

To be published in the Official Gazette

RESERVE BANK OF INDIA

Notification

Mumbai, the _____, 2008

DPSS_____No. -----: -In pursuance of sub-section (1) of section 38 of the Payment and Settlement Systems Act, 2007 (51 of 2007), the Reserve Bank hereby publishes the annexed Board for Regulation and Supervision of Payment and Settlement Systems Regulations, 2008.

(Executive Director)

Board for Regulation and Supervision of Payment and Settlement Systems Regulations, 2008

In exercise of the powers conferred by sub-section (1) read with clause (a) of sub-section (2) of Section 38 of the Payment and Settlement Systems Act, 2007 (51 of 2007), the Reserve Bank of India hereby makes the following regulations, namely:-

Short title and commencement :- (1) These Regulations may be called the Board for Regulation and Supervision of Payment and Settlement Systems Regulations, 2008.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. Definitions :- (1) In these regulations, unless, the context otherwise requires :-

(a) 'Act' means the Payment and Settlement Systems Act, 2007 (51 of 2007);

(b) 'Bank' means the Reserve Bank of India constituted by the Reserve Bank of India Act, 1934 (2 of 1934);

(c) 'Central Board' means the Central Board of Directors of the Reserve Bank of India constituted under Section 8 of the Reserve Bank of India Act (2 of 1934);

(d) 'Board' means the committee known as the Board for Regulation and Supervision of Payment and Settlement Systems constituted under Section 3 of the Act;

(e) 'Director' means the Director of the Central Board nominated under clauses (b) and (c) of sub-section (1) of Section 8 of the Reserve Bank of India Act, 1934 (2 of 1934);

(f) 'General Regulations' means the Reserve Bank of India General Regulations, 1949 made under the Reserve Bank of India Act, 1934 (2 of 1934);

(g) 'Member' means a member of the Board;

(2) All other words and expressions used herein and not defined, but defined in the Act or the Reserve Bank of India Act, 1934 (2 of 1934) shall have the meanings respectively assigned to them in those Acts.

3. Composition of Board :-

(1) There shall be a committee of the Central Board to be known as the "Board for Regulation and Supervision of Payment and Settlement Systems".

(2) The Board shall consist of the following Members, namely :-

(a) Governor of the Bank who shall be the Chairperson of the Board;

(b) Deputy Governors of the Bank, out of whom the Deputy Governor who is in charge of the Department of Payment and Settlement Systems, shall be the Vice-Chairperson of the Board;

(c) Not more than three Directors of the Central Board nominated by the Governor of the Bank

(3) Two Executive Directors nominated by the Chairperson and the principal Legal Adviser in the Bank shall be permanent invitees to the meetings of the Board.

(4) Persons with experience in the fields of payment and settlement systems may be invited by the Board to attend its meetings either as permanent or as ad-hoc invitees.

4. Functions and powers of the Board:- (1) The functions and powers of the Board shall pertain to the regulation and supervision of payment systems under the Act.

(2) In particular and without prejudice to the generality of the foregoing provisions, the functions and powers of the Board shall include the following matters, namely:-

(a) the laying down of the policies relating to the regulation and supervision of the payment systems including electronic, non-electronic, domestic and cross-border payment systems affecting domestic transactions;

(b) the laying down of the standards for both existing and future payment systems;

(c) the authorization of the payment systems;

(d) the determination of the criteria for membership of the payment systems including continuation, termination and rejection of membership;

(e) Overseeing the administration of regulations and guidelines framed under the Act for the purposes of the above matters and the directions issued by the Bank from time to time to the operators of the payment systems and their members and taking such action as may be deemed necessary for ensuring the compliance;

(f) creating necessary administrative structure within the existing rules and regulations for ensuring effective regulation and supervision of the payment systems;

(g) such other matters as are deemed necessary for the effective regulation and supervision of payment systems.

5. Assistance to the Board :- (1) The Board shall be assisted by the Department of Payment and Settlement Systems which shall report to the Board.

(2) The Board may, if necessary, obtain assistance from other personnel on deputation or on contract or tenure basis, as may be appointed by the Bank on the recommendation of the Board.

6. Vacation of Office :- A Member nominated under clause (c) of sub-regulation (2) of regulation 3 shall cease to hold office if he absents himself without the leave of the Chairperson from three consecutive meetings of the Board.

7. Powers on behalf of the Board by whom to be exercised :- Notwithstanding anything contained in sub-regulation (1) of Regulation 17 of the General Regulations, but subject to the provisions of the Reserve Bank of India Act, 1934 and any regulation made by the Central Board in regard to expenditure to be incurred by or on behalf of the Bank and any direction which may be given by the Central Board generally or in particular with regard to the conduct of the business of the Bank, the powers of the Board may be exercised by the following persons to the extent mentioned hereunder:-

(a) The Chairperson and in his absence the Vice-Chairperson may also exercise all powers and do all acts and things, which may be exercised or done by the Board;

(b) Without prejudice to the provisions of clause (a), the Chairperson may, by general or special order, delegate to the Vice-Chairperson or a member, subject to such conditions and limitations, if any, as may be specified in the order, any of the powers exercisable by him under these regulations as he may deem necessary for the efficient administration of the functions of the Board;

(c) Any other officer of the Bank, if authorized, and to the extent that he is so authorized by the Board, may exercise all the powers in relation to matters pertaining to the Department of Payment and Settlement Systems.

8. Applicability of the General Regulations :- The following provisions of the General Regulations shall apply, *mutatis mutandis*, as specified below, namely:-

(a) regulations 3, 4, 7, 13 and 24 of the General Regulations shall apply to the Members of the Board.

(b) regulations 3 and 24 shall apply to the invitees to the meetings of the Board referred to in sub-regulations (3) and (4) of regulation 3, the invitees to the meetings of the sub-committees referred to in sub-regulation (2) of regulation 10 and the members of the advisory committees.

9. Meetings of the Board and Quorum :-

(1) The Board shall ordinarily meet at least once in three months at such place as may be decided by the Chairperson from time to time.

(2) Members shall be given sufficient notice to enable them to attend the meetings.

(3) The quorum for holding a meeting of the Board shall be three Members and shall include the Chairperson or the Vice-Chairperson and a Member nominated under clause (c) of sub-section (2) of regulation 3.

(4) Save as otherwise provided in these regulations the provisions of the Reserve Bank of India Act, 1934 (2 of 1934) and the General Regulations shall apply to meetings of the Board, as if they were meetings of the Central Board.

10. Constitution of Sub-Committees and Advisory Committees :- (1) The Board may constitute Sub-Committees or Advisory Committees for providing assistance or advice in the performance of its functions, as may be considered necessary from time to time.

(2) A Sub-Committee shall have power to invite persons with experience in the fields of Payment and Settlement Systems to attend the meetings of that Committee.

11. Report to the Central Board :- The Board shall submit a report to the Central Board on an annual basis.

File No.....
Name
Designation

RESERVE BANK OF INDIA

Notification

Mumbai, the _____, 2008

DPSS_____No. -----: -In pursuance of sub-section (1) of section 38 of the Payment and Settlement Systems Act, 2007 (51 of 2007), the Reserve Bank hereby publishes the annexed Payment and Settlement Systems Regulations, 2008.

(Executive Director)

Payment and Settlement Systems Regulations, 2008

In exercise of the powers conferred by sub-section (1) read with clauses (b) to (f) of sub-section (2) of Section 38 of the Payment and Settlement Systems Act, 2007 (51 of 2007), the Reserve Bank of India hereby makes the following regulations, namely:-

Chapter I Preliminary

1. Short title and commencement :- (1) These Regulations may be called the Payment and Settlement Systems Regulations, 2008.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. Definitions :-

(1) In these regulations, unless the context otherwise requires :-

(a) 'Act' means the Payment and Settlement Systems Act, 2007 (51 of 2007);

(b) 'Bank' means the Reserve Bank of India constituted by the Reserve Bank of India Act, 1934 (2 of 1934);

(c) 'Authorisation Certificate' means the Certificate containing the authorisation issued by the Bank under sub-section (1) of Section 7 of the Act.

(2) All other words and expressions used herein and not defined, but defined in the Act or the Reserve Bank of India Act, 1934 (2 of 1934) shall have the meanings respectively assigned to them in those Acts.

Chapter II Authorisation of Payment Systems

3. Submission of application for authorization for commencing or carrying on a payment system -

(1) Every person desirous of commencing or carrying on a payment system (hereinafter referred to as 'applicant') shall submit an application under sub-section (1) of Section 5 of the Act to the Bank for grant of authorization under sub-section (1) of section 7 of the Act.

(2) The application under sub-regulation (1) shall be made in Form A addressed to the Chief General Manager of Department of Payment and Settlement Systems at Central Office of the Bank at Mumbai, or to such other office or officer of the Bank as may be specified by it in this behalf.

(3) The application under sub-regulation (1) shall be accompanied by a non-refundable fee of Rs.10,000/- in the form of cash or electronic funds transfer or cheque or payment order or demand draft drawn in favour of the Bank.

4. Grant of Authorisation Certificate :-

(1) On consideration of the particulars furnished by the applicant, if the Bank is satisfied that the requirements under sub-section (1) of Section 7 of the Act are fulfilled, it may issue an authorisation certificate in Form 'B' to the applicant to commence or carry on a payment system and specify the date on which the authorisation shall take effect.

(2) The Bank, while granting authorization, may impose such conditions as it may deem fit, and the authorization so granted shall be in force subject to satisfaction of such conditions.

(3) The Bank may levy such amount as may be specified by it in the authorisation certificate, towards fees for authorization to be in force under clause (c) of sub-section (2) of Section 7 of the Act.

(4) Where the Bank considers it necessary for the proper conduct of the payment system, it may require the applicant to furnish a security deposit under clause (d) of sub-section (2) of Section 7 of the Act, of such amount as may be specified by the Bank from time to time.

Chapter III

Payment Instructions and Determination of Standards

5. Every system provider, with respect to the format of payment instructions and other matters specified in clauses (a) to (f) of sub-section (1) of Section 10 of the Act, shall be governed by the regulations, guidelines and instructions, set out in the Schedule, as modified from time to time.

Chapter IV

Furnishing of Returns, documents and other information

6. Submission of Returns, documents etc. -

(1) Every system provider shall be bound to submit to the Bank such returns, documents and other information as may be required by the Bank from time to time.

(2) Without prejudice to the generality of the above, every system provider shall submit the following returns/documents to the Bank, namely:-

(a) Monthly return, either in electronic form or paper format or both, containing the number of participants in the payment system operated, payment instructions processed, both in terms of volume and value, and number of instructions returned, with reasons.

(b) Details of the defaults in fulfilling the payment obligations by the system participants to be reported on the date of occurrence.

(c) Monthly return containing the details of the defaults in fulfilling the payment obligations by the system participants.

(d) Quarterly certificate from the bankers about functioning of system provider's account with them.

(e) Quarterly statement regarding any disputes between participants or between participants and the system provider.

(f) Annual return relating to the staff strength, income and expenditure.

(g) Annual return from the system provider showing changes in its Board of Directors or partners, as the case may be, changes in shareholding pattern whereby the aggregate shareholding of an individual or a group becomes equivalent to 5 % or more of the paid up capital of the system provider and changes in Memorandum or Articles of Association of the system.

(3) The returns and documents referred to in clauses (a) to (g) of sub-regulation (2) shall be submitted by the system provider in the form specified by the Bank from time to time.

(4) The returns and documents under sub-regulation (1) and those referred to in clauses (a) to (g) of sub-regulation (2) shall be submitted by the system provider from its registered office to the office of the Bank (Department of Payment and Settlement Systems, Central Office) situated in Mumbai.

Provided that the Bank may at any time, direct that the returns and documents under sub-regulation (1) and those referred to in clauses (a) to (g) of sub-regulation (2) be submitted to any other office of the Bank as may be specified.

7. Furnishing of accounts and balance sheets:

(1) Every system provider shall furnish to the Bank within three months from the date on which its annual accounts are closed and balanced, a copy of its audited balance sheet as on the last date of the relevant year together with a copy of the profit and loss account for the year and a copy of the Auditor's report.

Provided that the Bank may, on an application made by the system provider, extend the said period of three months for furnishing of returns by a further period not exceeding three months.

(2) The system provider shall also publish, a copy of its balance sheet, profit and loss account and Auditor's report submitted to the Bank under sub-regulation (1), in any two leading newspapers, one in English and the other in Hindi, within a period of one month from the date of submission of the same to the Bank.

Form A

[See regulation 3(2)]

APPLICATION FORM FOR AUTHORISATION TO SET UP PAYMENT SYSTEM

From

Name and address of registered office/ principal place of business of applicant
(By Registered Post AD/ Hand Delivery)

To

Chief General Manager
Department of Payment and Settlement Systems
Reserve Bank of India
Central Office
14th Floor RBI Central Office Building
Shaheed Bhagat Singh Marg
Mumbai –400013

Dear Sir,

Application for authorization for setting up a payment system

We hereby submit an application under sub-section(1) of Section 5 of the Payment and Settlement Systems Act, 2007 for authorization to set up a payment system. The required information and documents have been furnished as per instructions.

We declare that to the best of our knowledge and belief the information furnished in the statements/annexes enclosed are true/correct and complete.

A electronic funds transfer transaction No..... or cheque or payment order or demand draft no: dated for an amount of Rs 10,000 (Rupees Ten Thousand only) as non-refundable application fees is enclosed with the application.

Yours faithfully

Name:

Designation:

Company Seal:

Date and Place:

APPLICATION FOR AUTHORISATION TO SET UP PAYMENT SYSTEM

PART – A

1. Name of applicant :

2. Constitution of applicant :

(a) Is the applicant a company or firm or any other entity:

(b) If the applicant is a company, is it a private limited company or public limited company :

(c) If the applicant is any other entity please specify the statute under which it is incorporated/established

3. Address of Registered Office and Principal Offices (if applicant is a company):

4. Principal place of business and address (if applicant is a firm or any other entity)

5. If applicant is a firm, names, nationality and addresses of the partners :

(Copy of Partnership Deed to be enclosed)

6. Date of incorporation of applicant if it is a company :

7. Date of commencement of business :

(Memorandum of Articles and Association to be enclosed)

8. If the applicant is any other entity, name, nationality and address of each of its directors/managers/principal officers:

9. Main business of the applicant company /firm / other entity:

10. Names and addresses of subsidiary companies/ associated firms / other associated entities :

11. Management information, if applicant is a company / firm / any other entity:

(a) Name of Chief Executive :

(b) Age, Nationality, Qualifications and Experience of Chief Executive :

(c) Shares held by the Chief Executive and Directors in the applicant company :

12. Name of the statutory auditors and their business address:

(Attach the audited balance sheet, profit and loss statement of applicant for the last three years)

13. Name and address of bankers of the applicant:

14. Whether the applicant has committed any default in repayment of loan, advance or any credit facility taken from a bank or financial institution, if so please mention full particulars :

(Attach a bankers' report on the functioning of the applicant account and its financial health in sealed cover(s)):

15. Amount of fees deposited along with application

16. Mode of deposit of fees :

(Additional information sheets/documents as required may be enclosed)

PART – B

1. Particulars of Payment System sought to be set up (full details to be furnished) including process flow, technology to be used, security features, inter-operability etc (details can be given in a separate note, if required) :

2. Expected benefits to the financial system/ country from the operationalisation of the payment system sought to be set up :

3. Whether other companies/firms/ entities will be associated with the applicant in setting up the payment system :

4. If the answer to query 3 is yes, please furnish full particulars of this association:

5. Previous experience of applicant and associated companies/firms/entities in the payment systems area:

6. Type of payment system proposed to be set up i.e. whether electronic fund transfer or payment card based/ internet based/ mobile phone based:

7. Whether the payment system will cover a particular region or the whole country:

8. Does the proposed payment system seek to address the needs of any particular social/ economic segment/s of the population :

9. Method of settlement of payment claims, namely .whether gross, net or a hybrid method combining both gross and net methods:

10. Name of the settlement agent for the payment system sought to be set up:

11. Whether the applicant or settlement agent will act as a central counterparty to provide guaranteed/ secured settlement

12. On which day will the beneficiary's account be credited :

13. What will be the risks in operating the payment system sought to be set up and how does the applicant propose to mitigate them :

14. Mention the customer grievances redressal machinery proposed for the payment system sought to be set up :

15. The time proposed to be taken to dispose customer complaints :

(Additional information sheets/documents as required may be enclosed)

PART -C

1. Amount of finance required for executing payment system project :

2. Sources of finances for executing the payment system project :

(a) Amount of own capital proposed to be deployed :

(b) Amount of borrowings expected from banks;

(c) Amount of borrowing expected from sources other than banks::

(Sources may be mentioned)

3. Rate of return on investment expected from the payment system sought to be set up :

4. How does the applicant propose to recover its investment and earn an income, that is , whether through cash flows or by levying joining fees, security fees, annual/ operating charges etc.(Please give full details) :

(Additional information sheets/documents as required may be enclosed)

PART- D

Any other information the applicant wishes to furnish

Form B

[See regulation 4(1)]

(Section 7(2))

**RESERVE BANK OF INDIA
DEPARTMENT OF PAYMENT AND SETTLEMENT SYSTEMS
CENTRAL OFFICE
MUMBAI**

(RBI Seal)

CERTIFICATE OF AUTHORISATION

No:

In exercise of the powers conferred on the Reserve Bank of India by Section 7 of the Payment and Settlement Systems Act, 2007

.....

Is hereby granted

Certificate of Authorisation

To commence /operate *a payment system / *a payment system for..... #, with effect from..... ,subject to compliance with the terms and conditions given on the reverse of this Certificate.

Given under my hand

At Mumbai on this.....day of200.

RBI Seal

()
Chief General Manager

* Strike off whichever is not applicable

specify the payment system

Terms and Conditions*

The Certificate of Authorisation or a certified copy thereof shall be displayed at the main premises of the Payment System Provider and its other offices.

The Payment System Provider shall adhere to the provisions of the Payment and Settlement Systems Act, 2007, regulations issued thereunder and the directions/guidelines issued by the Reserve Bank of India.

A sum of Rs(Rupees.....only) is deposited as authorization fees with the Reserve Bank of India.

4. A sum of Rs (Rupeesonly) is deposited as security deposit with the Reserve Bank of India

5. (Any other condition as may be specified)

*Strike off whichever is not applicable

Schedule

[See regulation 5]

1. Uniform Regulations and Rules for Bankers' Clearing Houses
2. Procedural Guidelines on Mechanised Cheque Processing Using MICR Technology
3. Procedural Guidelines on Electronic Clearing Service (Credit Clearing)
4. Procedural Guidelines on Electronic Clearing Service (Debit Clearing)
5. Procedural Guidelines on National Electronic Funds Transfer System
6. Operational Manual on National Electronic Funds Transfer System
7. RTGS (Membership) Regulations, 2004
8. RTGS (Membership) Business Operating Guidelines, 2004
9. Procedural Guidelines for Cheque Truncation System (CTS) (Version 1.1).
10. Bye Laws, Rules and Regulations of the Clearing Corporation of India Limited.
11. Such other instructions as may be specified by the Bank from time to time.

Draft Notification

**THE GAZETTE OF INDIA
EXTRAORDINARY
PART III – Section 4
PUBLISHED BY AUTHORITY
NEW DELHI, _____, 2008
RESERVE BANK OF INDIA
NOTIFICATION**

Mumbai, the ___ March, 2008

Repeal of Reserve Bank of India (Board for Regulation and Supervision of Payment and Settlement Systems) Regulations, 2005

_____ (No.)- In exercise of the powers conferred by sub-section (1) of Section 58 of the Reserve Bank of India Act, 1934 (2 of 1934), the Reserve Bank of India, having received the sanction of the Central Government, hereby repeals with immediate effect the Reserve Bank of India (Board for Regulation and Supervision of Payment and Settlement Systems) Regulations, 2005 published in Part-III, Section 4 of the Gazette of India, Extraordinary under Notification of the Reserve Bank of India No. DIT (CO), 2005/09.63.01/2004-05 dated the 18th February 2005:

Provided that such repeal shall not affect—

- (i) the previous operation of the said regulations or anything done or any action taken or purported to have been done or taken or omitted to be done under the said regulations or
- (ii) any right, privilege, obligation or liability acquired or accrued or incurred under the said regulations; or
- (iii) the institution, continuance or enforcement of any legal proceedings or remedy in respect of any such right, privilege, obligation or liability as aforesaid.

(Executive Director)