

Payment Systems in India – Vision 2009-12

I Introduction

1.1 Safety, security, soundness and efficiency of the payment systems assume critical importance from the angle of systemic stability. Smooth functioning of payment systems becomes vitally important in the light of inter-linkages they have with other financial systems. As indicated in the Report on "interdependencies of payment and settlement systems" published by the Committee on Payment and Settlement Systems (CPSS) of the Bank for International Settlements (BIS) in June 2008, smooth functioning of an individual system often depends on smooth functioning of other related systems. The Reserve Bank of India (the Bank) shall continue its initiatives for ensuring smooth operations and proper conduct of the payment systems. It is of prime importance thus, to be assured that the payment and settlement systems in the country are duly authorised and operating within the framework of guidelines applicable to them. The Bank shall also continue to discharge its oversight, regulatory and developmental responsibilities, apart from raising efficiency standards and improving performance benchmarks.

1.2 The Approach to be followed on aspects relating to oversight, safety and efficiency and the various initiatives proposed to be operationalised in the various payment system components and products in the near-to-short-term are detailed in this Vision Document. The Vision Document would guide the payments system-related activities of the Bank and concisely convey the intended direction to realise the Mission Statement components.

1.3 The Mission Statement articulated for payments system objectives of the Bank has six distinct and succinct components that would be integrated to form the universe of scope and premise of action. To briefly elucidate, the components represent -

- Safety – Keeping the risks in various payment system products minimum and manageable if they are necessary and unavoidable.
- Security – Giving confidence to stakeholders that the payment systems can be trusted and are reasonably protected from threats and vulnerabilities.
- Soundness – Demonstrating the capability and ensuring the payment systems function in a non-disruptive manner.
- Efficiency – Providing measures to assure that the payment systems are cost-effective, reliable and promote financial and economic stability.

- Accessibility – To ensure reach of various payment systems at reasonable cost to various segments of the populace.
- Authorisation – Granting entities authorisation to operate payment systems in accordance the provisions of the Payment & Settlement Systems Act and the Regulations framed thereunder.

1.4 The Board for Regulation and Supervision of Payment and Settlement Systems (BPSS), is the apex body for regulation and supervision of payment systems in the country. The vision would be achieved under the overall guidance, direction and supervision of the BPSS.