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RESERVE BANK OF INDIA

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July 28, 2021

The Chairman / Managing Director / Chief Executive Officer
Authorised Non-bank Payment System Providers

Madam / Dear Sir,

Access for Non-banks to Centralised Payment Systems

A reference is invited to Paragraph 9 of the [Statement on Developmental and Regulatory Policies dated April 07, 2021](#) wherein it was announced that the Reserve Bank shall encourage participation of non-banks in Reserve Bank of India-operated Centralised Payment Systems (CPS) viz. Real Time Gross Settlement (RTGS) and National Electronic Fund Transfer (NEFT) systems, in a phased manner. A reference is also invited to the [Master Directions on Access Criteria for Payment Systems dated January 17, 2017](#) wherein Reserve Bank had prescribed criteria for access to CPS.

2. Direct access for non-banks to CPS lowers the overall risk in the payments ecosystem. It also brings advantages to non-banks like reduction in cost of payments, minimising dependence on banks, reducing the time taken for completing payments, eliminating the uncertainty in finality of the payments as the settlement is carried out in central bank money, etc. The risk of failure or delay in execution of fund transfers can also be avoided when the transactions are directly initiated and processed by the non-bank entities.

3. On a review of extant arrangements and after detailed discussions with Payment System Providers (PSPs), it is advised that, in the first phase, authorised non-bank PSPs, viz. PPI Issuers, Card Networks and White Label ATM Operators shall be eligible to participate in CPS as direct members as per the approach presented in the [Annexure](#) hereto.

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हिंदी आसान है, इसका प्रयोग बढ़ाएँ

4. The [Master Directions on Access Criteria for Payment Systems dated January 17, 2017](#) are also being modified accordingly. For operational and user convenience, Reserve Bank has placed a set of [FAQs](#) on the subject on its website.

5. These instructions are issued under Section 10 (2) read with Section 18 of Payment and Settlement Systems Act, 2007 (Act 51 of 2007) and come into effect from the date of this circular.

Yours faithfully,

(P Vasudevan)
Chief General Manager

Annexure to Circular Ref.DPSS.CO.LVPD No.S290/04.04.009/2021-22
dated July 28, 2021

Access for Non-banks to Centralised Payment Systems

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1 Background

1.1 Centralised Payment Systems (CPS) in India are Real Time Gross Settlement (RTGS) and National Electronic Funds Transfer (NEFT) systems, both owned and operated by Reserve Bank. As part of its drive to encourage moving towards digital payments, Reserve Bank has been continuously taking measures to improve the payment ecosystem in general, and CPS in particular. The NEFT and RTGS systems were made available 24x7x365 with effect from December 2019 and December 2020 respectively.

1.2 One of the ways to provide impetus to digital payments is to extend the access to payment systems to more entities. This is also engaging the attention of other central banks globally. Reserve Bank's Vision Document on Payment and Settlement Systems 2019-2021 includes review of membership of CPS to enable access

neutrality between banks and non-banks and to develop a framework for settlement risk management with increased participation of non-banks. The document also refers to the need for a single national settlement account for all authorised card networks.

1.3 Apart from banks, very few select non-banks have been given approval to participate in CPS so far. The non-banks which are permitted membership / access to CPS are standalone primary dealers, clearing corporations of stock exchanges, central counter parties, retail payment system organisations, select financial institutions (NABARD, EXIM Bank) and DICGC.

1.4 Banks have been providing the services to non-banks for their payment and settlement needs. However, if the bank, which provides payment services to non-banks, is impacted, it can cause business disruption to the non-banks also. The disruption, even if temporary, could have the potential to cause and spread instability in the system. Consequently, the customers of the non-banks, who are using their products and services, would also get affected.

2 Direct Access for Non-banks to CPS

2.1 Meaning of Direct Access to CPS

2.1.1 Allotment of a separate Indian Financial System Code (IFSC).

2.1.2 Opening a Current Account with the Reserve Bank in its core banking system (e-Kuber).

2.1.3 Maintaining a settlement account with the Reserve Bank.

2.1.4 Membership of Indian Financial Network (INFINET) and use of Structured Financial Messaging System (SFMS) to communicate with CPS.

2.2 Benefits of Direct Access

2.2.1 Efficiency: For non-banks, the cost of routing payments through banks can be minimised. The risk of failure or delay in execution of fund transfers can be eliminated if the transactions are directly initiated by non-banks.

2.2.2 Competition and innovation: Non-banks increasingly and actively offer financial services which hitherto were the sole domain of banks. They are seen to be agile in coming up with innovative products and solutions as well. Direct access to CPS can further enable them to leverage technology to offer customised choices to consumers. They can use their capabilities to assimilate and analyse data to support their innovations and solutions. As non-banks compete in the same segment that banks operate, direct access can provide level playing field, minimising the need to use intermediaries.

2.2.3 Risk management and stability: As the settlement is carried out in central bank money, it greatly reduces the uncertainty in finality of the payments and settlement risk. Expanding the access and participation facilitates diversity and resiliency of the ecosystem.

2.2.4 Data protection: Direct access to CPS can enable the non-banks to safeguard customer information and fund flows, which may not be possible when using banks to provide payment services.

3 Eligibility

3.1 Entities

3.1.1 Non-banks include entities like Payment System Providers (PSPs) and Non-Banking Financial Companies (NBFCs) that are regulated by Reserve Bank as also entities that are under the remit of other financial sector regulators like PFRDA, IRDAI, SEBI, etc.

3.1.2 To start with, access to non-banks in CPS will be enabled in a phased manner. In the first phase, only the following authorised non-bank PSPs shall be provided access –

- i. Prepaid Payment Instrument (PPI) Issuers;
- ii. Card Networks; and
- iii. White Label ATM Operators.

3.2 Criteria

3.2.1 Eligibility for non-bank access to CPS shall be as per the criteria prescribed by Reserve Bank.

3.2.2 For access to CPS the non-bank PSPs shall fulfil the following criteria:

- i. Valid Certificate of Authorisation (CoA) from Reserve Bank under the Payment and Settlement Systems Act, 2007 (PSS Act).
- ii. Net-worth of ₹ 25 crore or as prescribed as per CoA, whichever is higher.
- iii. Incorporation in India under the Companies Act, 1956 / 2013. Entities not fulfilling this requirement shall empower their Indian subsidiary / associate to enter into valid agreements with RBI.
- iv. Implementation of centralised processing systems.
- v. Adequate technical / system readiness including cyber resilience.
- vi. Compliance with local payment data storage requirements issued by Reserve Bank from time to time.
- vii. Adherence to [Master Directions on Access Criteria for Payment Systems](#), RTGS System Regulations, NEFT Procedural Guidelines and other instructions prescribed by Reserve Bank from time to time.
- viii. Satisfactory record of compliance to conditions laid out in CoA and regulatory guidelines.
- ix. Recommendations of the concerned regulatory / supervisory department of Reserve Bank.

3.2.3 Entities incorporated outside India shall empower their local offices to carry out all operations in respect of CPS, but the responsibility for all operations and management of any contingency, including settlement obligations, shall remain with the foreign parent institution, which has taken authorisation as PSP.

3.2.4. Reserve Bank shall have the authority to suspend or terminate membership of a PSP, if the PSP is found to be not complying with the access criteria on an ongoing basis.

3.2.5 Non-bank PSPs shall not be eligible for availing Intra-Day Liquidity (IDL) facility from the Reserve Bank. For any shortfall / default in completing the payment / settlement obligations, such entities shall approach their bankers for a ready line of

credit facility. They shall ensure that appropriate liquidity support arrangements are in place with their bankers to avoid gridlocks and to ensure business continuity.

3.2.6 Non-bank entities shall not be permitted to sponsor sub-members.

3.2.7 Non-bank entities shall adhere to the terms and conditions specified for maintenance of Current Account in Reserve Bank’s core banking solution (e-Kuber), membership to INFINET, use of SFMS, etc.

3.3 Membership Type and Nature of Transactions

3.3.1 Nature of transactions that can be executed shall depend upon the type of membership approved for RTGS. Based on requirement, some categories of PSPs shall be permitted to participate in NEFT also.

3.3.2 The details of access for non-bank PSPs to CPS shall be as under:

| Sl. No. | PSP | RTGS Membership Type and Nature of Transactions | | NEFT |
|---------|---------------|---|--|------|
| 1. | PPI Issuers | D | Customers, own / other bank / non-bank account transfers | Yes |
| 2. | Card Networks | C | Multilateral net settlement batches, own account transfers | No |
| 3. | WLA Operators | D | Customer, own / other bank account transfers | No |

3.3.2 Once admitted as members, RTGS and NEFT systems may be used by the non-bank PSPs to execute various types of transactions. A summary of different transaction types and their use-cases is given below:

- i. RTGS / NEFT customer payments initiated by:
 - a. PPI issuers to merchants / payment aggregators;
 - b. WLA operators to agencies handling ATMs; and
 - c. Full-KYC PPI customers to load the PPIs from their bank account.
- ii. RTGS inter-bank transfers initiated by:

- a. Non-bank PSPs to maintain sufficient balance in their escrow account with member bank/s based on net debit or credit position; and
 - b. WLA operators and PPI issuers to other member banks / non-banks.
- iii. Multilateral Net Settlement Batches (MNSB) posted in RTGS by:
- a. Card networks for settlements, dispute management, annual fee collections, etc.;
 - b. Direct credit to WLA operators in NFS settlements; and
 - c. NPCI allowing settlement of transactions of non-bank PSPs without involving their sponsor bank/s.
- iv. Own Account Transfer (OAT) between the current and RTGS settlement accounts of the non-bank PSPs to maintain sufficient balances.

3.3.3 Card networks shall not be allowed to use the RBI current account for their settlement guarantee and related activities.

4 Operational Aspects

4.1 Process of Applying for Direct Access to CPS by Non-banks

4.1.1 The detailed process of applying for membership is given in the [Master Directions on Access Criteria for Payment Systems issued vide DPSS.CO.OD.No.1846/04.04.009/2016-17 dated January 17, 2017.](#)

4.1.2 All applications for membership to CPS shall be submitted to the Chief General Manager, Department of Payment and Settlement Systems (DPSS), Reserve Bank of India (RBI), Central Office (CO), 14th Floor, Central Office Building, Shahid Bhagat Singh Marg, Fort, Mumbai – 400 001.

4.1.3 The application shall be submitted in the format prescribed in Appendix - 1 “Covering letter for membership to Centralised Payment System”, of [Master Directions on Access Criteria for Payment Systems](#), together with annexures.

4.1.4 Reserve Bank shall endeavour to complete the process of scrutinising the applications, that are complete with all required documents, within 60 days of receipt.

4.1.5 On approval of the application, DPSS, CO shall issue a letter of approval to the non-bank entity with a validity of six months, within which the entity shall ensure participation in CPS. DPSS, CO shall forward the application to RBI, Mumbai Regional Office (MRO), for further processing of RTGS and NEFT membership.

4.1.6 DPSS, MRO shall act as the point of contact for guidance of the non-bank entity.

4.1.7 Non-bank entities shall choose the type of access to the RTGS system, i.e., SFMS member interface, Web service interface or Payment originator module through INFINET, as per their convenience and requirement in consultation with Indian Financial Technology & Allied Services (IFTAS) and Reserve Bank.

4.1.8 Non-bank entities shall approach RBI, MRO for going live in RTGS, NEFT, getting INFINET membership, getting SFMS membership, opening of Current Account (in e-Kuber), opening of Settlement Account in RTGS, for necessary technical support from IFTAS for INFINET connectivity and SFMS integration, etc.

4.1.9 RBI, MRO shall refer the entity to RBI, Primary Data Centre (PDC), Department of Information Technology (DIT), CO for establishing connectivity to RTGS, user acceptance testing, providing sign-off for going live in RTGS, NEFT, etc.

4.2 Other Operational Aspects

4.2.1 RTGS Settlement Account shall be funded from Current Account at start of the day for an approved amount and balance, if any, in RTGS Settlement Account at end of the day, shall be transferred back to the Current Account.

4.2.2 Non-bank entities shall transfer funds from their Current Account to RTGS Settlement Account and vice versa during the operating hours. Non-bank entities shall monitor both their accounts continuously throughout the day. Any disruption in settlements due to insufficient balance in their accounts shall be viewed seriously and attract stringent regulatory / supervisory action, including levy of penalty, suspension / termination of CPS membership, etc.

4.2.3 Non-bank PPI issuers shall transfer funds from their escrow account/s with scheduled commercial bank/s to Current Account with RBI and from Current Account with RBI to the escrow account/s for operational purposes. The balances in Current Account with the Reserve Bank shall not be reckoned for the purpose of maintenance of daily balance in escrow accounts.

4.2.4 For any issue that arises during the course of membership of the non-bank entities, the decision of Reserve Bank shall be final and binding.

4.2.5 Reserve Bank shall review the access type and membership criteria of non-bank entities for further streamlining as and where necessary.