Discontinue Aadhaar-based payments through UPI and IMPS, NPCI tells banks

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The National Payments Corporation of India (NPCI) has told banks to discontinue Aadhaar-based payments through the Unified Payments Interface (UPI) and Immediate Payment System (IMPS) channels.

As the Supreme Court hears arguments over concerns around the Aadhaar database and the regulatory framework around it, the National Payments Corporation of India (NPCI) has told banks to discontinue Aadhaar-based payments through the Unified Payments Interface (UPI) and Immediate Payment System (IMPS) channels. In a July 17 circular addressed to banks, the payments body said, "Aadhaar number is a sensitive information and the revised framework about its usage in the payment landscape is still evolving.

With this background, we proposed removal of 'Pay to Aadhaar' functionality in both UPI and IMPS before the steering committee (meeting held on July 5, 2018). The proposal of removing the Aadhaar number functionality was approved by the steering committee." The steering committee for UPI and IMPS is comprised of 18 bank and non-bank payment players, including State Bank of India, HDFC Bank, Citibank, Maharashtra Gramin Bank, One Mobikwik Systems and Paytm Payments Bank. Pay to Aadhaar is an additional functionality in UPI and IMPS wherein the payer can transfer funds to the beneficiary using the Aadhaar number of the latter.

In case of transactions involving the Aadhaar number only, the corresponding bank details are fetched from the centralised mapper maintained at NPCI's end for routing the transaction. UPI also provides the option of entering the beneficiary's bank details besides the Aadhaar number and the transactions are routed directly to the respective bank for making the credit to the linked bank account.

The Pay to Aadhaar functionality will be removed from both UPI and IMPS from August 31, 2018. "All member banks should remove this functionality both as remitter and beneficiary. Also, all interfaces currently offering this functionality, such as UPI apps and third-party apps, should remove this option from their respective apps by August 31, 2018," NPCI said in the circular addressed to banks. The circular does not specify if the feature will be re-activated once the regulatory architecture around the Aadhaar database and its use is frozen.

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