

3. Vision 2001-03: Accomplishments

The Reserve Bank had earlier in December 2001 published its “Payment Systems – Vision Document” detailing its vision, goals, objectives and proposed measures relating to the payments systems in India for a three-year period. An evaluation of the results of the steps taken as per the broad directions contained in the Vision statement for the period 2001-04 reveal that most of the goal sets outlined have been met while a few are at various stages of implementation.

Under the approach to computerisation and networking, with the definitive role of technology in facilitating large scale developments in payment and settlement systems, the main requirements of INFINET becoming the secure, dedicated communication backbone for the banking and financial sector namely, a generic architecture model for connectivity, standardisation of hardware, operating systems, systems software, application software and messaging middleware, prescribing a Common Minimum Requirement Level for hardware and networking requirements for payment gateways, secured connectivity between internet and INFINET, link between SWIFT and INFINET have all been achieved; facilities for e-mail, and secured file transfer are now available on INFINET; applications for ATM transactions, intra-bank transactions like remittances and foreign exchange transactions do use INFINET. The setting up of Credit Information Bureau of India Ltd. (CIBIL) facilitates the banking industry to carry out a credit check on credit card holders and thus, reduces the incidence of frauds and default by individuals.

As regards the design, development and implementation of critical payment system projects, the following are the major accomplishments:

- Extension of MICR based clearing to cover 40 major commercial centres facilitating thereby faster clearing of cheques at more centres
- Operationalisation of Real Time Gross Settlement (RTGS) System (RTGS service available at more than 4800 branches at 398 centres as at the end of April 2005)
- Risk mitigation in wholesale payment systems by way of creating enabling conditions for establishment of Clearing Corporation of India Limited (CCIL) as a central counter party and settlement guarantee organization for settlement of Government Securities trading amongst the NDS members and inter-bank Foreign Exchange transactions.
- Introduction of Negotiated Dealing System (NDS) for government securities and migrating to DVP-III mode of settlement,
- Implementation of Structured Financial Messaging Solution (SFMS) and Centralised Funds Management System (CFMS). Using CFMS, banks maintaining accounts with RBI at its various offices are in a position to know their balances at each location from their treasury branch
- Increase in scope and coverage of Electronic Clearing Service (ECS) in both its variants – Credit Clearing and Debit Clearing
- Implementation of Centralised ECS
- Enhancement in scope and coverage of Electronic Funds Transfer (EFT) system has been achieved through the Special EFT and the proposed National EFT; many banks have integrated EFT with their own product offerings
- Removal of the per transaction limit for ECS and EFT transactions
- Participation of a few banks in Electronic Data Inter-change(EDI) projects initiated by the Government of India;
- Launching of pilot project of multi-application smart cards as a prelude to setting standards in smart cards;
- Creating conditions for competition in financial switch service for inter-connecting ATMs. leading to establishment of the National Financial Switch by Institute for Development and Research in Banking Technology
- Initiating steps for Cheque Truncation Pilot Project at New Delhi

For the customer, there have been definitive benefits. Internet based banking which was one of the goals to be achieved has been implemented in 26 banks. The need for core banking solutions at banks which is at the base of many centralised initiatives such as Internet and mobile banking is also being implemented by banks and as many as 39 banks have implemented core banking solutions while 29 are at various stages of implementation. The delivery channels for customers have also improved with ATMs taking over a large number of cash related functions. Recognising the potential of this delivery channel, the Reserve Bank not only set the direction for banks to share ATMs but also helped the settlement process in the form of an ATM switch which has been set up and operated by the IDRBT, Hyderabad. Thus, card holders of any bank among the group can use their cards at the ATMs of any bank in the group.

With regard to upgradation of processing environment, banks are undertaking BPR as a part of implementing core banking, security standards have been prescribed, PKI based Digital Signatures are used for security and legal protection.

On the legal front, the Negotiable Instruments Act, 1881, has already been amended to enable cheque truncation and to define e-cheque. A Payment and Settlement Systems Bill has been drafted. Consequent upon Government of India Gazette Notification dated February 18, 2005 of the Reserve Bank of India (Board for Regulation and Supervision of Payment and Settlement Systems) Regulation, 2005 a Board for Payment and Settlement Systems has been constituted with effect from March 7, 2005.