

## Information Technology News

**Conference on “Reforms in the Payment System in India”** : A day’s Conference on “Reforms in the Payment System in India” was held on March 6, 1999, in the Commission Room, FICCI, at New Delhi. The Conference was organised jointly by the Ministry of Finance and the Reserve Bank of India. Governor, Reserve Bank of India inaugurated the Conference. Special Secretary (Banking), Ministry of Finance, Shri C.M. Vasudev, presided over the Conference. Three specialists on Payment Systems from the World Bank and Chairmen and Managing Directors of Public Sector banks were the other participants. The following points emerged at the Conference:

- A Steering Committee at the national level/National Payments Council with fairly senior level representation under the Chairmanship of Governor/Deputy Governor of the Reserve bank of India may be constituted to guide in the design and development of an Integrated Payment and Settlement system.
- In view of the highly technical nature of the Project, it would be appropriate if a Consultant/Firm having sufficient experience in the development and modernisation of Payment Systems is associated.

**Computerisation of Banking Business** : While implementing the branch computerisation programme of the banks, important issues pertaining to standards and scalability of hardware, operating system software, systems software, and application software should be kept in view so that the computerised branches could be networked and ultimately connected with their respective Treasury Departments and Controlling offices. This would ultimately facilitate inter-bank connectivity on the INFINET, which is a wide area satellite based communication network using VSAT technology. This process would also accomplish the implementation of the notification by the Central Vigilance Commissioner dated November 27, 1998 to the banks to ensure that 70 per cent of the banking ‘business’ is computerised by January 1, 2001. To discuss the CVC’s Notification by the Public Sector banks, a meeting of the Heads of the Computer Policy and Planning Departments of the banks was organised on February 11, 1999. It was decided in the meeting that for the purpose of complying with the CVC’s Notification banking ‘business’ would mean “the total of deposits and advances of the bank as a whole”. The quantum of business transacted through computerised branches in relation to their overall business, is presently estimated at 53.99 per cent.

In order to monitor the progress of computerisation, banks would furnish the data on a quarterly basis to the Reserve Bank of India in a specified format. Banks were further advised to seize the initiative in implementing Electronic Clearing Service (ECS), at all the centres where the RBI is already offering the services and also at the 30 additional centres where SBI/Associate banks would be launching ECS.

**Replacement of Cheque Processing Systems**: The Reserve Bank of India introduced

the Magnetic Ink Character Recognition (MICR) technology in the late 1980s for processing of paper based payment instruments in the clearing at the four metros. The IBM 4381 mainframe computer systems, which have been in operation for more than a decade and a half, have outlived their utility. Moreover these systems are not Y2K compliant. The existing computers are being replaced with systems, which are state-of-the-art and are Y2K compliant. The delivery of the new systems has commenced. These new system would be installed and operationalised before the advent of the millennium. the new systems consist of IBM S-390 mainframes operating on MVS-ESA. The cheque processing Reader/Sorters would be equipped with facilities for imaging. Imaging is the process of capturing in a digital form both sides of the cheque. This helps in reducing errors arising out of data entry and cuts down on clearing differences, apart from providing the facility to detect fraudulent cheques. This technology would pave the way for cheque truncation and electronic presentment in the future. All the above will ensure that customers continue to get the benefit of the latest in technology for their banking transactions.