

To,

All UPI Member Banks

Dear Sir/Madam,

Subject: Introduction of “On-Device wallet” – UPI Lite for Small Value Transactions

UPI has become one of the most preferred digital payment mode for Indian citizens because of ease and convenience, superior user experience, security and interoperability. To realize the vision of billion-a-day payments within the next 3 to 5 years, NPCI has been aggressively innovating and adding new features in UPI from time to time to expand its usage.

Various studies on payment systems have observed that about 75% of the total volume of retail transactions (including cash) in India are below ₹100 transaction value. Further, 50% of the total UPI transactions are having a transaction value of up to ₹200/-. To process billion-a-day transactions, entire UPI ecosystem will have to invest heavily in infrastructure upgrade. Large banks have already implemented upgrades, such as separate financial and meta transactions infrastructure, separate endpoints for payment service provider (PSP) / issuer and to provide better technical up time for UPI services, and such banks are getting ready to process three times of current volumes.

As an efficient strategy to process large-scale small value digital payments and based on the guidelines issued by RBI for enabling mobile devices to support offline payments vide its circular no. CO.DPSS.POLC.No. S1264/02-14-003/2021-2022 titled “**Framework for facilitating small value digital payments in offline mode**” dated 3rd January 2022, NPCI has designed the “UPI Lite – On-Device wallet” (“**UPI Lite**”) functionality for UPI user (User). In phase 1, UPI Lite will process transactions in near offline mode i.e. debit offline and credit online, and at a later point, UPI Lite will process transactions in complete offline mode i.e. debit and credit both offline.

A User of UPI App will have the option to enable UPI Lite i.e. “On-Device wallet” on her/his UPI App. Once enabled, the User can allocate funds from her/his bank account to UPI Lite. Such funds shall reside with the User’s bank in an escrow / pool / designated account and such balance shall reside on-device on the common library (CL) of the User’s UPI App.

At present, only debit from UPI Lite balance shall be permitted and all credits to UPI Lite (including refunds, etc.) will be processed online in the User’s bank account maintained in the bank’s core banking system. The upper limit of an UPI Lite payment transaction shall be ₹200/-.The total limit of UPI Lite balance for an “On-device wallet” shall be ₹2,000/- at any point of time. Replenishment of funds in UPI Lite shall only be allowed in online mode with additional factor authentication (AFA) or using UPI AutoPay which has been registered by the User in online mode with AFA.

UPI Lite offers the following advantages to the UPI ecosystem:

1. Superior user experience using faster near real-time small value payments
2. Uncluttered bank statement for the User.
3. Reduction of load on core banking system of the member bank.

User experience on UPI Lite:

1. The UPI Lite balance shall be non-interest bearing.
2. The UPI Lite transactions shall be offered without AFA i.e. UPI PIN. However, it is recommended that the UPI App is accessed by the User with app passcode/device authentication (biometric, pattern, etc.) before performing the UPI Lite transaction, unless the User has disabled the app authentication.
3. The User can have multiple such UPI Lite on-device balances depending on the number of UPI Apps used by the User to access one designated bank account.
4. The User can enable, disable and top up the UPI Lite (only in online mode) at any point in time and the fund transfer between the UPI Lite and User's bank account shall be processed in real-time.
5. The UPI Lite balance shall be displayed on the home screen of the UPI App to eliminate the need of separate balance inquiry.
6. The UPI App shall, by default, use UPI Lite balance for transactions having value of less than or equal to Rs 200/- excluding peer-to-peer collect request transactions.
7. The User shall receive the consolidated debit SMS for financial transactions at regular intervals after the transactions are presented to the User's bank.
8. The UPI App shall mandatorily enable the User to raise disputes for UPI Lite based transactions. Members shall ensure that online dispute resolution (ODR) functionality is made available for UPI Lite transactions.
9. The issuing bank shall also facilitate the handling of customer grievances after the transaction information with respect to UPI Lite transactions is made available to these banks.
10. Instructions issued for "Harmonization of Turnaround Time" by RBI will be applicable to failed UPI Lite transactions.

Members are also advised to refer to the aforementioned RBI framework on small value payments in offline mode and the process guidelines issued by NPCI with respect to UPI Lite. Initially UPI Lite shall be launched as a pilot with multiple banks and app providers, and after a due comfort is achieved, the full scale commercial launch with compliance timelines for on-boarding for the issuers and app providers shall be declared. Please refer Annexure A for additional details on UPI Lite.

Yours Sincerely,

Kunal Kalawatia (Sd.)

Chief of Product

Annexure A

A. Customer-facing Information and experience to be provided, in addition to specifics in the circular

By UPI App, for UPI Lite enablement:

1. The User's (only) bank account will be debited for loading UPI Lite
2. The User can disable UPI Lite services at any point of time from the UPI App and on disabling UPI Lite, balance funds will be credited back to the User's account in real-time

By UPI App, for UPI Lite transaction

1. UPI Lite transactions will be processed without any UPI PIN. However, the app authentication shall be used before using the UPI lite, unless this feature has been disabled by the User
2. The available balance shall be displayed to the User on the UPI App's home page at all the times

Post Transaction

1. The UPI App shall display the relevant status of each UPI Lite transaction (pertaining to enablement, top-up, and disable UPI Lite), on the transaction history page of the App with clear distinction from UPI online transactions.
2. In case of any disputes, the UPI App shall display status of the funds being credited to the User's bank account as per the dispute management process.

B. Responsibility of the UPI App and PSP, in addition to specifics in the circular

1. To take mandatory consent from the User for UPI Lite enablement with clear and specific disclaimers and create awareness of this functionality and its advantages to the User.
2. To ensure that UPI Lite services are not offered on jailbroken/rooted (unsecured) mobile phones.
3. The PSP (and/or third party app provider (TPAP)) shall be responsible for User management and other responsibilities related to usage of UPI Lite including that of safety and security of UPI App and in turn UPI Lite.
4. The UPI App may send in-app notifications for the enablement of the UPI Lite to Users to provide a better experience to the Users.
5. The UPI App shall not enable peer-to-peer collect transaction from UPI Lite.

C. Responsibility of the Issuing Bank, in addition to specifics in the circular

1. Debit the User's bank account on receipt of UPI Lite top-up request and manage the funds allocated by the User for UPI Lite.
2. Carry out reconciliation and settlement of UPI Lite transactions including the balance verification with respect to UPI Lite.

3. UPI Lite payments shall be covered under the provision of RBI's limited customer liability circular (as amended from time to time) namely – DBR.No.Leg.BC.78/09.07.005/2107-18 dated July 06, 2017; DCBR.BPD.(PCB/RCB).Cir.No.06/12.05.001/2017-18 dated December 14, 2017 and para 17 of Master Direction on Prepaid Payment Instruments dated August 27, 2021.
4. The User shall have recourse to the Reserve Bank – Integrated Ombudsman scheme, as applicable, for grievance redressal.
5. Support the statement query, account closure, account balance and dispute management as done for regular UPI transaction processing.