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EXTRAORDINARY]

RESERVE BANK OF INDIA
(Central Office)

NOTIFICATION

Mumbai, the 18th February, 2005

DIT(CO).2005/09.63.01/2004-05-In pursuance of sub-section (1) of section 58 of the Reserve Bank of India Act, 1934 (2 of 1934), the Central Board of the Reserve Bank of India hereby publishes the annexed Reserve Bank of India (Board for Regulation and Supervision of Payment and Settlement Systems) Regulations, 2005 which have received the sanction of the Central Government under sub-section (1) of section 58 of the Reserve Bank of India Act, 1934 (2 of 1934).

(R. B. Barman)
Executive Director

**RESERVE BANK OF INDIA (BOARD FOR REGULATION AND SUPERVISION
OF PAYMENT AND SETTLEMENT SYSTEMS) REGULATIONS, 2005**

In exercise of the powers conferred by clause (i) of sub-section (2) of section 58 of the Reserve Bank of India Act, 1934 (2 of 1934), the Central Board of the Reserve Bank of India, with the previous sanction of the Central Government, hereby make the following regulations, namely:-

1. Short title and commencement.– (1) These regulations may be called the Reserve Bank of India (Board for Regulation and Supervision of Payment and Settlement Systems) Regulations, 2005.

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

2. Regulations not in derogation of General Regulations, 1949.– Save as otherwise provided in these regulations, the provisions of these regulations shall be in addition to and not in derogation of the Reserve Bank of India General Regulations, 1949.

3. Definitions.– (1) In these regulations, unless, the context otherwise requires:–

- (a) 'Act' means the Reserve Bank of India Act, 1934 (2 of 1934);
- (b) 'the Bank' means the Reserve Bank of India constituted by the Act;
- (c) 'banking company' means a banking company as defined in clause (c) of section 5, read with clause (c c i) of section 5 of the Banking Regulation Act, 1949 (10 of 1949) and shall include a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (5 of 1970) or

under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 (40 of 1980), State Bank of India constituted under the State Bank of India Act, 1955 (33 of 1955), a subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), and a co-operative bank as defined in the Banking Regulation Act, 1949.;

- (d) 'Central Board' means the Central Board of Directors of the Reserve Bank of India constituted under section 8 of the Act;
 - (e) 'Board' means the committee known as the Board for Regulation and Supervision of Payment and Settlement Systems constituted under regulation 4;
 - (f) 'Director' means the Director of the Central Board nominated under clauses (b) and (c) of sub-section (1) of section 8;
 - (g) 'Executive Committee' means a sub-committee known as the Executive Committee constituted under regulation 12;
 - (h) 'General Regulations' means the Reserve Bank of India General Regulations, 1949;
 - (i) 'Member' means a member of the Board;
 - (j) 'National Payments Council' means a Technical Advisory Committee constituted by the Reserve Bank of India;
 - (k) 'Notified' means notified in the Official Gazette;
 - (l) 'payment and settlement systems' means a system that enables payment to be effected between a payer and a beneficiary, and includes clearing, settlement or payment service or all of them;
 - (m) 'Vice-Chairman' means the Deputy Governor nominated by the Governor as Vice-Chairman of the Board under clause (b) of sub-regulation (2) of regulation 4.
- (2) All other words and expressions, used herein and not defined, but defined in the Act and the Banking Regulation Act, 1949, shall have the meanings respectively assigned to them in those Acts.

4. Composition of Board.- (1) There shall be a Committee to be known as the "Board for Regulation and Supervision of Payment and Settlement Systems" (hereinafter referred to as the Board).

- (2) The board shall consist of the following members, namely:-
- (a) Governor, Reserve Bank of India, who shall be the Chairman of the Board,
 - (b) Deputy Governors, Reserve Bank of India, out of whom the Deputy Governor who is the in charge of the Payment and Settlement Systems, shall be the Vice-Chairman of the Board,
 - (c) Two Directors from the Central Board of the Reserve Bank of India to be nominated by the Governor as members.
- (3) Notwithstanding anything contained in sub-regulation (2), the Executive Director In-charge of Payment and Settlement Systems, the Executive Director in charge of the Financial Markets Committee (FMC) and the Principal Legal Adviser in the Reserve Bank of India 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.

5. Functions and powers of the Board.- (1) The Board shall perform such functions and exercise such powers of supervision and regulation as are deemed necessary in relation to the different modes of the payment and settlement systems of the banking companies, financial institutions and such classes of non-banking institutions as may be notified.

(2) It shall also perform such other functions and exercise such other powers as may be notified by the Central Board, from time to time.

(3) 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 and Settlement Systems including electronic, non-electronic, domestic and cross-border Payment and Settlement Systems affecting domestic transactions;
- (b) the laying down of the standards for both existing and future Payment and Settlement Systems;
- (c) the authorisation of the Payment and Settlement Systems;
- (d) the determination of the criteria for membership of Payment and Settlement Systems including continuation, termination and rejection of membership;
- (e) Overseeing the administration of rules and guidelines framed under any statute for the purposes of the above matters and the directions issued by the Bank from time to time to the operators of the Payment and Settlement Systems and their members and taking such action as may be deemed necessary for ensuring the compliance;
- (f) taking such steps as are deemed necessary for the effective regulation and supervision of the Payment and Settlement Systems;
- (g) creating necessary administrative structure within the existing rules and regulations for ensuring effective regulation and supervision of the payment and settlement systems.

(4) The Board may, in the performance of its functions and the exercise of its powers under these regulations, obtain the advice of the National Payments Council.

6. Assistance to the Board.- The Board shall be assisted by the Department of Payment and Settlement Systems, constituted from the staff of the Bank which shall report directly to the Board and if necessary, personnel from outside either on deputation or on contract or tenure basis, may be appointed by the Bank on the recommendation of the Board.

7. Nominations.- All nominations to the Board shall be made by the Governor in consultation with the Central Board for such term as may be specified.

8. Vacation of Offices.- A Member shall cease to hold office if he absents himself without the leave of the Chairman from three consecutive meetings of the Board convened under regulation 11.

9. 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 Act, 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, namely:-

- (1) the Board is authorised to exercise the powers of supervision and regulation as deemed necessary in relation to the payment and settlement systems and such other powers and functions as may be notified by the Central Board from time to time.
- (2) the Chairman, the Vice-Chairman and the Members shall jointly and severally exercise such powers as may be specified from time to time by the Central Board.
- (3) any other officer of the Bank, if authorised, and to the extent that he is so authorised by the Board with prior approval of the Central Board, exercise all the powers in relation to matters pertaining to the Department of Payment and Settlement Systems.

10. 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 4 and the Members of sub-committees.
- (c) regulations 16, 18 and 19 shall apply to the officers of the Department of Payment and Settlement Systems.

11. Meetings of the Board and Quorum.- (1) The Board shall ordinarily meet at least once in three months at the office of the Bank or any other place in the area in which the Governor or in his absence the Vice-Chairman has his headquarters for the time being, to attend to the current business of the Board.

- (2) Members shall be given sufficient notice to enable them to attend.
- (3) Two Members of whom one shall be the Chairman or the Vice Chairman, and the other who shall be a member nominated under clause (c) of sub-regulation (2) of regulation 4 shall form a quorum for holding the meeting of the Board.
- (4) Save as otherwise provided in these regulations, the provisions of the Act and the General Regulations shall apply to meetings of the Board, as if they were meetings of the Central Board.

12. Constitution of Sub-Committees.- The Board may constitute sub-committees to be known as Executive Committees as may be deemed necessary to assist it in its work from time to time.

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

File No.

Name:

Designation: