Paytm wallet's road back: RBI grants in-principle PPI approval to PPSL

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13 November 2026: The Reserve Bank of India (RBI) has granted in-principle authorisation to Paytm Payments Services Ltd (PPSL) - a wholly-owned arm of Paytm's parent One 97 Communications - to set up and operate a payment system for issuing Prepaid Payment Instruments (PPIs), including digital wallets. This comes over two-and-a-half years after RBI's restrictions on Paytm Payments Bank effectively shut down Paytm's wallet services; if finalised, the wallet - once India's largest - would return, this time under PPSL instead of the bank.

What the in-principle approval actually means

Not final: PPSL cannot commence wallet operations yet. A Certificate of Authorisation comes only after it fulfils specific conditions.

Key conditions: A system audit, including a cybersecurity audit, via a CERT-In empanelled auditor or qualified information systems auditor; compliance with RBI's Master Directions on Cyber Resilience and Digital Payment Security Controls (5 November 2026) for non-bank Payment System Operators; and compliance with the 6 April 2018 circular on storage of payment system data.

Deadline: The audit report must be submitted within six months of RBI's letter; failure means the in-principle authorisation lapses automatically. Any future change in shareholding must follow RBI's July 2022 directions on prior approval for takeovers of non-bank payment system operators.

Market response: PPSL had applied in December 2025; after the announcement, One 97 Communications' shares rose 1.1% to close at Rs 1,945 on the BSE.

Background: how the wallet ran into trouble

2017 separation: Paytm transferred its prepaid instruments business to Paytm Payments Bank, complying with RBI norms requiring payments banks to house such operations separately.

Regulatory timeline: 2018 - KYC-violation scrutiny (a single PAN linked to multiple accounts); June 2018 - audit found onboarding gaps, new-customer onboarding halted; March 2022 - formal bar on onboarding; October 2023 - Rs 5.39 crore penalty; January 2024 - bar on deposits, top-ups, wallets, FASTags and NCMC cards after 29 February 2024, citing persistent non-compliance and the failure to maintain a 'Chinese wall' with One 97 Communications; April 2026 - banking licence cancelled under Section 22(3)(c) (operations detrimental to depositors' interest) and Section 22(3)(e) (no useful purpose in continuation) of the Banking Regulation Act, 1949.

Impact on One 97 Communications

Immediate hit: The stock plunged 40-50%; wallets, merchant settlements, FASTag and autopay services were disrupted.

Restructuring: The company partnered with banks such as Axis Bank and YES Bank, migrated users and infrastructure, and absorbed higher compliance costs; some users temporarily moved to rivals, but the model eventually became leaner and partner-driven.

Why it matters for exams

Prelims facts: PPSL and One 97 Communications; PPIs and RBI authorisation; Banking Regulation Act, 1949, Section 22(3); CERT-In audit condition; the 2018 data-storage circular.

Mains theme: Growth versus compliance in Indian fintech; RBI's conditional, trust-rebuilding approach as a regulatory model.

Quiz: Test your knowledge

Q1: Consider the following statements about RBI's in-principle approval to PPSL: 1. It relates to issuing Prepaid Payment Instruments. 2. It is the final approval, so wallet operations can start immediately. 3. PPSL is a wholly-owned subsidiary of One 97 Communications. How many of the above statements are correct?

(a) Only one(b) Only two(c) All three(d) None

Answer and explanation: (b) Statements 1 and 3 are correct. Statement 2 is wrong - final authorisation comes only after conditions such as a CERT-In empanelled system audit are met.

Q2: When and under which law was Paytm Payments Bank's licence cancelled?

(a) 2024 - RBI Act, 1934(b) April 2026 - Section 22(3) of the Banking Regulation Act, 1949(c) 2023 - Payment and Settlement Systems Act, 2007(d) 2025 - Public Financial Institutions Act

Answer and explanation: (b) In April 2026, RBI cancelled the licence under Sections 22(3)(c) and 22(3)(e) of the Banking Regulation Act, 1949.

Frequently Asked Questions (FAQ)

In short: RBI has given PPSL in-principle approval to issue PPIs/digital wallets; a final certificate follows only after conditions, including a system audit within six months, are met.

Question: What is PPSL?

Paytm Payments Services Ltd - a wholly-owned arm of One 97 Communications, which applied for the PPI authorisation in December 2025.

Question: How is in-principle approval different from final approval?

In-principle approval does not allow operations to start; the Certificate of Authorisation comes only after RBI's conditions - including a CERT-In empanelled system/cybersecurity audit - are fulfilled.

Question: What happened to Paytm Payments Bank?

Regulatory action ran from 2018 onwards; deposits/wallets/FASTag were barred in January 2024, and in April 2026 the licence was cancelled under Section 22(3) of the Banking Regulation Act, 1949.

Sources:

- Business Standard: Paytm gets RBI's in-principle approval to issue prepaid wallets (13 November 2026)
- Indian Express Explained: Paytm wallet services may return - what RBI's in-principle approval means (13 November 2026)

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