

NPCI/UPI/OC-70/2019-20

June 17, 2019

All Members, Unified Payments Interface (UPI)

Dear Sir / Madam,

Introduction of P2PM category in UPI for unorganised or small merchants

UPI has emerged as a popular payment method offering Peer-to-peer (P2P) & Merchant payment (P2M) services. The product possesses flexibilities to deepen and emerge as a popular and preferred payment mode amongst the masses.

In order to achieve this vision, the UPI stakeholders have jointly agreed to devise an approach to bring small merchants or vendors with low value ticket size into the digital framework. Towards this cause, UPI is introducing a new category 'P2PM' catering to small merchants and unorganised retail sector. This category shall be in addition to the other two existing categories P2P and P2M respectively.

Defined below is a brief guideline to on-board merchants to accept payments on this category:

- 1.) The Merchants under the P2PM category must necessarily be on-boarded under the MCC 7407 by the acquiring PSPs.
- 2.) Similar to P2M, the responsibility of on-boarding merchants and assigning this MCC shall be of the Payee PSP.
 - a) Acquirers may include all small merchant enterprises who are presently not in the digital payments ambit.
 - b) The pricing and other applicable charges for transactions acquired under this category shall be same as that of P2P.
- 3.) Small merchants with an expected inward UPI transaction less than or equal to Rs. 50000 per month can be categorised under 'P2PM'.
- 4.) The Acquirer shall not charge any MDR to merchants acquired under the P2PM category.
- 5.) While all the transactions under the P2PM category shall be settled as P2P, they will be categorised as merchant transactions.
- 6.) Migration to P2M category:
 - a) After successful on-boarding of small merchants under P2PM category, a cooling period of 3 months may be provided.

- b) Payee PSP must ensure a velocity check for merchants acquired under the P2PM category to monitor the inward transaction threshold of Rs. 50,000 per month post the cooling period.
- c) Merchants with UPI payment inward of Rs. 50,000 per month consecutively for 3 months, in any period after the cooling period, must be formally acquired by the payee PSP under P2M category, with applicable P2M commercials and corresponding MCC.

Member Banks are hereby requested to take note of the above and ensure compliance. NPCI reserves the right to penalise and take necessary action against the Acquiring bank in case of non-compliance.

Yours Faithfully,

Praveena Rai
Chief Operating Officer