



Oversight of Payment Systems

- Oversight is a central bank function whereby the objectives of safety and efficiency are promoted by monitoring existing and planned systems, assessing them against these objectives, and where necessary, inducing desired change.



Who is to be supervised ?

- Financial Market Infrastructures (FMIs) operated by banks/non banks dealing in
 - Payment systems
 - Clearing systems
 - Financial instrument settlement systems
 - Credit transfers and direct debits
- What about
 - non cash means of payments,
 - non bank market participants, and
 - technological innovations facilitating e-commerce



Oversight Framework in India

PS & S Act 2007 provides legal mandate for Oversight

- Section 10: Power to determine standards
- Section 11: Notice of change in the Payment System
- Section 12: Power to call for returns, documents or other information
- Section 13: Access to information
- Section 14: Power to enter and inspect
- Section 16: Power to carry out audit and inspection
- Section 17: Power to issue direction
- Section 18: Power of Reserve Bank to give directions generally
- Section 19: Directions of RBI to be generally complied with



Oversight Tools

❖ **Offsite Surveillance**

- ❖ Primary role- CO (ROs at four metros)
- ❖ Annual Self Assessment (Based on Core Principles)
- ❖ Information /Data collected from regulated/authorised entities

❖ **Data/Information collection**

- ❖ ORFS
- ❖ Data being collected on: Cheques; ECS, and ATM.PoS,Mobile Banking; Pre-paid cards
- ❖ Centralisation of data collection
- ❖ Others- Annual report, Audit reports, IS Audit report

❖ **Assessment Templates**

- ❖ FMI- based on CPSIPs; RSSS;RCCP
- ❖ RPS-CPs-I, II,V, VII, VIII, IX, X



Role of DPSS Regional Offices

- Four Regional Offices at Metros
- Carry out inspection of authorized entities
- Inspection covers:
 - adherence to policies
 - process flows
 - information submitted in self-assessment templates



Oversight of FMIs

- Clearing Corporation of India (CCIL) : the only FMI in India authorised under the PSS Act, 2007, to act as a central counterparty (CCP) in various market segments, such as Government securities, USD-INR forex and CBLO.
- Oversight of CCIL includes:
 - Risk management – legal, credit, liquidity, etc.
 - BCP/DR –operational risk
 - Stress test – worst case scenarios



Access Criteria

- Two sets of access criteria - Centralized and decentralized payment systems
- Centralised clearing systems – RTGS, NEFT, NECS
 - CRAR=9%, Net NPA - 5%, Net-worth - Rs. 25 crore and Recommendation of regulatory department
- Decentralized payment systems- MICR clearing and ECS
 - CRAR=9%, Net NPA-5% and Recommendation of regulatory department
- IDG gives single window clearance for centralized payment system, includes approval for opening of current account, SGL account at Mumbai and INFINET membership



National Financial Switch(NFS)

- Common Switch to route ATM transactions in India
 - Managed by NPCI
 - 69 Direct members and 46 indirect members
 - Total ATMs 104126
- RuPay card network
 - Domestic card network
 - NFS infrastructure created would be leveraged



Mobile Banking

Policy consideration:

- Bank led model vis-à-vis non-bank model
- India have gone with bank led model

Why did RBI go in for a bank-led model?

- Mobile banking driver of financial inclusion
- Scope of financial inclusion is beyond remittance (four basic services)
 - savings, credit, remittance and insurance products
- KYC/AML- regulatory comfort with banks
- Customer service issues



Mobile Banking

Need for a collaborative effort

- Role of non-bank especially mobile service providers (MSPs) well recognised
- Reach of MSPs is farther and wider than banks
- MSPs compliment the banks as service providers
- MSPs permitted to act as business correspondents of banks

Present position:

- 74 banks approved to commence mobile banking services.
- NPCI is operating Inter Bank Mobile Payment System which permit instantaneous interbank funds transfer using mobile

Crucial issue – interoperability



Interbank Mobile Payment Service

- Interbank Mobile Payment Service (IMPS) is an instant interbank electronic fund transfer service through mobile phones – launched in November, 2010.
- IMPS facilitates customers to use mobile instruments as a payment channel
- Customer registered for the service could originate transaction using their mobile. Such transactions pass to the beneficiary bank through NPCI (Leverages on the National Financial Switch Platform).
- Inter-bank Settlement takes place next day in RTGS through CCIL
- Credit risk to NPCI is addressed through exposure ceiling for banks