

THE BAN ON MASTERCARD: A QUICK CHECK ON INDIA'S DATA LOCALIZATION NORMS



MAJMUDAR & PARTNERS

INTERNATIONAL LAWYERS

104, Prestige Meridian- 1, No. 29 M.G Road,
Bangalore - 560001, INDIA
Tel: +91 80 41470000, Fax: +91 80 4147 0010
Other Offices: Mumbai, New York
Integrated Network Offices: Chennai, Hyderabad and New Delhi
E-mail: mailbox@majmudarindia.com
www.majmudarindia.com

Background

- In April 2018, the RBI issued a circular mandating all payment system operators (PSOs) to store payment data in India. The PSOs were given six (6) months' time, i.e., until October 15, 2018, to comply with this requirement.
- The PSOs were also required to submit board approved system audit reports on the completion of this compliance to the RBI on or before December 31, 2018.
- In October 2018, the RBI met with PSOs to understand the technical difficulties and concerns in complying with this requirement. The RBI noted that only 16 non-bank PSOs were non-compliant, and major companies like Visa and Mastercard were taking necessary steps to comply with the requirement.



Recent actions taken by the RBI

- In November 2019, the RBI asked the National Payment Corporation of India to ensure that WhatsApp Pay complies with data localization requirements before launching its payment services in India.
- In 2020, similar data storage requirements were made applicable to payment aggregators and payment gateways by the RBI.
- In April 2021, the RBI restricted American Express Banking Corporation and Diners Club International Limited from onboarding new customers due to violation of data localization requirements.
- On July 14, 2021, the RBI imposed a similar restriction on Mastercard Asia Pacific Pte Ltd and barred Mastercard from onboarding new customers from July 22, 2021 due to non-compliance with data localization requirements.



Key takeaways

- The RBI has been focusing on data privacy and data security extensively.
- The RBI is proactively taking steps to ensure that customer payment data is processed and stored in India, and is initiating actions against any company (including multinationals) who are in breach.
- New PSOs looking to establish their business in India must ensure due compliance with data localization and data security requirements before launching their services.
- The RBI has also tightened oversight on payment aggregators and payment gateways, who should ensure due compliance of data localization and data security norms to avoid any future actions by the RBI.



Thank You



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