

Press Releases

September 2008

Payment and Settlement Systems Act, and Regulations come into effect

Sep 1, 2008

The Payment and Settlement Systems Act, 2007 (51 of 2007) and the Payment and Settlement Systems Regulations, 2008 have been notified and have come into effect from August 12, 2008. The Payment and Settlement Systems Act stipulates that no person other than the Reserve Bank, shall commence or operate a payment system except under and in accordance with an authorisation issued by the Reserve Bank under the provisions of the Act.

All persons currently operating a payment system or desirous of setting up a payment system, as defined in Section 2(1)(i) of the Act should apply for authorisation to the Reserve Bank, unless specifically exempted in terms of the Act. Existing payment systems will cease to have the right to carry on their operations, unless they obtain an authorisation within six months from the commencement of the Act (*i.e.*, 12th August 2008).

The Payment and Settlement Systems Regulations, 2008 detail the form and manner in which the application is to be made to the Reserve Bank for grant of authorisation. The Payment and Settlement Systems Act, 2007 and The Payment and Settlement Systems Regulations, 2008 are available on the website of Reserve Bank.

National Electronic Clearing Service inaugurated

Sep 29, 2008

Shri V.Leeladhar, Deputy Governor, Reserve Bank of India today inaugurated the National Electronic Clearing Service (NECS) at a function at the Reserve Bank's National Clearing Centre (NCC), Mumbai.

The service aims to centralise the Electronic Clearing Service (ECS) operation and bring in uniformity and efficiency to the system. ECS was introduced in the early nineties and is operational at 74 locations at present, facilitating easy payments and collections for repetitive and bulk transactions. On an average around 20 million ECS transactions are processed each month. Presently, ECS system functions in a decentralised manner requiring users to prepare separate set of ECS data centre-wise. Users are required to have tie-up with local sponsor banks for presenting ECS file to each ECS Centre.

NECS (Credit) would facilitate multiple credits to beneficiary accounts destination branch at participating centre against a single debit of the account of a user with the sponsor bank. NECS (Debit) would facilitate multiple debits to destination account holders against single credit to user

account. The system has a pan-India characteristic leveraging on Core Banking Solutions (CBS) of member banks. This would facilitate all CBS bank branches to participate in the system, irrespective of their locations.

In the new set-up, users have to prepare one consolidated NECS file and submit it centrally to the NCC, Nariman Point, Mumbai, through their sponsor banks. The sponsor banks would make use of the web-server provided for the purpose. The web-server also has the facility to get on-line data validation so that error free data could be uploaded for processing. The files can be uploaded up to the cut-off time one day prior to the settlement day by sponsor banks thus bringing down further the lead time required for processing. The returns also would get processed on the settlement day itself thus on the third day the users would have the status of the transactions.

As on date 25,000 branches of 50 banks are participating in NECS operations and other banks are expected to join in course of time.

In first phase, it is proposed to introduce the NECS (Credit). The NECS (Debit) would be introduced subsequently, based on the experience and feedback received from member banks.