

### **III Payments System Oversight**

3.1 The guiding principles while pursuing the oversight goal will continue to be objectivity, simplicity and transparency. Streamlining operating instructions, prescribing uniform practices, laying down minimum benchmarks, insisting on adequate

redundancies and requiring effective business continuity plans will be vigorously pursued. Focus will be on monitoring implementation of guidelines both in letter and spirit.

3.2 The Payment and Settlement Systems Act, 2007 (the Act) (effective from August 12, 2008) prohibits any entity from commencing or continuing to operate a payment system without the approval of the Bank. The Bank may accord approval to the payment system, based on the need for the proposed activity, the services proposed to be undertaken / offered and the efficiency it will bring to functioning of the payments systems in the country. The Bank, while authorising payment systems, would advise the criteria and prescribe the terms and conditions under which the said systems shall operate.

3.3 It is imperative that payment systems are operated in a safe and efficient manner as well as in the best interests of the public. The Bank shall endeavour to –

- Enhance the security, integrity and resilience of the payment system infrastructure in the country by ushering in new initiatives or necessitating standards through a consultative process and balancing with the suggestions of various stakeholders. The approach will be need-based and appropriately calibrated to reflect rational expectations.
- Comply with the general principles enunciated in the 'Report on Central Bank Oversight of Payment and Settlement Systems' published by the Committee on Payment and Settlement Systems duly taking into account our practices and requirements. The general principles of oversight are (i) transparency, (ii) international standards, (iii) effective powers and capacity, (iv) consistency, and (v) co-operation with other authorities. The Bank would accordingly make public the requirements and the criteria for the various payment systems.
- Adopt the recommendations and principles enunciated by international institutions like the BIS, FATF, etc., while developing or approving systems, issuing operational guidelines or mandating requirements in new or existing payment systems. For the purposes of wider dissemination and transparency, the Bank would be placing on its website the names of entities to whom authorisation to operate payment systems has been approved and the conditions of authorisation subject to which only such entities can operate.

## ***Vision Document on Payment and Settlement Systems and Roadmap for Implementation***

- Put in place appropriate off-site monitoring / surveillance and on-site audits / inspections / scrutinies to ensure compliance with the laid down prescriptions.

3.4 These measures are expected to facilitate an orderly growth and functioning of the payment systems thereby instilling confidence among the various stakeholders.