

III Payments System Infrastructure and Current Status

3.1 The Payment and Settlement Systems Act, 2007 along with the Board for Regulation and Supervision of Payment and Settlement Systems Regulations, 2008 and the Payment and Settlement Systems Regulations, 2008 provide the legal framework and the base for smooth operations of the payment systems in the country. Our payment systems are now compliant with Principle 1 of the Core Principles for Systemically Important Payment Systems.

3.2 There are significant developments in payment systems apart from the accomplishment of the vision set for 2005-08. There is a shift towards use of electronic modes of payments, though in the retail payment systems, in terms of volume, cheque clearing continues to dominate.

3.3 In the large-value payment systems, post-implementation of Real Time Gross Settlement (RTGS) System, the Securities Settlement System (SSS) implemented in RBI has facilitated seamless transfer of funds and securities for liquidity management purposes.

3.4 Steps were taken towards encouraging migration towards electronic payment mode; simultaneously efforts were made for bringing in efficiency and putting in place risk mitigation measures for paper-based clearing and settlement system by way of implementation of CTS and computerisation of settlement at Non-MICR Clearing Houses. For smooth operations of the payment systems, the centres with more than 5 banks but with no Clearing Houses were advised to set-up Clearing Houses. There are at present 1138 Clearing Houses operating in the country. Automated cheque processing using Magnetic Ink Character Technology (MICR) technology is now available at 66 locations. At centres where the daily volume of cheques cleared is not substantial, Clearing House operations are being automated using Magnetic Media Based Clearing System (MMBCS) software. This has facilitated faster settlement and reduction in errors and reconciliation.

3.5 Increasing use of mobile phones necessitated issuance of Mobile Payment Guidelines for banks providing this facility, which was done in October 2008.

3.6 For bringing in transparency in the payment services offered and the charges levied from customers, banks have been advised to display the same on their website; link to the respective banks' website has also been provided on the Bank's website. Charges for electronic payment products viz. NEFT / RTGS, and outstation cheque collection have also been prescribed.

3.7 Free withdrawals at non-home bank ATMs : Automated Teller Machines (ATMs) have become an important delivery channel for banking transactions in India, particularly for cash withdrawal and account balance enquiry. The charges levied on the customers for use of ATMs of other banks varied from bank to bank and from network to network. To bring greater transparency and reasonableness in charges being levied by banks on their customers for such transactions, the Bank has freed charges for cash withdrawal and balance enquiry from April 2009.

3.8 Cash Withdrawal at Points of Sale (PoS) Terminals : Cash being predominantly used for small value payments and in rural / under-banked areas, the need for arrangements for dispensation of currency at more number of outlets was examined.

Initiatives were taken to permit cash withdrawal at PoS terminals using debit cards up to a maximum of Rs.1000/-.

3.9 Commencement of authorisation of payment systems : The Payment and Settlement Systems Act, 2007 has cast the responsibility of regulation and supervision of payment systems on the Bank. The Act has come into effect from August 12, 2008 and the process of authorising payment systems and issuing approvals to payment system products / operators has commenced.

3.10 Discontinuation of inter-city clearing : With the introduction of Speed Clearing to enable 'local' clearing of outstation cheques, the Inter-city Clearing facility provided by the Bank at 15 locations in the country is being discontinued in a phased manner.

3.11 Increase in threshold of high value cheques and discontinuation of high value clearing : In view of the various risks associated with use of paper-based instruments for clearing and settlement of large-value transactions, the process of migration of large-value payments to the electronic mode was initiated. The threshold limit for cheques eligible to be presented in High Value Clearing has been enhanced from the present Rs.1 lakh to Rs.10 lakh and the high value clearing has been discontinued at a couple of locations.

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