



# **Payment and Settlement Systems in India- Major Developments**

**SAARC Payments Council Meeting**



# Coverage

- Paper clearing
- Retail payment – NEFT
- Large value – RTGS
- Other Developments
  - ATMs, security measures, Giro Payment, IBAN



# Paper Clearing

## Cheque Truncation System

Three Grids envisaged for entire country at New Delhi, Chennai and Mumbai.

Grid based CTS operational in Chennai from March 2012 and in Mumbai from April 2013.

CTS-Chennai grid processes a daily average volume of one million cheques encompassing 82 locations (24 MICR centres and 58 Non-MICR locations)

### **CTS-2010**

Banks given time to migrate to new cheque standards up to December 31, 2013. Thereafter, non standard cheques to be cleared thrice a week and later once a week.



## Retail Payment - NEFT

- A system of continuous release of credit messages introduced w.e.f. March 09, 2013.
- With this the beneficiary banks receive the inward credit messages on a continuous basis thus getting a larger time window for their processing. The settlements will continue to take place at hourly intervals as hitherto, and banks will release final credit to customers only after completion of the batch settlement.



# RTGS

- ✓ NG-RTGS - User Acceptance Test (UAT) is in progress
- ✓ NG-RTGS system has advanced liquidity management facility; extensible mark-up language (XML) based messaging system conforming to ISO 20022 and real time information and transaction monitoring and control systems.

The Project is at an advanced level of completion and is expected to be operational soon.



# Other developments - ATMs

To reduce the incidence of the complaints about non availability of ATM services, banks have been advised :

- ✓ to submit a quarterly report to their Board of Directors stating the *reasons thereof and the action taken to avoid recurrence of such instances.*
- ✓ to forward a copy of the report along with the observations of the Board to the Reserve Bank of India.

## **WHITE LABEL ATMs (WLA)**

- ✓ 18 entities had approached Reserve Bank seeking Authorisation for setting up and operating WLAs. 12 entities have been granted in-principle Authorisation so far, of which one has been issued the Certificate of Authorisation for setting up the WLAs.
- ✓ On June 27, 2013 the first WLA was operationalised



# Security measures

## **Security and Risk mitigation measures for card and electronic payment transactions**

- ✓ RBI issued guidelines on 28 February 2013
- ✓ The timelines for accomplishment of tasks for securing card payment transactions has been extended till September 30, 2013 for acquiring banks and till November 30, 2013 for issuer banks

# **Working Group to study the feasibility - Aadhaar for Second factor of authentication for CP**

## **Major recommendations**

- ✓ There is a strong need for biometric authentication for certain customer segments, geography and payment channels as additional factor of authentication for domestic Card Present transactions.
- ✓ Banks may also have the choice to adopt Aadhaar as an additional alternate factor of authentication for Card Present transactions for customer segments, geography and channels based on their assessment of efficacy and commercial viability.
- ✓ However, as on date, Aadhaar, in its current shape and form, is not recommended for large-scale adoption for the existing Card base as an additional factor of authentication for domestic Card Present transactions.

**EMV cards recommended.**





# Other Developments

## ✓ **GIRO Based Payment System**

### **The main recommendation of committee are:**

- ✓ A GIRO based payment system christened “India Bill Payment System” (IBPS) may be designed and implemented in the country.
- ✓ The participants in the IBPS would include billers, intermediaries / aggregators, banks, collection agencies operating the IBPS touch-points in addition to the IBPS’ own touch-points.
- ✓ For easy identification, and acceptance of the IBPS, a service mark/logo should be designed and displayed on the bills as well as the IBPS touch points.
- ✓ Initially, only intermediaries / aggregators may be permitted direct connectivity to the IBPS which may be considered for billers at a later date, based on appropriate access criteria



## Giro contd/-

- ✓ The payment made by a consumer would be irrefutable and payer provided with a receipt by the IBPS acknowledging the receipt of the payment carrying a unique reference number generated by the IBPS with the IBPS service mark/logo.

### **Other recommendations**

- *Bill Presentment:* IDRBT could develop an appropriate algorithm for capturing bill data to bring in standardisation of bills. IBPS should support the prevalent paper mode of bill presentment but should encourage electronic presentment.
- *Bill Information flow:* Under IBPS, payment information should flow online to minimise reconciliation issues and customer grievances.
- *Payment instruments/channels:* The IBPS should facilitate acceptance of payments through IVRS, net banking and mobile banking and enable acceptance of all payment modes including cash at the IBPS points.



## Giro Contd/-

- ✓ *Customer Support:* IBPS will provide for online registration of complaints from customers and the first point of contact (Bank Branches/Customer Service Point receiving the payment) would provide customer support. Grievances related to bill payment will have to be attended to by the Biller while IBPS/aggregator would provide the necessary support to the Billers in this regard.

**The Committee recommended that a separate organization needs to be set up to operate and manage the IBPS**



# Uniform Routing Code and Account Number Structure

**The main recommendations of the technical committee are :**

- ✓ In view of validation checks built around branch identifier in IFSC by a large number of banks to prevent credits going to wrong accounts, the Committee recommended its continuation.
- ✓ The Committee recommended that the IFSC is best suited for routing purposes in payment systems in the current scenario and as such it may continue to be used. Further, in order to limit the number of routing codes at existing level, the Committee recommended that any new payment system should use only the IFSC for routing purposes.



## Uniform Routing Code and Account Number Structure

- ✓ The Committee recommended the implementation of IBAN in banks as it would bring in uniformity and also enhance the efficiency in systems.
- ✓ The Committee recommended 26-characters long IBAN with alpha bank-id as it will require minimum changes across banks.
- ✓ However, the Committee noted that IBAN will not bring in portability of accounts across banks.

**The recommendations of the Committee are under consideration by the regulatory departments of Reserve Bank of India.**



**Thank you**