

RBI Press Release

National Payments Council (July 22, 1999)

The first meeting of the National Council constituted by the Reserve Bank of India under the Chairmanship of Deputy Governor, Shri S.P. Talwar to guide the design and development of a modern and efficient Payments and Settlement system for the country was held on July 22, 1999 in Mumbai. The members who attended the meeting included :

1. Dr. A. Vasudevan, Executive Director, Reserve Bank of India
2. Shri A.T. Pannir Selvam, Chairman, Indian Banks Association
3. Shri Rashid Jilani, Chairman and Managing Director, Punjab National Bank
4. Dr. R.H. Patil, Managing Director, National Stock Exchange
5. Shri V. Janakiraman, Deputy Managing Director, State Bank of India
6. Shri David P. Conner, Chief Executive Officer-India, Citi Bank
7. Shri H.N. Sinor, Managing Director, ICICI Banking Corporation Ltd.
8. Shri O.P. Gahrotra, Senior Executive Director, Securities and Exchanges Board of India
9. Shri D.S. Pendse, Managing Director, Tata Finance Ltd.

The meeting was also attended by Shri S.R. Mittal, Chief General Manager, Department of Information Technology as the Member-Secretary of the Council.

The National Payment Council was constituted on May 26, 1999 with the focus on the broad policy parameters for designing and developing an integrated, state of the art, robust payments and settlement system for the country, with the proposed Real Time Gross Settlement System as its core.

The Council reviewed the work already done by the Payment Systems Group and the Payment Systems Advisory Committee of the Reserve Bank and appreciated the initiatives taken in the last 10-12 months. These initiatives included, among others, the following :

- Operationalisation of the Indian Financial Network - INFINET;
- Scheduling the implementation of the identified inter-bank applications on the INFINET;
- Standardisation of Message Formats;
- Design of the Message formats for the identified applications;
- Replacement of MICR solutions with the state-of-the-art Y2K compliant clearing systems at the four metropolitan cities viz., Mumbai, Chennai, Calcutta and New Delhi.
- Initiation of the process for appointment of a consultant to assist in the implementation of

Real Time Gross Settlement System (RTGS).

The Council took the following decisions after a discussion on each of the above initiatives :

1. It emphasised the introduction of Real Time Gross Settlement System within a time frame of 15 to 18 months as stipulated by the Governor, Reserve Bank of India in the Monetary and Credit Policy for the Year 1999-2000.
2. The Council agreed to the adoption of Y-topology, viz., there will be a service provider between the origin of the transaction and its settlement in the books of the Reserve Bank of India.
3. The Council also agreed to the use of the Y2K compliant state of the art technology solution available at National Clearing Centre, Mumbai, as the gateway to RTGS.
4. The Council endorsed the recommendations of the Committee on Technology Upgradation in the Banking Sector. Those which are of immediate nature should be implemented on a priority basis in co-ordination with the Chairman of Banks and Heads of the Computer Policy and Planning Departments.
5. The Council felt that all payment and settlement systems should be of service to customers. The Council was of the view that it is necessary to reduce time lags in the collection of outstation as well as local cheques. The Council suggested that a detailed study be undertaken about the measures that could be taken to address this problem in an expeditious manner.
6. The Council constituted a number of permanent Task Forces. Each Task Force would be headed by a member of the National Payments Council and assisted by the respective Heads of the Departments concerned within the Reserve Bank.
 - Monetary Policy and related issues;
 - Payment and Settlement Systems Oversight;
 - Legal Issues;
 - Technology Related Issues;
 - Systems and Procedures related issues;

The Task Forces will study the various issues connected with the above and assist the National Payments Council in its policy making.

7. The Council strongly recommended that all applications should be standardised and that RTGS should be operated without human intervention in a secured environment once the message is received at the gateway.

8. The Council decided that it should meet once in a quarter to deliberate on issues of immediate and institutional importance.

Status of Y2K Compliance in Financial Sector (July 29, 1999)

The High Level Working Group set up under the Chairmanship of Shri S.P. Talwar, Deputy Governor reviewed the progress in Y2K preparedness by the banking and financial sectors. Apart from the members of the Working Group, the meeting was attended by Senior Executives of LIC, SEBI, IDBI and NABARD. The review showed that all the commercial banks, non-banking, subsidiaries of commercial banks, financial institutions, primary and satellite dealers, with the exception of a few were found to be Y2K ready. The Groups desired that it is necessary to interact on individual basis with each of the non-compliant institutions in an expeditious manner. The Group also took note of the receipt of contingency plans from 95 commercial banks. The Group recommended that banks should have dry runs of their contingency plans in simulated environment, and ensure availability of resource persons and vendors during the transition period. Banks would have to also ensure that the recovery plans of their main systems are in place in the event of failure so as to cut the duration to operate contingency plan to the minimum.

The special invitees from IDBI, LIC, SEBI and NABARD appraised the members of the level of compliance in their respective spheres, including the formulation and dry runs of contingency plans in simulated environment. The invitees also assured the Group that those institutions not yet found to be Y2K ready will soon become compliant and are not likely to pose any business continuity problem.

The question regarding declaration of January 1, and January 3, 2000 as exceptional holidays for the purpose of Y2K preparatory arrangements was considered at the meeting. It was felt that such a declaration would come in the way of smooth transition to the Year 2000.

The members were also kept apprised of the feedback that the Reserve Bank received on the Y2K preparations in power, telecommunication and other infrastructure sectors at the recent discussions held at major metropolitan cities.

The Reserve Bank has issued an update on Y2K preparedness in banks and financial institutions in June, 1999, which is available on RBI web site [http:// www.rbi.org.in](http://www.rbi.org.in). In this context, the Group urged that infrastructure and corporate sectors should disseminate information on their Y2K preparedness as widely as possible to further confidence about business continuity.