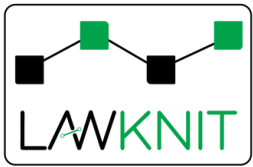
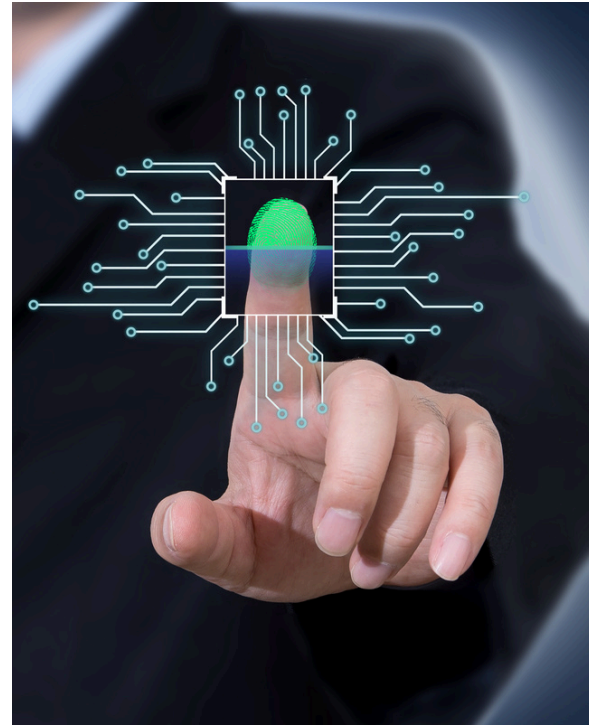


AEPS TOUCHPOINT OPERATORS- FINTECH FINANCIAL INCLUSION OPPORTUNITY!



INTRODUCTION

- Aadhaar Enabled Payment System (AePS) is a payment system operated by National Payment Corporation of India (NPCI).
- AePS is used in rural jurisdictions and facilitate disbursements of government entitlements like NREGA, Social Security pension, Handicapped Old Age Pension etc.
- It facilitates interoperable financial transactions through the AePS Business Correspondent / Bank Mitra/ Touchpoint Operators of any bank ("**Correspondent**").
- There have been recent instances of frauds through AePS (due to identity theft or compromise of customer credentials. The drafts guidelines on due-diligence on Correspondent is to streamline their onboarding process.



HOW DOES AEPS WORKS?

Accessibility	Under AePS the various bank transactions are conducted through Correspondents. It performs authentication and complete transactions.
Transactions	Cash Deposit, Cash Withdrawal, Balance enquiry, Mini statement, Aadhar to Aadhar Fund transfer, etc.
Interoperability	AePS transactions are fully interoperable and there are no transaction fees for non-merchant transactions.

ONBOARDING OF CORRESPONDENTS

The acquiring bank needs to:

- Carry out due diligence in accordance with the RBI KYC Directions, 2016
- Carry out the updation of KYC in case of any absence of transaction by Correspondents for six months.
- Ensure that touchpoint operators is onboarded by acquiring bank only.

ONGOING DUE DILIGENCE OF CORRESPONDENTS

The acquiring bank will monitor the activities of Correspondents within the ambit of undermentioned principles:

- The limit of transaction of the operators shall be based on the risk profile.
- Transactions of operators shall be in nexus with their location of operation & risk profile.

LK ANALYSIS

- Due diligence of AePS Touchpoint Operator would provide more security to the bank customers by minimizing the chances of financial fraud.
- Such authenticated Correspondents can be utilized beyond AePS especially for Fintech companies looking for spreading in their services in rural areas.
- The onboarding agreements of Correspondents with Banks is crucial to allow them to provide their services to other financial institutions.

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