject to there being adequate balance in the Customer's Account.
3. Notwithstanding the aforesaid, the Merchant/Seller assures and guarantees to the Partner Bank the due performance of all Customer Orders for which the payment has been transferred through the Payment Mechanism.
4. In the event of any Customer complaining of any deficiency in Service, Merchant/Seller shall take such measures as may be required to rectify the same. In the event the Merchant/Seller is unable to rectify the same, Merchant/Seller shall forthwith compensate the Customer for any loss caused to the Customer.
5. Merchant/Seller shall ensure that the best service standards in the industry are adopted and shall ensure delivery of all goods and services purchased for Customers in accordance with the highest standards.
6. Merchant/Seller shall ensure confidentiality of all information submitted by the Customers at the Site. Merchant/Seller undertakes to ensure that the amount of transaction shall be hidden and not visible in the URL sent to and received by Atom/Partner Bank from the Merchant/Seller site and the change in the system and /or software, if required, shall be done by Merchant/Seller at its own costs.
7. Merchant/Seller is acting in compliance with and shall at all-time act in compliance with all law.
8. Atom/Partner Bank shall be entitled to require Merchant/Seller to add to its Site such disclaimers, warranties and indemnities as Atom/Partner Bank may require from time to time.
9. Merchant/Seller shall ensure that all its licenses and registrations are in full force and effect to enable it to carry on the business of sale of goods and services.
10. Merchant/Seller shall not carry out any activity, which is banned or illegal or immoral. The Merchant/Seller hereby expressly agrees not to directly or indirectly deal in such product(s) or service(s) in restricted categories as provided in atom's website www.atomtech.in at any time during the subsistence of this Agreement. Without prejudice whatsoever to Atom's other rights and privileges, the Merchant/Seller binds himself unequivocally to be solely liable for including but not limited to any legal actions and suits, and to make good to Atom immediately upon demand damages suffered by Atom directly or owing to claims by any third party, levy of assessment fees or fines, penal actions taken by VISA/MasterCard/NPCI/Amex/RuPay, the Reserve Bank of India and any other statutory or competent authorities for any breach of any terms of this Agreement.
11. The price quoted for the products and services displayed by Merchant/Seller on the Website shall be inclusive of all taxes, levies and duties including in particular excise/customs duty, sales tax, service tax, octroi etc. The price would also be inclusive of delivery and transportation charges.
12. Merchant/Seller shall ensure that Merchant/Seller accesses the Site at least four times a day in order to access the orders, respond to queries and to address all other matters, which Merchant/Seller is required to address.
13. Merchant/Seller shall ensure accuracy and correctness in downloading and performing all orders placed by Customers.
14. Merchant/Seller shall furnish to the Bank forthwith upon request from time to time, the original copy/copies of proof of transactions, invoices or other records of the Merchant/Seller pertaining to the any order placed by the Customers on the Site. Merchant/Seller shall retain all such records for a period of ten (10) years from the relevant date of the order placed on the Site.
15. Merchant/Sellers shall not use the trade name or trademark of Atom/Partner Bank with-out written permission from Atom/Partner Bank.
16. Merchant/Seller shall disclose its privacy policy on the Site and ensure that Merchant/Seller conducts its business in accordance with the same.
17. The Merchant/Seller shall be solely responsible for the accuracy of all information and /or validity of the prices and any other charges and /or other information relating to the goods and services, which are offered through or included in Site.
18. Atom/Partner Bank shall be entitled to prohibit the display of any material on the Site if the act or manner of such display is contrary to any applicable law, regulation, government policy, order or guideline including all applicable foreign laws and regulations or which is detrimental or harmful to the interest of Atom/Partner Bank, in the sole and exclusive opinion of Atom/Partner Bank.
19. Merchant/Seller shall ensure that for the processing of any instruction from a Customer relating to the transfer of funds from the Customer's Bank Account to Merchant/Seller's Current Account, all such information as may be required by the Bank from time to time is provided from the Site to Partner Bank at the time of processing any instructions towards this end.
20. Without prejudice to the generality of clause(b) above, Merchant/Seller shall ensure that Merchant/Seller has captured the account number details of the Customer's Bank Account (currently being a 14 digit number) that the Customer is desirous of using for processing payments to Merchant/Seller and at the time the Customer chooses to use the Customer's Bank Account for the purpose of making fund transfers to Merchant/Seller, the details for the Customer's Bank Account are also automatically reflected in the details forwarded by the Merchant/Seller to Atom/Partner Bank. To enable the same, it will be the responsibility of Merchant/Seller to modify its systems to capture the details of the Customer Bank Account. Merchant/Seller will also be responsible to ensure the correctness of the information obtained from the Customer in this regard.
21. Merchant/Seller will also ensure secrecy and confidentiality of all Customers information, including the Customer's Bank Account details and will establish sufficient safety measures to prevent any loss or misuse of such information.
22. Merchant/Seller is aware that in the event the Customer's Bank Account details provided by the Merchant/Seller to Atom/Partner Bank are not in accordance with the records of Atom/Partner Bank in relation to such Customer's user identification and password and other checks that may be provided by Atom/Partner Bank from time to time, Atom/Partner Bank may reject transfer instructions, without any responsibility accruing to Atom/Partner Bank in this regard. Any claim arising out of such rejection or non - execution of transfer will be the sole responsibility of Merchant/Seller and no liability will devolve on Atom/Partner Bank in this regard including for breach by the Merchant/Seller of the covenants contained above.
23. Merchant/Seller shall ensure that all Customers upon accessing the link and mapping are truly and properly directed to the Payment Mechanism.
24. Merchant/Seller shall not seek and/or retain any of the confidential details of the Customer in relation to the Payment Mechanism, including without prejudice the user id details or the password details of the Customer in relation to the Payment mechanism. Salvation
25. Without prejudice to the generality of the aforesaid, Merchant/Seller shall routinely and at such time intervals as may be

Initial & Seal

Initial & Seal

Page 6 of 7



specified by Atom/Partner Bank check the integrity of the link and mapping and provide such reports as may be required to Atom/Partner Bank from to time.

26. Merchant/Seller shall also maintain records of such periodical checks in such manner as may be specified by Atom/Partner Bank. Partner Bank shall be entitled to check and audit Merchant/Seller's records and statements in this regard at such intervals or time as Partner Bank may deem fit but with prior notice to Merchant/Seller.

27. Notwithstanding the aforesaid in the event of any loss being caused as a result of the link and mapping being breached or as a consequence of the link and mapping being improper or bring in violation of the provisions of this Agreement or as a consequence of any non - compliance of the provisions of this Agreement by Merchant/Seller or as a consequence of the actions mentioned earlier, the loss shall be to the account of the Merchant/Seller and Merchant/Seller shall indemnify and keep indemnified Atom/Partner Bank from any loss as may be caused in this regard.

28. Merchant/Seller has the full right and/or authority to offer the Merchant/Seller Services on the Site and that it has and shall observe and comply with the applicable laws and regulations in each applicable jurisdiction including without limitation, all applicable licensing, securities, stamp duty, income-taxes and other taxes and other censorship regulations and laws whether in India or otherwise.

29. Merchant/Seller shall provide Atom/Partner Bank with such information and /or assistance as is required by Atom/Partner Bank Partner Bank for the performance for the Services and/or any other obligations of Atom/Partner Bank under this Agreement.



Appendix K

CCAvenue: HDFC Bank/ICICI Bank/SBI Submerchant agreement (Date 20-02-2019)

SUB- MERCHANT AGREEMENT

THIS AGREEMENT is executed at Mumbai on the effective date as mentioned herein

TABLE 1:

Sr. No.	Particulars	Details
1.	Agreement Execution and Effective date	
2.	Sub- Merchant Name	IIT Bombay
3.	Sub- Merchant Address	Department of Mathematics, IIT Bombay, Mumbai, Maharashtra, India, 400076
4.	Sub-Merchant Business filing Status	Public Ltd Company
5.	Sub- Merchant URL	http://www.math.iitb.ac.in
6.	Product / Services	tutorials fee collection, seminar, general fees collection
7.	Pricing Scheme (Privilege / Startup Pro)	Privilege
8.	PAYMENT INSTRUCTIONS: The Sub- Merchant hereby instructs the Master Merchant to make Payment of Customer Charge in respect of an Order in the bank account details mentioned in the Cheque/ Bank Statement provided by the Sub- Merchant. The Sub- Merchant agrees to the TDR and other charges as per the selected Pricing Scheme. Payment Schedule: The Sub- Merchant will receive the Customer Charges on a weekly basis. The TDR and the payment schedule may be revised by the Master Merchant in accordance with the regulatory policies or as agreed between the Master Merchant and Sub- Merchant from time to time.	

By Signing this Agreement I/we/ the Sub merchant state that:

- We have read and understood the Terms and Conditions as mentioned in the following agreement. We agree that the Payment gateway services of Infibeam Avenues Limited shall be govern by this Agreement and the same shall be legally binding on Sub- Merchant.
- The Sub-Merchant acknowledges and agrees that the Payment gateway will be used only for the purpose as mentioned in Service/Product Description below.

We accept: The parties hereto have hereunto set their hands on the date written above,

Infibeam Avenues Limited

Sub Merchant

Name: -

Name:-

Title: -

Title:-

Date: -

Date:-

Signature:- _____

Signature:- _____



BETWEEN:

INFIBEAM AVENUES LIMITED, a company incorporated under the provisions of the Companies Act, 2013 having its registered office at :28th Floor, Gift Two Tower, Block No. 56, Road 5C, Zone5, Gift City Gandhinagar - 382355, Gujarat India and administrative office at Plaza Asiad, Level II, Station Road, Santacruz (West) Mumbai 400054 (hereinafter referred to as "the **Master Merchant**", which term shall, unless repugnant to the context or meaning thereof, mean and include its successors and permitted assigns) of the ONE PART;

AND

THE SUB MERCHANT as mentioned in **Table 1 (Sr. No. 2)** having its registered office in India as mentioned **Table 1 (Sr. No. 3)** which expression shall unless it be repugnant to the context or meaning hereof shall be deemed to mean and include its successors and permitted assigns of the OTHER PART.

The Master Merchant and Sub Merchant are hereinafter individually referred as "Party" and collectively referred to as "Parties".

WHEREAS:-

- (i) Various banks, acquiring banks, software providers, Card Associations including Master Card, Diners, Visa, Amex etc and financial institutions, as well as third party service providers (hereinafter referred to collectively as "Facility Providers") offer various facilities to the Master Merchant through the internet, which facilities and services include but are not limited to the provision of net banking facilities, internet based electronic commerce, internet payment gateway and electronic software distribution services and provide authorization and settlement facilities in respect of payment instructions initiated by various customers of the merchants on the merchant's websites. These facility providers allows the Master Merchant to use the Internet Payment Gateways developed by them to route credit/charge/ debit card and / or other modes of payment transaction entered into on the internet to third party clearing houses/ Acquiring banks hereinafter be referred to as the ("Acquiring bank and Facility Providers Services").
- (ii) The Master Merchant is inter alia engaged in the business of accepting instructions from its Sub Merchant through the internet in respect of payments to be made by the Sub merchant's Customers to the Sub Merchant using the facility providers facilities, the Acquiring Bank's services, internet payment gateway and Net Banking facilities and accordingly transfer funds from the Customer's Bank Account to the Sub Merchant's bank account for providing goods and/or services to the customers on the Internet through Websites owned by the Sub Merchant.
- (iii) The Master Merchant has also established a web-site with the domain name www.ccavenue.com ("the Site") to enable its Sub Merchant to link up with various payment gateways and Acquiring banks so as to enable the Sub Merchant's customers to place orders for purchase and pay for the goods and services through the Internet;
- (iv) The Master Merchant has signed up with various banks/ financial institutions and are in process of signing up with more banks and companies offering such Payment gateway facilities, Acquiring bank services and Net banking services through Master Merchant, as well as third party service providers and have requested all them to accept instructions from the Customers of its Sub Merchants through the internet in respect of payments to be made by the Customer to the Sub Merchant and accordingly transfer funds from the Customer's Bank Account to the Master Merchant's Nodal Account.
- (v) Once the Customer initiates payment instructions on the Sub- Merchants site, the Customer will be directed to the Master Merchant site to provide Customer Account net-banking or Card details. Thereafter, the Transaction will be directed to the respective Acquiring Bank payment processing system for Authorization and Authentication. In case of a Debit Card and/or Credit Card Transaction, the Acquiring Bank will further direct the Transaction to the respective Card Association. Once the payment instruction is Authenticated and Authorized in respect of a Transaction, the Acquiring Bank shall transfer such approved Customer Charge from the Customer Account to the Account of Master Merchants Nodal Account.
- (vi) The Master Merchant shall route or direct the transactions taking place on Sub-Merchant's website to HDFC, ICICI or SBI Bank subject to availability of the said Acquiring bank and on the basis of the approval of the Sub Merchant by the said Acquiring Bank. However, Master Merchant reserves the right to route or direct the said transactions taking place on Sub-Merchant's website to any other Acquiring bank if the success ratio of the Transaction is affected due to unavailability or interruption of services or for any other reason.
- (vii) The Master Merchant is desirous of passing on all these services to its appointed Sub Merchants as more particularly hereinafter provided on the terms and conditions hereinafter appearing and subject to the Sub Merchant giving the indemnities and the declarations hereinafter contained.
- (viii) The Parties hereto are desirous of executing this Agreement to record the terms and conditions of the services as under:-

NOW THE PARTIES HEREBY AGREE AS FOLLOWS:

1. DEFINITIONS:

- 1.1. "**Acquiring Bank**" various banks, financial institutions, Card Associations, other Payment System Providers licensed under the Payment and Settlement Systems Act, 2007, other software providers who are in the business of providing information technology services, including but not limited to, internet based electronic commerce, internet payment gateway and electronic software distribution services.
- 1.2. "**Agreement**" shall mean this agreement, declaration and indemnity and any and all tables, schedules, appendices, annexures and exhibits attached to it or incorporated in it by reference.
- 1.3. "**Authentication**" shall mean the process by which the Customer's identification is authenticated in the Acquiring Banks.
- 1.4. "**Authorization**" shall mean the process hereunder by which the Issuing Institution and/or the relevant Card Association electronically or otherwise convey the approval of a charge on a Transaction being undertaken by a Customer on Website.
- 1.5. "**Card Companies**" shall mean and include Master Card, Maestro, Visa, Diners, American Express and NPCI etc. which authorizes and enables card transactions.
- 1.6. "**Card Companies Rules**" shall mean the written rules, regulations, releases, guidelines, processes, interpretations and other requirements (whether contractual or otherwise) imposed or adopted by any Card Companies.
- 1.7. "**Customer**" means any person holding a Valid Credit Card/Debit card/Net Banking Account or any other payment instrument and who desires to purchase Services or Products from the Sub-merchant and makes payment for the same over the Internet on Master Merchant's Web site using a Valid Credit Card/Debit Card/Net Banking Account.
- 1.8. "**Customer Order**" shall mean an order for purchase of goods or availing of services provided by the Sub Merchant at the Sub Merchant's Site and made by the Customer at the Sub Merchant's Site and which Customer Order shall be specifically designated by a Customer Order Number on mention or use of which the details of the order could be obtained by the Customer from the Sub Merchant on-line at the Site, including without limitation details of the status of the order.
- 1.9. "**Customer Charge**" means
 - (a) in respect to Product means the sale price of the Product purchased by the Customer plus the shipping charge (if any) and all other taxes, duties, costs, charges and expenses in respect of the Product that are to be charged to the Customer's Valid Credit Card/Debit Card/Bank Account or any other payment mechanism.
 - (b) In respect to Services means the sale price of the services rendered to the Customer plus the all other taxes, duties, costs, charges and expenses in respect of the Services that are to be charged to the Customer's Valid Credit Card/Debit Card/Bank Account or any other payment mechanism.
- 1.10. "**Delivery**" means,
 - (a) in respect of a Product, delivery of the Product by a reputed courier /parcel service to the Customer at the address specified by the Customer in this behalf, or
 - (b) in respect of a Service, delivery/performance of the Service, proof of which shall be submitted by the Sub merchant to the Master Merchant electronically through their CCavenue account backend to the satisfaction of the Master Merchant, the facility providers and the Acquiring Banks. The Master Merchant, the facility providers and the Acquiring Banks reserve the rights to call for physical proof of delivery in respect of a Service, delivery/performance of the Service
- 1.11. "**Effective Date**" means the date of execution of this Agreement by the Sub Merchant.
- 1.12. "**Facility Providers**" means various banks, acquiring banks, software providers, Card Associations including Master Card, Diners, Visa, Amex etc and financial institutions, as well as third party service providers Facility Providers offer various facilities to the Master Merchant through the internet, which facilities and services include but are not limited to the provision of net banking facilities, internet based electronic commerce, internet payment gateway and electronic



software distribution services and provide authorization and settlement facilities in respect of payment instructions initiated by various customers of the merchants on the merchant's websites.

- 1.13. **"Issuing Bank"** in respect of a Customer, means the bank which has issued the Valid Card to the Customer with which Customer makes the payment for the Products / Services
- 1.14. **"Product"** means a tangible product that is manufactured or distributed by the Sub-merchants, and that is purchased by the Customer, the payment for which is to be made on the Customer's Valid Credit Card/Debit Card/Bank Account.
- 1.15. **"Proof of delivery"** shall mean
 - (a) In respect of Product, sufficient legitimate records evidencing Delivery of the Product to the customer (i.e. Charge slips, bills etc.) All proof of delivery of Products shall be maintained by the Sub-Merchant for a period of at least one year from the date of delivery by the Sub Merchant and shall be open to inspection by Master Merchant and the facility providers at any time whatsoever.
 - (b) In respect of Service, sufficient legitimate records evidencing receipt of the Service to the customer (i.e. Invoice, bills, etc.) All proof of delivery of Services shall be maintained by the Sub-Merchant for a period of at least one year from the date of delivery by the Sub Merchant and shall be open to inspection by Master Merchant and the facility providers at any time whatsoever
- 1.16. **"Payment Mechanism"** means the payment mechanism through the Internet utilizing the internet Banking facility; internet based electronic commerce, internet payment gateway of various Acquiring banks and through such other modes and mechanisms of payment and delivery as may be notified by the Master Merchant from time to time
- 1.17. **"Service"** means tangible or intangible services provided to the customer by the Sub Merchant the payment for which is to be made on the Customer's Valid Credit Card/Debit Card/Bank Account.
- 1.18. **"Transaction Discount Rate"** means, the non-refundable rate charged to the Sub Merchant's Customer by the Master Merchant on the transaction amount processed through Master Merchant and / or the Facility Providers, Card Companies, Payment Gateway System and it includes the Merchant Discount Rate as notified by the Reserve Bank of India in its guidelines, the Facility Providers from time to time and the processing and other charges charged by the Master Merchant as its service charges from time to time. The Transaction Discount Rate is exclusive of GST and/or any other Taxes as notified by the Government from time to time. Transaction Discount Rate applicable to this agreement is accepted by both the Parties by way of a written electronic communication. However, the Transaction Discount Rate may be revised quarterly by the Master Merchant, and the Master Merchant will advise the Sub Merchant of any such change not less than 7 days in advance of its effectiveness.
- 1.19. **"Transaction"** means every order that results in the Delivery by the Sub-merchant to the Customer of the Product(s) / Services in respect of which the Order was placed.
- 1.20. **"Valid Card"** means a Visa or a MasterCard credit card, Amex card, debit card, Repay Card or any other card acceptance facility provided by the Master Merchant, the Facility Providers and which is not listed in Visa/MasterCard's and other current warning bulletins.
- 1.21. **"Master Merchants Site"** shall mean the web-site with the domain name "http:// www.ccavenue.com" established by the Master Merchant for the purposes of enabling on-line trading instructions by the Customers of the Sub Merchant to the Master Merchant.
- 1.22. **"Sub Merchants Site"** shall mean the web-site as mentioned in Table 1 (Sr. No.5) established by the Sub Merchant for the purposes of enabling its Customers to place orders for purchase of goods and services through the Internet.

2. TERM; NON-EXCLUSIVE

- 2.1. **Term:** This Agreement shall become effective on the Effective Date and shall remain in full force until a notice of termination by the Master Merchant or the Sub Merchant is given, or until terminated under other provisions of this Agreement.
- 2.2. **Non-exclusive:** Nothing in this Agreement shall prohibit the Master Merchant from furnishing the services similar to those provided under this Agreement to others, including competitors of the Sub Merchant.

3. PAYMENT TERMS:

- 3.1. Subject to the terms of this Agreement, Master Merchant will send to Sub-Merchant's Bank Account all customer charge from Transactions taking place on Sub-Merchant's website using the Payment Mechanism of Master Merchant, minus any fees including TDR charged for Debit card transactions or for any other transactions which are not charged to Sub merchant's Customers, invalidated payments, chargebacks, refunds or any bank fees or penalty by banks for excessive chargebacks or refunds, applicable taxes, other amounts that the Sub-Merchant owe to the Master Merchant under this Agreement. Further Master Merchant shall charge fees including TDR as mentioned in Annexure A to the Sub Merchant's Customers on the transaction amount as per RBI guidelines. If there are insufficient funds available in Sub- Merchants account, the Master Merchant shall claim from the Sub Merchant such amount to the extent the funds are insufficient; which the Sub Merchant on receipt of the claim undertakes forthwith to pay to the Master Merchant without any delay.
 - 3.1.1. **Rejection of Payment**

The Master Merchant, the Facility Providers and the Acquiring Banks may reject payment in respect of Orders where:

 - a. The Sub Merchant has not obtained a necessary authorisation or Master Merchant, the Facility Providers and the Acquiring Banks are entitled to reject payment in terms of Clauses hereof;
 - b. Any Order which the Customer refuses to pay because the Product / Service was not as promised or was defective or was not delivered;
 - c. The card-issuing bank advises that the credit card number does not match any number on file;
 - d. Payment in respect of the Order or the relevant instalment of the purchase price has already been made;
 - e. Any Products or services provided by the Sub- Merchant using Master Merchants' payment Mechanism without prior written approval of Master Merchant.
 - f. The Order was not confirmed by Sub- Merchant within 12 calendar days from the date the Order was placed;
 - g. Any amount duly receivable by Master Merchant from Sub- Merchant.
 - 3.1.2. Where the Master Merchant, the Facility Providers and the Acquiring Banks is entitled to reject payments in respect of an Order or demand a refund, the Master Merchant shall be entitled to set off and deduct from any payment due to the Sub Merchant, and in doing so the Master Merchant may:-
 - a. debit the Sub Merchants Account held with the Master Merchant, forthwith; and/or;
 - b. deduct the outstanding amount from subsequent credits to the Sub Merchants Account, and/or;
- 3.2. if there is insufficient funds available therein; claim from the Sub Merchant the amount paid to the Sub Merchant by the Master Merchant in respect of the relative sales; which the Sub Merchant on receipt of the claim from the Master Merchant undertakes forthwith to pay to the Master Merchant, the amount of the refund to the extent to which such funds proves inadequate; Payment of Customer charge in respect of an Order shall be made as per the TDR, Other charges and Payment schedule agreed by both the Parties in writing through electronic communication from time to time. The Customer charges to be paid in the in the bank account of the Sub- Merchant instructed by the sub- merchant in writing and on receipt of proof of Delivery of the relevant Product / Service and the Master Merchant will deliver its payments to the Sub Merchant as promptly after these dates as is practicable.



- 3.3. **Taxes:** Each Party shall bear and pay respective Taxes as made applicable by the Government authorities from time to time. The Sub- Merchant covenants to comply with all the compliances mandated under the Goods and Services Tax (GST) as and when the same is implemented by the relevant Government authority, including but not limited to filing valid tax return relating to its transactions with the Master Merchant. In case any credit, refund or other benefit under GST is denied to the Master Merchant or is delayed due to any non-compliance by the Sub- Merchant (such as failure to upload the details of Supply of Goods/service on the GSTN portal, failure to pay GST to the Government, lower compliance rating etc.) or due to non-furnishing or furnishing of incorrect or incomplete documents by the Sub- Merchant with the Government or the Master Merchant, the Sub- Merchant agrees to indemnify, defend and hold harmless the Master Merchant and reimburse the Master Merchant for the loss including, but not limited to, the tax loss, interest, penalty, reasonable costs or expenses of any nature whatsoever, whether accrued, absolute, contingent or otherwise, including, without limitation, reasonable attorneys' fees and costs (whether or not a suit is filed).
- 3.4. **Sub Merchant's Minimum Deposit Account Balance (If applicable):** It is mutually agreed by the Sub Merchant and the Master Merchant, that the Master Merchant may retain a minimal amount "Reserve Deposit Amount" out of amounts payable to the Sub Merchant in terms of Clause 3 hereof. The Sub Merchant agrees that the Master Merchant will impose Transaction Limits or additional Reserve Deposit Amounts, either temporarily or permanently, which are more restrictive than limits placed on the Sub Merchants in order to reduce Master Merchant's reasonable apprehension of risk of loss under varying circumstances.

4. COVENANTS AND REPRESENTATIONS OF THE SUB MERCHANT:

- 4.1. The Master Merchant and the Facility Providers shall not be a party to the Agreement or dispute between the Customers and the Sub Merchant. In the event of any dispute between the Sub Merchant and the Customer whether in relation to any deficient, improper or incomplete service provided by the Sub Merchant or otherwise, the Master Merchant, and the Facility Providers shall not be made a party to any litigation, arbitration or other proceeding instituted in respect of such disputes.
- 4.2. The Sub- Merchant undertakes to make timely payments of all the monies, charges, chargeback amounts, refund amount duly payable to Master Merchant as and when demanded by Master Merchant. Sub- Merchant also undertakes to payback any amount received in excess or erroneously from Master Merchant without any delay, demur or protest.
- 4.3. The Sub Merchant assures and guarantees to the Master Merchant, the Acquiring Banks, Facility Providers that the Sub Merchant is acting in compliance with and shall at all-time act in compliance with all laws, rules and regulations, notification, and guidelines set by RBI/Visa/Master Card/Master Merchant/Acquiring Banks/Card Companies/ American express/ Discover and the Facility Providers and further assures and guarantees that the products and services mentioned on Master Merchant website at link https://www.ccavenue.com/faq_ccav.jsp (go to _FAQ-About CCAvenue as a payment gateway – what are the businesses that are not accepted by CCAvenue) shall not be sold on the Sub Merchants site using services of Master merchant. Any product or service which is not in compliance with all applicable laws and regulations whether federal, state, local or international including the laws of India shall not be offered by the Sub-Merchant to its customers through the services of Master Merchant.
- 4.4. The Sub-Merchant further confirms, undertakes and assures that in the event of violation of any of the byelaws and standards of the, Acquiring Banks, Facility Providers and Master Merchant by the Sub Merchant AND any penalty imposed by the, Acquiring Banks, Facility Providers on the Master Merchant for any violation for any reason whatsoever, the Sub Merchant shall on receipt of the claim from the Master Merchant undertakes forthwith without any demur, protest, dispute or delay, to pay to the Master Merchant, the amount of the penalty / fine imposed by the, Facility Providers on the Master Merchant.
- 4.5. The Sub Merchant shall not at any time require the Customer to provide the Sub Merchant with any details of the accounts held by them with the Acquiring Banks including, the passwords, account number, card numbers and PIN which may be assigned to them by the Acquiring Banks from time to time.
- 4.6. In the event of any inconsistency between any provision of this agreement and the standards set out by Acquiring banks, and Card Companies the standards shall govern.
- 4.7. The Sub Merchant is aware that the Master Merchant, the Facility Providers and the Acquiring Banks are not guaranteeing any transactions with the Customers in any manner whatsoever. The Sub Merchant assures that the Customers will place the orders themselves and agree not to place orders on behalf of customers.
- 4.8. The Sub Merchant shall use the Master Merchant's services and other facilities offered on the Master Merchant's site only for the Sub Merchants site as mentioned in Table 1 (Sr. No.5) and for no other site/s. The Sub Merchant shall use the Master Merchant Payment Gateway services only for products and services mentioned in Table 1 (Sr. No.6) and for no other products or services. In case of any deviation from the services without prior written approval of the Master Merchant, the Sub Merchant undertakes to be abiding by the decisions of Master Merchant including suspension of the pay out or refund to customer or termination of Master Merchant services.
- 4.9. The Sub Merchant acknowledges that the Card Companies, and Facility Providers and the Master Merchant have the right to enforce any provision of the standards and to prohibit any Sub Merchant conduct that may injure or may create a risk of injury to the Card Companies, and Facility Providers and the Master Merchant including injury to reputation, or that may adversely affect the integrity of the Card Companies, Acquiring banks, Facility Providers and the Master Merchant's core payment systems, information or both. The Sub Merchant agrees that he will not take any action that might interfere with or prevent exercise of this right by the Card Companies, Acquiring banks, and the Master Merchant.
- 4.10. The Sub Merchant shall take all precautions as may be feasible or as may be directed by the Master Merchant, and the Facility Providers to ensure that there is no breach of security and that the integrity of the link between the Sub Merchants Site, the Master Merchant's site and the Payment Mechanism is maintained at all times during the term of this Agreement. In the event of any loss being caused as a result of the link being breached or as a consequence of the link being improper or being in violation of the provisions of this clause, the loss shall be to the account of the Sub Merchant and the Sub Merchant shall indemnify and keep indemnified the Master Merchant and the Facility Providers from any loss as may be caused in this regard.
- 4.11. The Sub Merchant hereby grants to the Master Merchant, and the Facility providers, a non-exclusive, royalty-free, limited license to use, display and reproduce the trademarks, service marks and logos of the Sub Merchant solely in connection with the marketing of their facilities and services to the public. The Sub Merchant shall prominently display on its Website and in other online marketing materials if applicable, a statement/logo/image provided by Master Merchant and or upon instructions of facility Provider.
- 4.12. The Sub Merchant represent and warrant to the Master Merchant, and the Facility providers that: (a) Sub Merchant is duly organized, validly existing and in good standing under the Laws of the territory in which its business is registered, and a resident of India for income tax purposes; (b) Sub Merchant has all requisite license, Registrations, right, power and authority in full force to enter into this Agreement and perform its obligations and grant the rights, licenses and authorizations hereunder; and (c) Sub Merchant and its subcontractors, agents and suppliers will comply with all applicable Laws in the performance of its obligations and exercise of the rights under this Agreement.
- 4.13. The Sub-Merchant states that the individual signing this Agreement is an authorized representative of the sub-merchant and is thereby fully authorized to bind the sub-merchant to contractual obligations and is authorized to bind the Sub-Merchant to contractual obligations and is authorized to provide the information and documentation submitted in connection with this agreement are complete and correct in all material respects. Sub Merchant authorizes Master Merchant to obtain and verify, and to continue to obtain and verify any information submitted by Sub-Merchant any relevant information regarding principals, partners, officers or other authorised representatives of Sub-merchant and any other individuals listed on this Agreement including the individual signing below, and for master Merchant use such information as reasonably necessary during the course of providing the services contemplated here under as well as for Master merchant to share such information with its affiliates or as otherwise allowed by applicable law.
- 4.14. The Sub Merchant hereby agrees, assures and covenants as under, as far as American Express Card processing is concern:-
- The Sub-Merchant must indicate its acceptance of the American Express Card whenever it communicates the payment methods it accepts to customers and display the American Express Card Marks according to the American Express Card guidelines and as prominently and in the same manner as any Other Payment Product.
 - The Sub-Merchant must not (i) try to dissuade American Express Card members from using the American Express Card; (ii) criticize or mischaracterize the American Express Card or any of its services or programs; (iii) try to persuade or prompt American Express Card members to use any Other Payment Products or any other method of payment (e.g., payment by check); (iv) impose any restrictions, conditions, or disadvantages when the American Express Card is accepted that are not imposed equally on all Other Payment Products (except where expressly permitted under applicable national law); or (v) promote any Other Payment Products (except the Sub Merchant's own card that it issues for use solely at its Establishments) more actively than it promotes the American Express Card.
 - The Sub-Merchant must not (i) engage in activities that harm American Express Card's business or brand; or (ii) indicate or imply that it prefers, directly or indirectly, any Other Payment Products over the American Express Card. If American Express provides notice to Master Merchant that Sub Merchant has breached this provision,



Master Merchant reserves its right to cease submitting Charges within 2 business days and require Sub Merchant to remove all American Express identification, logos and decals from Sub Merchant's website immediately. If American Express determine that Master Merchant on behalf of the Sub Merchant vide this Agreement has failed to cease submitting Charges after receipt of such information from American Express and that Master Merchant have breached this provision due to default of Sub Merchant, Master Merchant shall be penalized the amount of Five Thousand United States (\$5,000.00 USD) or in equivalent Indian Rupees for continuing to submit Charges. This penalty will apply on a monthly basis. Accordingly, if Master Merchant submits Charges during July and again in August, Master Merchant will be penalized twice. If penalized, Master Merchant agrees to remit payment to American Express within 30 days of your receipt of an invoice. If Master Merchant fails to remit such payment, American Express may debit all relevant amounts from the bank account Master Merchant have designated to receive payments from American Express pursuant to this Agreement. The Master Merchant in event of such penalty been imposed by American Express reserve its right to impose the same on Sub Merchant and the Sub Merchant agrees to pay such penalty to Master Merchant forthwith without any demur or protest, dispute or delay

- d. The Sub Merchant shall maintain customer service information that is readily available for review by American Express Card member transacting with Sub Merchant. The customer service information should include clear instructions on how to contact Sub Merchant if the American Express Card member has any question about a transaction. At a minimum, the instructions must provide an active customer service e-mail address and a customer service telephone number for the Sub-Merchant and for Master Merchant an email address and web page address on Master Merchant's web site where American Express card members can access transaction information.
 - 4.15. If the Sub- Merchant is providing the online Payment gateway services or services similar to online Payment Gateways then the Sub- Merchant shall be Payment Card Industry Data Security Standard certified (PCI DSS) and shall continue to be certified as per the required regulations during the term of the agreement with respect to the security obligations pertaining to the Master Merchant Services provided by the Master Merchant.
 - 4.16. The Sub- merchant undertakes to be abided by the Master Card Rules all the time, the detailed manual of the rules can be referred from the link: (http://www.mastercard.com/us/merchant/pdf/BM-Entire_Manual_public.pdf) this link is subject to change as per the amendments made in manual of Master card, uploaded from time to time. Important sections of the Master Card Rules that the Sub – Merchant undertakes the following :
 - a. On an on-going basis, the Sub-merchant to promptly provide the Master Merchant with the current address of each of its offices, all "doing business as" (DBA) names used by the Sub-merchant, and a complete description of goods sold and services provided.
 - b. In the event of any inconsistency between any provision of the Sub-merchant Agreement and the Standards (i.e. the Manual), the Standards (the Manual) will govern.
 - c. The Master Merchant may require any changes to Sub-merchants website or otherwise that it deems necessary or appropriate to ensure that the Sub merchant remains in compliance with the Standards governing the use of the Marks.
 - d. This Sub merchant Agreement automatically and immediately stand terminated if the Master Card Corporation de-registers the Master Merchant or if the Facility providers and Acquiring Banks ceases to be a Customer for any reason or if such Acquirer fails to have a valid License with the Corporation to use any Mark accepted by the Sub merchant.
 - e. The Master Merchant may, at its discretion or at the direction of its Facility providers, immediately terminate the Sub merchant Agreement for activity deemed to be fraudulent or otherwise wrongful by the Master Merchant, and Facility providers.
 - f. The Sub merchant acknowledges and agrees:
 - i. To comply with all applicable Standards, as amended from time to time;
 - ii. That the Master Card Corporation is the sole and exclusive owner of the Master Card Marks;
 - iii. Not to contest the ownership of the Marks (of Master Card corporation) for any reason;
 - iv. The Master Card Corporation may at any time, immediately and without advance notice, prohibit the Sub merchant from using any of the Master card Marks for any reason;
 - v. The Master Card Corporation has the right to enforce any provision of the Standards and to prohibit the Sub merchant and/or its Payment Facilitator from engaging in any conduct the Corporation deems could injure or could create a risk of injury to the Master Card Corporation, including injury to reputation, or that could adversely affect the integrity of the Interchange System, the Corporation's Confidential Information as defined in the Standards, or both; and
 - vi. The Sub merchant will not take any action that could interfere with or prevent the exercise of this right by the Corporation.
 - 4.17. The Sub- Merchant undertakes to be abiding by the rules and regulations formed by the governing authority in respect of the Anti-Money Laundering Act 2002, Information Technology Act 2000 and subsequent Amendments incorporated thereon.
 - 4.18. The Sub Merchant hereby undertakes that, all the representations made herein are true and valid as per law of India. The Sub- Merchant represent that the Sub-Merchant holds valid licenses , brand proofs, tie-up agreements from its business Associates and the Sub- Merchant is legally authorised to sale the products and services online through the Sub- Merchant URL.
 - 4.19. The Sub- Merchant upon change in details provided under this agreement shall provide supporting documents to the Master Merchant. The Sub- Merchant shall provide the KYC documents to Merchant on an interval of one year.
 - 4.20. The Sub- Merchant shall keep updated on its website all the Policies including but not limited to Privacy Policy, Refund and Return Policies, Chargeback Policy (I accept Policy) and other terms and conditions pertaining to the Products and services of the Sub- Merchant.
5. **DATA PROTECTION :**
- 5.1. All the data processed under this agreement is subject to the data Privacy Regulations under applicable laws. Sub Merchant and Master Merchant shall be subject to and will comply with the Information Technology Act, 2000 and the Information Technology (Reasonable Security Practices and Procedures and Sensitive Personal Data or Information) Rules, 2011, General Data Protection Regulation (GDPR) (EU) 2016/679 as amended from time to time, and any other applicable Laws restricting collection, use, disclosure, storage, processing and free movement of personal information (collectively, the "Privacy Regulations").
 - 5.2. Master Merchant its employees, contractors or agents may, in connection with this Agreement, collect Personal Information in relation to Sub Merchant (including Sub Merchant Customers, employees and directors) Master Merchant may process, use and disclose, transfer and store the Sub Merchants customers personal information for purposes connected with this Agreement and otherwise for the purposes of its legitimate business and business operations or as required by law.
 - 5.3. Insofar as information provided, or to be provided, by Sub Merchant to Master Merchant includes the Personal Information of customers, Sub Merchant represents and warrants that it has obtained sufficient informed prior consent in writing from each Customer to whom any Personal Information relates to, in order for Master Merchant to comply with applicable data privacy regulations and which allows Master Merchant to collect, use, disclose, process, transfer and store such information for the purposes specified in this Agreement and the Schedules, including in the circumstances described above, and will provide Master Merchant with such consent as and when requested by Master Merchant.
6. **FAIR USE OF MASTER MERCHANT SERVICES:**
- 6.1. The Sub Merchant shall use the services of the Master Merchant only for the purpose of receiving online payments against the products/ services approved by Master merchant. Using the services of Master Merchant for any other purpose shall entitle the Master Merchant to take appropriate legal action and/or charge penalty suspend all the pay-outs to the Sub- Merchant.
 - 6.2. The Sub Merchant shall not misuse the services of Master Merchant for illegal gains including but not limited to illicit use of Credit Cards.
 - 6.3. The Sub- Merchant in case of any fraud or ill intentional transaction by customer shall cooperate with Master Merchant and forward all necessary transaction and customer details to Master Merchant at the earliest.
 - 6.4. The Sub-Merchant data related to transactions taking place through Master Merchants' payment gateway services shall be stored by Master Merchant for a maximum period of one year from the date of transaction. Post completion of this one year the data will automatically get deleted from Master Merchants' database. Master Merchant shall not be liable to produce the data that is older than one year.
 - 6.5. **Breach by Sub- Merchant:** If the Master Merchant, the Facility Providers and the Acquiring Banks suspects, on reasonable ground, that the Sub Merchant has committed a breach of this agreement or dishonestly or fraud against the Master Merchant, the Facility Providers, the Acquiring Banks or any customer, the Master merchant shall be entitled to suspend all payment under this agreement to the Sub Merchant pending enquiries by the Master Merchant. The Master Merchant shall not be liable to pay any interest upon the suspended pay-outs during or after the pendency of the inquiry. The Master merchant reserve right to charge appropriate penalty to the Sub-Merchant in case of breach of terms of this agreement. The Master Merchant may adjust such penalty amount from the next pay out of Customer Charge. In the event of



no balance in the Sub- Merchant account, the Sub- Merchant shall make the payment of such penalty amount; failure to make payment of the Penalty amount will attract interest over the Penalty as per the prevailing interest rates. **Breach by Customer:** in case the Customer of Sub- Merchant commits fraud against the Sub- Merchant using Master Merchant's services, the Master Merchant in such cases shall be entitled to suspend the payouts of the disputed amount till the issue is resolved between Sub- Merchant and Customer. The Master Merchant shall not be liable to pay any interest upon the suspended payouts during or after the pendency of the inquiry

6.6. **Authorisations:** The Sub Merchant shall obtain authorisation from the Master Merchant, before accepting any Customer Order. This process of Authorisation is an automatic process that takes place in real-time.

7. CHARGEBACK AND REFUND

- (i) The Sub Merchant agrees that payment made in respect of any Customer Order, in respect of which the Customer or Issuing Bank raises a claim, demand, dispute or chargeback on the Master Merchant or the Facility Providers for any reason whatsoever shall be the financial responsibility of the Sub Merchant. The chargeback or refund shall be processed as per the set processes of Acquiring Banks, the issuing Banks and the Card Companies. Once the chargeback or refund is adjudicated and the sub merchant is ordered to make payment of the chargeback clause the Sub Merchant shall make the payment of the chargeback amount of such uncollectible charge as the case may be without any demur or protest, dispute or delay. The sub Merchant hereby agrees that all refunds and chargebacks shall be the sole responsibility of the Sub-Merchant and Master Merchant shall not be liable for any claims or disputes which may arise in connection with such refunds or Chargebacks to the sub-merchant or its Sub-merchants. The Sub-merchants agrees to indemnify Master Merchant in respect of any claims, disputes, penalties, cost and expenses arising directly or indirectly in relation refunds or Chargebacks for all Transaction initiated and instructed through the sub-merchants website.
- (ii) If Master Merchant and/or the Acquiring Banks determine that the Sub-Merchant and/or its Sub-Merchants are incurring an excessive amount of Chargebacks, Master Merchant may establish controls or conditions governing the Transactions contemplated under this Agreement, including without limitation, by (a) establishing new processing fees, (b) by requesting a Reserve in an amount reasonably determined by Master Merchant to cover anticipated Chargebacks (c) delaying pay-outs and (d) terminating or suspending the Master Merchant Services.
- (iii) The Sub Merchant hereby authorises the Master Merchant to appropriate the Sub Merchant's current balance amounts with the Master Merchant to the extent of the aforesaid uncollectible amounts and any other moneys due to the Master Merchant by the Sub Merchant in terms of this Agreement in respect of a Customer Charge without any demur, protest, dispute or delay. If there is insufficient funds available therein; the Sub merchant shall on finding out negative balance in his Merchant Accounting and Reporting System (M.A.R.S) Interface and/or on receipt of the e-mail from the Master Merchant and/ or claim from the Master Merchant undertakes forthwith without any demur, protest, dispute or delay, to pay to the Master Merchant, the amount of the dispute / refund to the extent to which such funds proves inadequate. Without prejudice to any other of Master Merchants rights and remedies, in the event that the Sub-Merchant does not make any payment to Master Merchant by its due date or on demand as required under this Agreement, the Master Merchant shall be entitled to charge daily interest on such overdue amount from the due date of demand (as the case may be) until the date of payment in full, at the rate of 2.5% per month, as well after as before judgment.

7A REFUND AND RETURN POLICY:

Sub- Merchant shall process returns of, and provide refunds and adjustments for, Products/ Services sold and Payment collected through Sub-Merchants site in accordance with this Agreement, the Acquiring Banks instructions and Card company's Rules. The Sub-Merchant understands that all refunds must be routed from the same Acquiring Bank and Payment gateway through which the Transaction was made. In the event that the Sub-Merchant initiates refunds through any other mode, the Sub-Merchant shall be fully liable for all Chargebacks raised in respect of the Transaction refunded. The Sub- Merchant shall (a) maintain a fair return, cancellation or adjustment policy in accordance with type of business; (b) disclose its return or cancellation policy to Customers at the time of purchase, (c) not give cash refunds to a Customer in connection with a card sale, unless required by law, and (d) not accept cash or any other item of value for preparing a card sale refund.

8. INDEMNITY

- 8.1. The Sub- Merchant hereby undertakes and agrees to indemnify, defend and hold harmless the Master merchant and/or the Acquiring Banks including their officers, directors and agents from and against all actions, proceedings, claims (including third party claims), liabilities (including statutory liability), penalties, demands and costs (including without limitation, legal costs), awards, damages, losses and/or expenses however arising directly or indirectly, including but not limited to, as a result of:
 - 8.1.1. Breach or non-performance by the Sub- Merchant of any of its undertakings, warranties, covenants, declarations or obligations under this Agreement;
 - 8.1.2. Breach of confidentiality and intellectual property rights obligations by the Sub- Merchant;
 - 8.1.3. Any claim or proceeding brought by the Customer or any third party against the Master merchant and/or the Acquiring Banks in respect of any Products or Services offered by the Merchant;
 - 8.1.4. Any act, deed, negligence, omission, misrepresentation, default, misconduct, non-performance or fraud by the Sub Merchant, its employees, contractors, agents, Customers or any third party;
 - 8.1.5. Chargebacks or refunds relating to the Transactions contemplated under this Agreement;
 - 8.1.6. Breach of law, rules regulations, legal requirements (including RBI regulations, Card company rules, Acquiring Bank rules) in force in India and/or in any place from where the Customers is making the Transaction and/or where the Product is or to be Delivered and/or where the respective Issuing Institution is incorporated/registered/established; or
 - 8.1.7. Any fines, penalties or interest imposed directly or indirectly on Master merchant on account of Sub-merchant's or Transactions conducted through the Sub-merchant under these Terms and Conditions.
- The indemnities provided herein shall survive the termination of this Agreement.

9. WARRANTY

- 9.1. The Master Merchant and the Facility Providers disclaims all warranties, express or implied, written or oral, including but not limited to warranties of merchantability and fitness for a particular purpose. The Sub Merchant acknowledges that the Master Merchant and the Facility Providers may not be uninterrupted or error free. The Sub Merchant also acknowledges that the services provided by the facility providers to the Master Merchant which is passed on to the Sub Merchant under this agreement, can be in any event brought to an abrupt end in any event whatsoever by the facility providers for any reason whatsoever.
- 9.2. The Master Merchants sole obligation and the Sub Merchant's sole and exclusive remedy in the event of interruption to the Services or loss of use and/or access to the Master Merchant's Site, and the facility Providers facilities, shall be to use all reasonable endeavors to restore the Services and/or access to the Payment Mechanism as soon as reasonably possible.
- 9.3. In case if the Sub Merchant's customer raises a claim on any of the master merchant or the facility providers, the sub merchant shall release master merchant (and its officers, directors, employees, agents and affiliates) from claims, demands and damages (actual and consequential) of every kind and nature, known and unknown, suspected and unsuspected, disclosed and undisclosed, arising out of or in any way connected with such claims or disputes.
- 9.4. Without prejudice to any other provisions of this Agreement, Master Merchant, and the Facility Providers shall not be liable to the Sub Merchant for any loss or damage whatsoever or howsoever caused arising directly or indirectly in connection with the Master Merchant's site and services, and the facility provider's facilities and/or this Agreement.

10. TERMINATION:

- 10.1. Immediate Termination:
 - a. Termination for Breach: - Either Party may terminate this Agreement with immediate effect if the other Party commits any breach of the terms of this Agreement.
 - b. Termination in Case of Violation of Law:- In addition to any other termination rights granted by this Agreement, the Master Merchant may terminate this Agreement immediately without liability upon verbal or written notice if (i) the Master Merchant or the Facility Providers is notified or otherwise determines in good faith that the Sub Merchant or is using the Master Merchants services and facilities in furtherance of any activity which violates any law, rule, or regulation or (ii) the Master Merchant, or the Facility Providers or any of their directors, officers, stockholders, employees or agents are made the subject of a criminal or civil action or investigation or are threatened by such action as a consequence of use of the Facility or services by the Sub Merchant. (iii) If the Card Companies, Acquiring banks de-registers the Sub Merchant.
 - c. Termination for Disruption: If any program or facility used by Master Merchant to implement this Agreement is disrupted or terminated by the Acquiring Bank or the Card Companies, Facility Provider for any reason the Master Merchant may terminate this agreement immediately.



- 10.2. Termination by notice: - In addition to any other termination rights granted under this Agreement, either Party may terminate this Agreement on 30-days written notice to the other.
- 10.3. Termination for non-use:- The Master Merchant may terminate this Agreement, if the Sub Merchant fails or neglects to use the facilities and services of the Master Merchant and the acquiring Banks for a continuous period of 180 days.
- 10.4. Withholding of charge on termination: - In the event that either of the Parties serve a notice of termination of this Agreement on the other party, the Master Merchant shall be entitled to withhold for a period of 210 days from the date of such notice, 40 % of amounts payable to the Sub Merchant in terms of Clause 3 of this Agreement in respect of each Customer Charge arising after the date of such notice. In the event that the Master Merchant terminates this Agreement as a result of breach of any of the terms of this Agreement by the Sub Merchant, the Master Merchant shall be entitled to withhold for a period of 210 days from the date of such breach 100 % of amounts payable to the Sub Merchant in terms of Clause 3 of this Agreement in respect of each Customer Charge arising after the date of such breach.

11. INTELLECTUAL PROPERTY

Each party shall retain all ownership rights, title, and interest in and to its own products and services and all intellectual Property Rights therein, subject only to the rights and licenses specifically granted in writing.

12. FORCE MAJEURE: -

The Master Merchant and the Facility Providers shall not be liable for any failure to perform any of its obligations under this Agreement if the performance is prevented, hindered or delayed by a Force Majeure Event (defined below) and in such case its obligations shall be suspended for so long as the Force Majeure Event continues. Each party shall promptly inform the other of the existence of a Force Majeure Event and shall consult together to find a mutually acceptable solution. "Force Majeure Event" means any event due to any cause beyond the reasonable control of the Master Merchant, and the Facility Providers, including, without limitation, unavailability of any communication system, breach or virus in the processes or Payment and Delivery Mechanism, sabotage, fire, flood, explosion, acts of God, civil commotion, strikes or industrial action of any kind, riots, insurrection, war, acts of government, computer hacking unauthorized access to computer data and storage devices, computer crashes, etc.

13. SUB- ID CREATION: In case of addition of Business Associate/s, the Sub- Merchant shall give written instructions to Master Merchant in the format as specified by Master Merchant from time to time. Following terms should additionally apply to the arrangement of creating any sub- Id. The Sub- Merchant will be allotted a main Merchant ID (MID) by the Master Merchant. Through this agreement the Sub- Merchant will be able to enable the Business Associates to receive online payments from the end customers. For the said purpose the Master Merchant has agreed to create sub- IDs for the Business associates of the Sub- Merchant. The addition of any new Business associates shall be intimated by Sub- Merchant to the Master Merchant in the format specified by Master Merchant. The Master Merchant shall make the payout of the Customer Charge after due deductions to the designated Bank account of the Sub- Merchant or the Business Associate as directed by the Sub-Merchant in writing. The Sub- Merchant will provide the necessary documents of such business associates as per the requirements of the Master Merchant. The Parties have agreed that all the terms and conditions, warranties, covenants addressed to Sub- Merchant herein shall be equally applicable to the Business associates of the Sub- Merchant. Any default, chargeback, refund, claim observed or received on Business Associates' MID shall be the responsibility of the Sub- Merchant. The Sub Merchant here by indemnify the Master Merchant for the acts and omissions of the business Associates. To avail the facility of Sub- IDs the Sub- Merchant must intimate the Master Merchant in writing, the Master Merchant reserves right to approve or reject the onboarding of Business Associate. Termination of this agreement will automatically terminate all the sub-ids.

14. GENERAL PROVISIONS:

- 14.1. Entire Agreement: This Agreement constitutes the entire agreement between the Master Merchant and the Sub Merchant pertaining to the subject matter hereof and supersedes in their entirety all written or oral agreements between the Parties.
- 14.2. Relationship between Parties: The Parties to this Agreement are independent contractors and nothing in this Agreement shall make them joint ventures, partners, employees, agents or other representatives of the other Party hereto. Neither Party shall make any representation that suggests otherwise.
- 14.3. Severability: If any provision of this Agreement is determined to be unenforceable for any reason, then the remaining provisions hereof shall remain unaffected and in full force and effect.
- 14.4. Variations of Agreement: Both Parties hereto may amend these terms and conditions or to introduce new terms and conditions. Any such variations or amendment or introduction will become effective and binding on the Sub Merchant upon notification to the Sub Merchant by ordinary post and if the Sub Merchant is unwilling to accept such variation or amendment or introduction, the Sub Merchant shall notify the Master Merchant in writing by Registered Post within five days from the receipt of the notification by the Master Merchant.
- 14.5. Assignment: This Agreement may not be assigned by the Sub Merchant without the prior written consent of the Master Merchant. The Master Merchant may assign all its rights, titles, benefits under this Agreement to any of its affiliates/ third party, such assignment shall apply to and bind any successor or permitted assigns of the Parties hereto.
- 14.6. Rights And Remedies; Waiver: All rights and remedies hereunder shall be cumulative and may be exercised singularly or concurrently. If any legal action is brought to enforce any obligations hereunder, the prevailing Party shall be entitled to receive its attorney's, fees, court costs and other collection expenses, in addition to any other relief it may receive. If either Party fails to perform its obligations under any provision of this Agreement or the other Party does not enforce such provision, failure to enforce on that occasion shall not prevent enforcement on later occasions.
- 14.7. Survival of Provisions: Notwithstanding any other provision to the contrary herein, terms which by their nature survive termination or expiration of this Agreement shall bind the parties following any expiration or termination of this Agreement.
- 14.8. Liability upon Expiration: Neither Party shall be obligated to extend or renew this Agreement.
- 14.9. Jurisdiction and governing law: The laws of India only and no other nation shall govern this Agreement. The Parties agree to submit to the exclusive jurisdiction of the Courts located in Mumbai, India as regards any claims or matters arising under or in relation to these terms and conditions.
- 14.10. Headings and sub – headings: The headings and sub headings in this Agreement are for convenience only and do not affect the meaning of the relative section / clause.
- 14.11. Disclosure of information: The Master Merchant will be entitled at any time to disclose information concerning the Sub Merchant to any authorised assignee, Acquiring Banks, Facility Providers or to its own employees or directors basis in connection with the Payment Gateway Mechanism facilities provided by the Master Merchant. This clause shall survive the termination of this Agreement. The Sub Merchant shall not, without the prior written consent of the Master Merchant, the Facility Providers, disclose the identity of any Customer who has entered into a Transaction or any information whatsoever relating to any Transactions to any other person or otherwise use any information acquired by it in relation to such Customers other than for the purposes of this Agreement except where (i) information already known or independently developed by the recipient prior to or independent of the disclosure; (ii) information in the public domain through no wrongful act of the recipient, (iii) information received by the recipient from a third party who was not under any legal impediment to disclose it, (iv) information required to be disclosed by any order of a court or regulatory authority of competent jurisdiction to the extent specified in the order
- 14.12. The individual signing this Agreement certifies that he/she is an authorized principal, partner, officer, or other authorized representative of Merchant identified above, is thereby fully authorized to bind Merchant to contractual obligations and is authorized to provide the information contained in this Application. The signatory of this Application also certifies that all information and documentation submitted in connection with this Application are complete and correct in all material respects. Sub Merchant authorizes Master Merchant to obtain and verify, and to continue to obtain and verify, any information submitted in this Application, including banking information, financial credit, or other information about Merchant, any relevant information regarding principals, partners, officers, or other authorized representatives of Merchant, and any other individuals listed on this Application, including the individual signing below, and for Master Merchant to use such information as reasonably necessary during the course of providing the services contemplated here under as well as for Master Merchant to share such information with its affiliates or as otherwise allowed by applicable law.
- 14.13. Notices
 - a. Any notice, direction or instruction given under this Agreement shall be in writing and delivered by hand, post, cable, facsimile or telex to

In the case of the Sub Merchant	In the case of the Master Merchant
---------------------------------	------------------------------------



As provided by Sub- Merchant from time to time.

Name: INFIBEAM AVENUES LIMITED, Address: Plaza Asiad, Second Floor, Station Road, Santacruz (West), Mumbai 400 054. India.
 Fax: 91-22-26480772,91-22-67425542 Tel. 022-67425555
 Email: accounts@ccavenue.com ATTN:- Mr. Vishwas Patel

- b. Notice will be deemed given : In the case of hand delivery or registered mail or e-mail or overnight courier upon written acknowledgement of receipt by an officer or other duly authorized employee, agent or representative of the receiving party;
 c.Nothing in the aforesaid clauses shall affect any communication given by way of the internet or other electronic medium as otherwise provided in this Agreement for the purpose of rendering the services.

15. ARBITRATION:

The parties will endeavour to settle amicably by mutual discussion any disputes, differences or claims whatsoever related to this agreement. Failing such amicable settlement the dispute shall be settled by arbitration. The Arbitration and Conciliation Act 1996 (and any subsequent amendment to this act) shall govern the arbitration proceedings. The arbitration shall be held in Mumbai, India. The language of arbitration shall be English and the arbitral award shall be final and binding on both the parties. The arbitration proceedings will be held before the sole Arbitrator appointed by mutual consent of both the parties. Any arbitration award will be final and binding on the parties, and judgment there on may be entered in any court of competent jurisdiction. This agreement (including its jurisdiction clause) shall be governed by, construed and take effect in accordance with the laws of India. The courts of Mumbai shall alone have jurisdiction in all matters.

ANNEXURE A

Consideration –

- The Sub Merchant's Customer shall pay to the Master Merchant following Non- Refundable charges as mentioned below except Setup Fee, Annual Software Maintenance Cost and TDR For (Debit Cards) which shall be paid by the Sub Merchant:

Set Up fees[One time Non Refundable]	Rs.10000/ +Taxes as applicable
* TDR For Credit Card (Master Card/ Visa) INR	1.95%+Taxes as applicable
* TDR For (Diners/ Discover)	_NIL_ %+Taxes as applicable
* TDR For (Amex/ JCB) INR	2.75%+Taxes as applicable
* TDR For (Debit Cards) (Charged to Sub Merchant)	0.90%+Taxes as applicable
* TDR For (Net Banking)	1.80% +Taxes as applicable
* TDR For (Cash Card / Mobile Payment)	1.90%+Taxes as applicable
* TDR For (Phone Pay/ Wallet)	1.90% + Taxes as applicable
* TDR for UPI	0.75% < INR 2000 + GST 1.00% > INR 2000 + GST as applicable
Annual Software Maintenance Cost payable per annum payable in advance in April of every Year OR Pro Rata thereof	Rs.3600/- +Taxes as applicable
Payment Schedule	T+2 Basis
<p>*TDR= Transaction Discount Rate (Rate charged to the Sub Merchant's Customer as per RBI guidelines except TDR for Debit card transactions) by the Master Merchant on the transaction amount processed through Master Merchant and / or the Facility Providers, Card Companies, Payment Gateway System AND it includes the Merchant Discount Rate as notified by the Reserve Bank of India, the Facility Providers, the Acquiring Banks and Card Companies from time to time AND the processing and other charges charged by the Master Merchant as its service charges from time to time. The Transaction Discount Rate is exclusive of GST and/or any other Taxes as notified by the Government from time to time). Taxes as applicable (such as GST) will be levied on set up fees, ASMC and Transaction Discount Rate (TDR) as applicable</p>	



Appendix L

The letter to stakeholders on the surcharging issue (Date 03-11-2018)

To

Sh. T R Ramachandran, Group Country Manager for India and South Asia, Visa
Sh. Porush Singh, India & Division President, South Asia, Mastercard
Sh. Dilip Asbe, MD & CEO, NPCI
Dr. Badri Singh Bhandari, WTM (Eco) Market Watch & Research, PG Portal, PFRDA
Sh. Akhilesh Kumar, GM, NPS Trust
Sh. Aditya Puri, MD & CEO, HDFC Bank
Ms. Anuradha Rao, Deputy Managing Director (Strategy) & Chief Digital Officer, SBI
Sh. Uday Kotak, MD & CEO, Kotak Mahindra Bank
Smt. Shikha Sharma, MD & CEO, Axis Bank
Sh. M N Srinivasu, Cofounder, Director, BillDesk
Smt. Geeta Pillai, DGM, SBIEPay
Sh. R Subramanian, CGM-in-Charge, Department of Banking Supervision, RBI
Sh. P Vasudevan, CGM, Department of Payment and Settlement Systems, RBI
Sh. Ashok Narain, CGM, Consumer Education and Protection Department, RBI
Dr. Bhushan Kumar Sinha, Joint Secretary, DFS, Ministry of Finance
Sh. S Gopalakrishnan, Joint Secretary, Ministry of Electronics and Information Technology
Dr. Shashank Saxena, Economic Adviser, DEA, Ministry of Finance

November 03, 2018

Dear Sir/Madam,

Subject: Organised surcharging on debit/credit card transactions in violation to set rules – Lack of accountability of acquirer banks and card schemes.

1. This note/letter relates primarily to HDFC Bank and SBI who are acquirer banks to the merchant – National Pension System (NPS) Trust. These acquirer banks (HDFC Bank and SBI) provide the payment gateway service to NPS Trust through the aggregator/facilitator India Ideas (BillDesk) and SBIEPay, respectively. SBIEPay is a unit of SBI. The major payment network providers (Card Scheme) are Visa, Mastercard and RuPay.

2. It was brought to the notice of a card issuer bank (Kotak Mahindra Bank) and Visa, through an illustration, that HDFC Bank through its aggregator BillDesk is surcharging debit card users. BillDesk, on behalf of the acquirer HDFC Bank, came to an agreement with NPS Trust, as early as 2017 beginning, that they would surcharge the debit card users @ 0.8%



(*plus* GST) of the transaction amount. This got displayed on the eNPS website as well (please see the attached screenshot, Image-1). The terminology used for such a surcharge is “payment gateway charges”.

3. As on date, HDFC Bank and NPS Trust continue to fraudulently surcharge the naïve debit card users who are ignorant of the set rules and regulations that prohibit surcharging (and even if they are aware, would not like to spend time to correct their specific issue on such illegal surcharges¹). However, the banking industry is not ignorant of the same, particularly, the HDFC Bank and its aggregator BillDesk, who had been in the payments business for long.

4. As a result, for every Rs 50,000 contribution to NPS Trust using a debit card, BillDesk as an intermediary facilitating the acquirer HDFC Bank and the merchant – NPS Trust, levies a surcharge of Rs 470. This surcharge amounts to 0.94% of the transaction amount (including GST). Under the extant rules, this charge cannot be passed on to debit card users by an acquirer bank even if its merchant declines MDR to the acquirer bank.

5. Now, let us come to the acquirer bank SBI that is facilitated by SBIPay (a vertical of SBI itself). SBIPay on behalf of the acquirer bank SBI came into an agreement with NPS Trust as early as 2015, that SBI, the acquiring bank, would surcharge the debit card user @ 0.8% (*plus* GST) of the transaction amount. This got prominently displayed in the eNPS website before initiating payments.

6. SBI and NPS Trust continued to fraudulently surcharge the unsuspecting debit/credit card users who were ignorant of the rules and regulations that prohibit surcharging. However, only since March 12, 2018 (for Visa and Mastercard) and as late as September 07, 2018 (for RuPay), SBI and NPS Trust stopped the fraudulent practice of surcharging debit card transactions. In fact, not only did they stop surcharging but also stopped all debit card payments in excess of Rs 2000 (the limit upto which the government bears the MDR).

¹ As an analogy, in situations where an autorickshaw, say in Delhi, having a fast tempered meter or, demand extra money to take you to your destination, one doesn't know how to smoothly get a redressal. This does not mean that not highlighting the issue absolves the autorickshaw-driver of his fraudulent act.



7. As one uses a debit card product of Visa/Mastercard/RuPay issued by a bank, to bring the concerns of debit card surcharging to its logical end, we need to understand the role of card schemes (Visa/Mastercard/RuPay) and the acquirer banks (HDFC Bank and SBI, in this case). Visa/Mastercard/RuPay rules prohibit surcharging by merchants or acquirer banks on debit (and credit) card transactions and the acquirer banks are required to adhere to the same while setting a relationship with a merchant.

8. The RBI and the government are in sync on the surcharging front, at least on debit cards. In this regard, please see the two attachments – particularly, paras 5 and 6 of the RBI notification (Doc-1, RBI/292 DBS.CO.PPD No. 3578 /11.01.005/2013-14 dated September 17, 2013) and para 6A(i) of the government's OM (Doc-2, Ministry of Finance DEA F.No-01/02/2015-Cy.I dated February 29, 2016). RBI highlighted the no surcharge rule for debit cards as early as September 17, 2013 that still stands.

9. Furthermore, please refer to para 6 of the recent RBI notification (Doc-3, RBI/105 DPSS.CO.PD No.1633/02.14.003/2017-18 dated December 06, 2017, attached) and para 6(iv) of the gazette of India notification (Doc-4, Ministry of Electronics and Information Technology, New Delhi, dated December 27, 2017, attached), which reiterates point 8 above, prohibiting surcharging on debit cards.

10. Nonetheless, it is important to note that much before these RBI/GoI rules, Visa and Mastercard (and now also RuPay), since their inception in India, had set these rules of “*no surcharging or differentiated pricing based on payment mode*”. Given this backdrop, isn't it the acquirer bank's responsibility to ensure that there is no surcharge on debit (and credit) cards? However, in this case, the two banks have been proactive in encouraging debit (and credit) card surcharges in violation of their Visa/Mastercard/RuPay agreement.

11. The above quoted September 2013 guideline of RBI states that:

“Levying fees on debit card transactions by merchants— There are instances where merchant establishments levy fee as a percentage of the transaction value as charges on customers who are making payments for purchase of goods and services through debit cards. Such fee are not justifiable and are not permissible as per the bilateral agreement between the acquiring bank and the merchants and therefore calls for termination of the relationship of the bank with such establishments.”



Though many banks have appreciated our concerns and have discontinued with the above mentioned practices/ products, some of them still seem to persist with them. These practices/ products thwart the very principle of fair and transparent pricing of products which beholds customer rights and customer protection, especially, in the more vulnerable retail segment. Such practices thus violate, both in letter and spirit, various provisions of our MC on Interest Rate on Advances and therefore, you are advised to strictly desist from these practices hence forth.”

12. As early as March 17, 2018, it was brought to the notice of Kotak Mahindra Bank (an issuer bank) the concern of surcharging by NPS Trust. It took them some time to understand the rules on surcharging or what constitutes surcharging. I am not sure if the bank’s card issuing team are well conversant in distinguishing surcharge *vis-à-vis* common administrative fees for online merchant transactions (which is payment mode agnostic)! To begin with, like a naïve debit card user, the bank too carried an impression that since NPS Trust has upfront displayed levy of a surcharge on debit cards @ 0.8%, and once the debit card user consents to pay the total displayed amount at the time of authentication by typing in the secured OTP, the whole concern becomes a non-issue². This highlights sheer lack of awareness of the rules on surcharging not only by front-end officers of issuer banks but also others in the hierarchy dealing with debit card business.

13. Lately, similar experience of debit card surcharge was shared with another issuer bank – Axis Bank. As in case of Kotak Mahindra Bank, Axis Bank too was oblivious in its initial understandings of what constitutes surcharging for online card payments. Discussions with several other banks revealed that this opacity prevailed across many card issuing banks.

14. The present scenario is attributed more to the payments industry, which includes three players – the issuer, card scheme, and the acquirer. The building of awareness and educating bankers and consumers on this issue needs contributions from Visa/Mastercard/RuPay since they are the pioneers of the no surcharge rule, which now has the backing of RBI and the government. No one would want the existence of a potential that creates negative sentiments in the digital payments space, unless of course the extant rules and regulations on debit card surcharges are faulty.

² Again, refer to footnote 1.



15. It appears that for RuPay transactions, at the time of online OTP authentication, RuPay and the acquirer bank do not display the final transaction amount that is being authorised through the authentication (attached are couple of screenshot illustrations – Image-2 and Image-3). RuPay needs to address this and enforce immediate rectification.

16. Though this note/letter discusses the case of a merchant (i.e., NPS Trust) that in some way contributes to the practice of surcharging debit/credit card transactions (by refusing to bear the MDR, or by not charging a fixed administrative fee, irrespective of the online payment mode), other examples exist too. Consider, for example, the Ministry of External Affairs (MEA), where online payments towards passport issuance fees, etc. made by debit/credit cards are surcharged with the knowledge of their acquirer banks. However, only since the government's support on bearing MDR, debit card payments for the passport issuing service are not being surcharged.

17. It would be good to see in this “*vigilance awareness week*” that Visa/Mastercard/RuPay on their own (and based on their agreement signed with acquirer banks) check these wrong practices and ensure that surcharge received for all debit card transactions at the merchant – NPS Trust (where HDFC Bank/BillDesk and SBI/SBIePay levied surcharge @ 0.8% of the transaction amount) is refunded to all the eligible bonafide debit card holders. A line from Visa/Mastercard/RuPay seconding/supporting the same would boost the spirit behind the letters (of the extant card scheme rules). Kindly let us know the stance that Visa/Mastercard/RuPay/HDFC Bank/SBI desires, or finds appropriate to take.

18. Finally, in this “*vigilance awareness week*”, though I find that HDFC Bank and SBIePay are eager to correct their lapse specific to an individual who comes forward to showcase this organised surcharging, I would fail in my responsibility towards enhancement of accountability in public interest, if I stop here. Technically, the moment HDFC Bank and SBI, as acquirer banks, realised the systematic surcharging on debit cards, they should have worked towards termination of unlawful surcharges and initiated refund of such wrongful surcharges levied in a systematic manner. Showcasing honesty and accountability, HDFC Bank and SBI would definitely not need any details from debit card holders (of various banks) who used the same at the payment gateway set by BillDesk/SBIePay for NPS Trust.



19. To conclude, card schemes, acquirer banks and issuer banks all need to create awareness among bank staff and officers, thereby building a capacity to educate and protect consumers towards card/digital payment surcharges in our country's payment system. Such a move would not only act as a deterrent for acquiring banks and merchants but also nip such surcharging incidents in the bud so that they do not remain unchecked for so long.

I wish you all a happy Diwali. Thanking you and with regards,

Ashish

Professor Ashish Das
Department of Mathematics
IIT Bombay
Powai, Mumbai 400076

Enclosures:

1. Image-1: Display of surcharge on the eNPS website
2. Image-2: RuPay (HDFC Bank) authentication screen without transaction amount
3. Image-3: RuPay (ICICI Bank) authentication screen without transaction amount
4. Doc-1: RBI notification, RBI/292 DBS.CO.PPD No. 3578 /11.01.005/2013-14 dated September 17, 2013
5. Doc-2: Government's OM, Ministry of Finance DEA F.No-01/02/2015-Cy.I dated February 29, 2016
6. Doc-3: RBI notification, RBI/105 DPSS.CO.PD No.1633/02.14.003/2017-18 dated December 06, 2017
7. Doc-4: Gazette of India notification, Ministry of Electronics and Information Technology, New Delhi, dated December 27, 2017



Appendix M

Extract of a response from among ‘The Big Four’ and Author’s rejoinder (Date 26-02-2019)

Surcharge

What was the incorrect practice?

- An additional charge was levied to end customers on making the payment using debit and credit card
- The debit card charges are regulated by RBI and no additional charge can be levied for such transaction through any payment mode
- The additional charge mentioned is derived basis the arrangement between the aggregator and sub merchant
- Bank charges ONLY the MDR from the aggregator, as per the regulatory guidelines. The aggregator recovers the amount from the merchant, which would cover the above MDR plus their associated cost of digitising the transaction. In the entire transaction, bank’s only revenue is MDR.

○ **Example 1: Transaction via an aggregator for Government merchant:**

Transaction Authorization	
Original Amount	10,000
Additional charge levied by aggregator on behalf of merchant (0.80% plus GST)	94
Final transaction for customer	10,094
Distribution of INR 10,094	
Merchant	10,000
Issuer (Interchange)	10
Acquirer (MDR – Interchange)	5
Aggregator	79

○ **Example 2: Transaction without an aggregator for Government merchant:**

Transaction Authorization	
Original Amount	10,000
Additional charge levied by merchant (0.80% plus GST)	94
Final transaction for customer	10,094
Distribution of INR 10,094	
Merchant	10,079
Issuer (Interchange)	10
Acquirer (MDR – Interchange)	5

- The sub merchant (generally the government merchants) are not willing to bear the cost of the MDR or the associated cost of aggregator for digitising the transaction



Why it happened?

- Government merchants have been presented as a non-profit entity and hence of the view that MDR should not be charged to the entity for acceptance of digital payments. The option to pay by digital form has been looked at a convenience for the customer thus the charge passed to the customer by the government entities.
- In Oct 2009, MasterCard issued a bulletin to allow convenience fees for Government and Education merchants, the charge to be passed to the customer by the merchant and should be reasonably related to the merchant's cost of acceptance of cards
- This view of non-profit and the allowance of convenience got reflected in the RFPs initiated by the relevant govt. departments for digital payment acceptance and hence become a norm.
- RBI notification in Feb 2017 & clarification in Sept 2017 leading to reimbursement of MDR for Debit card transactions up to INR 1 Lakh. However this was restricted to central government only and debit card transaction only. The circular also mentions that not to deduct MDR charges from the receipts of government.
- RBI notification in Dec 2017 stated about no transaction cost to be passed to the cardholder for debit card. With Government merchants continuing to refer to Sept 2017 notification about not to deduct MDR charges from the receipts of government, this led to cost being borne by the bank

Corrective and Preventive Strategy adopted

- The MDR on debit card transaction were modified from Jan 2018 by RBI. In Dec 2017, Bank formally communicated to all merchants and aggregator, that – “No surcharging would be permissible on domestic debit cards, irrespective of transaction value, and any sub-merchants/aggregator found doing so, would be deactivated by the bank with immediate effect”
- With regard to imposition of maximum transaction amount cap of Rs. 2,000/- on sub-merchant website, Bank is in process of communicating to our aggregator and merchant that the selective acceptance of such debit card facility cannot be continued. For sub-merchant not willing to accept MDR for debit card transaction greater than 2,000/-, the Axis Bank payment gateway facility will be discontinued with such sub-merchant, to safeguard the interest of the customer.



Differential MDR and Interchange : Pricing, Convenience, Impact & Execution

In this section, we bring forward the reasons for higher MDR on credit card as opposed to other digital payment instruments by comparing the costs to a Bank for credit card vs debit card (as an example).

The list below showcases the broad components that go into each rupee spent done by the customer and its applicability to a debit / credit card payment mode.

Sr. No.	Cost Aspect	Credit Card	Debit Card
A	Transaction Cost	√	√
B	Rewards Cost	√	√
C	Cost of Funds	√	NA
D	Credit Loss	√	NA
E	Other Costs	√	√

Prima facie, the following points should be noted:

1. The biggest chunk of the costs i.e. Cost of Funds & Cost of Credit are not even applicable to a debit cards which justifies the lower MDR rates for debit cards and similarly other debit based digital payment instruments. It is important to note that these 2 cost components put together account for over 50% of the total transaction costs.

2. If we further compare the rest of the 3 cost components (A, B &E) applicable to both credit & debit card transactions; the costs of credit card transactions are almost twice of debit cards. The reasons include, significantly higher benefits being given to customers in the form of rewards & delights, higher costs of transaction processing and other associated charges. Approximate values provided in Annexure A

The above pointers justify the higher MDR rates of credit card transactions. Moreover, the risk undertaken by the Banks in credit cards is quite significant and over & above these costs.



An important aspect that can be further looked upon is the benefits bought to the merchant by enabling digital transactions. These include:

- a. Cost of Cash management i.e. 1-1.4% of revenue for micro, small & medium enterprises
- b. At an even more macro level – ~1.7% of GDP including associated entities like, Banks, Central Bank and household

It would be a fair point to say that these cost save to the merchant / economy could have been the same if the transactions were done using Debit or other digital payment instruments like BHIM-UPI. However, the following points need to be looked at while drawing a conclusion:

- a. Credit Cards are preferred payment instrument by customers over debit cards. For example, average number of transactions done by a Debit card is 0.4 vs that of Credit Card to be at 3.4 per month
- b. Customers spend higher amounts with credit cards purchases which results in higher sales for merchants adding to their profitability. For example, average ticket size of Debit card transaction is Rs. 1435 vs that of Credit Card to be at Rs. 3539. Similarly if we look at UPI transactions the average ticket size is Rs. 1634.

We further draw reference towards differential interchange applied on small & medium merchants. In this context, it is prudent to note that interchange in credit cards is defined by the merchant category and not as per the merchant size i.e. they remain constant for a particular merchant category. For example, if the merchant has been assigned a merchant category code of grocery, the interchange shall remain same irrespective of the size of the merchant. On having lower interchange for government bodies, utilities, schools, post office etc.; the idea is to promote digital payments across these categories as they are basic needs of the consumer.

Overall, credit card business is a four party model including merchant, acquiring bank, network & issuer bank. Spends and engagement levels within this business are extremely beneficial to all the parties. Therefore, altering this by passing the credit fee to customer instead has not been done across globe.



Asset Light Pricing

Details	POS	QR
Domestic Transaction Processing Cost	14 bps - 15 Bps	13 bps - 14 Bps
Asset Cost (in Rs.)	5,000 – 13,000	-
Monthly Rental to merchant (in Rs.)	250 – 1,000	-

While QR payment infrastructure is light on pockets as compared to PoS, the cost of transaction for both payment modes is nearly the same.

Whereas PoS merchants are required to pay rental to bank towards the terminal installed at their establishment to accept card payments. Bank passes the benefit of low cost of QR infrastructure to said set of merchants by not charging any asset rental.

Annexure A

Cost components (range)	Credit Card	Debit Card
Cost of Funds (annualized)	7.00% - 8.00%	-
Credit Loss (annualized)	2.00% - 4.00%	-
Transaction Charges (% of spends)	0.40% - 0.45%	0.30% - 0.35%
Rewards (% of spends)	0.10% - 2.00%	0.02% - 0.50%
Others (% of spends)	0.55% - 0.60%	0.18% - 0.20%

Author's rejoinder

1. The bank explains the incorrect practice of surcharge and why it happened. Through an example it explains the modulus operandi which led to an inappropriately extorted surcharge of Rs 94 for a transaction of Rs 10,000.

2. For efficient and cost effective deliveries of services to their customers, banking companies resort to outsourcing, e.g. cash management for ATM, or IT systems development/maintenance, or opening of bank account and providing banking service under a business correspondence (BC) model. The liability of delivering services to their customers, within the laid down rules, however, rests with the company.



3. Ideally, through capacity building, the bank can gear up its resources and provide direct service to their customers. However, if it turns out to be more efficient and cost effective, banks resort to outsourcing with full liability on the deliverables continuing to rest with them. Accordingly, proper audit and control processes are put in place to check the outsourced activity. For example, a BC cannot charge a bank's customer in excess of the rates prescribed by the bank. If the BC does charge more, the responsibility to its customers for the BC's wrong doing rests solely with the bank.

4. The digital payment space, at the basic level, comprises of five players – card holders, merchants, issuing bank, acquiring banks and card payment networks. Within these players the service can be availed and provided. For improvement in efficiency, in case we bring in more players, that should be within the given cost structure of the ecosystem. Banks should not create layers that add to the costs of the digital payments ecosystem, making it expensive for end users.

5. The relationship between a bank (highly regulated entity) and a payment facilitator/aggregator (unregulated entities within the regulated space) should be symbiotic whereby not only banks and aggregators gain but the penetration of digital acceptability also grows. With a growing pie, every entity's share enlarges. However, contrastingly, rather than a symbiotic relation, if the aggregators become parasitic and feed on to the system by adding to its cost, it will not only hurt the banks and their customers, but will also lead to loss of trust in digital acceptability. This will be a retrograde step, negating all the efforts government has put in towards promotion of payments through cards and digital means.

6. The responsibility to curtail such cost escalations should lie with the entity that has brought the intermediaries in or are functioning with them. If banks are doing business with them then banks have to own the responsibility. In June 2016 RBI's Payment and Settlement Systems in India VISION-2018 document, mooted the idea of regulating the payment facilitators/aggregators and the payment gateway service providers. Recently, RBI's February 2019 Statement on Developmental and Regulatory Policies reiterated the need of regulating such entities and indicated that a discussion paper on the same will be placed in the public domain for consultation with the stakeholders.

7. Three years back the Government of India issued an advisory that all merchants (irrespective of the merchant type) should bear the cost of accepting digital payments. This was in addition to rules already imposed by card payment networks onto their banks. If the banking industry (or the merchant community) felt otherwise, they could have contested it rather than proactively allowing such surcharges in connivance with the merchants that too in an uncontrolled fashion. Our report, has tried to analyse this aspect and found that some sort of surcharging may be in the interest of the payment system provided it is restricted only to credit cards.



8. It is true that altering the benefits of free credit, in case of credit cards, by passing the credit fee to the credit card user instead has not been done across globe. However, it is also true that no country has an economy like India where (i) the government has issued an advisory of no surcharging digital payments; and (ii) the credit cost in a credit card (vis-à-vis debit cards) is significantly higher and of the order of 9-12% per annum. Even though in a country like United States that has very low credit costs, surcharging credit card payments in the hands of the merchants is allowed in majority of states, for India, to protect the interests of the merchants and consumers, we propose freedom to surcharge credit card payments to the extent of credit cost only and that too in the hands of the issuer banks.

-----X-----