

Meeting of the National Payments Council

June 10, 2000

The National Payments Council under the Chairmanship of Deputy Governor, Shri S.P.Talwar met on June 09, 2000 to discuss the latest developments in the Payments System and the future possibilities. The Council members welcomed the passing of the Information Technology (IT) Bill and the grant of one transponder on INSAT 3-B which will augment the capacity of the Indian Financial Network (INFINET). The Council reviewed the ongoing initiatives for implementing the Centralised Funds Management System (CFMS), Real Time Gross Settlement System (RTGS), Securities Settlement System (SSS) and the Structured Financial Messaging Solution (SFMS), and urged that the implementation be expedited as quickly as possible – within the next one year. On the legal issues, the Council suggested that pending the required amendments in the Negotiable Instruments Act and the Reserve Bank of India Act and passing of Electronic Funds Transfer Act, the contractual methods could be utilised to ensure that financial transactions take place in electronic mode.

The Council decided that for having drafts of amendments to the Negotiable Instruments Act, the Reserve Bank of India Act and of Electronic Funds Transfer Act, an appropriate consultant may be appointed.

The Council agreed that intra-day liquidity would have to be provided under RTGS framework. It was also accepted that the discipline of intra-day liquidity facility should be strictly observed, with penalties in place to act as deterrents for breach of discipline. The Council felt that the working of intra-day liquidity should be reviewed periodically.

The Council recommended that a scenario building exercise may be incorporated in the work relating to the interface between the Payments System and Monetary Policy conduct. The Council urged that the Report of the Advisory Group on the Core Principles on Payments and Settlement Systems, as and when concluded, may be examined by the Task Force on Payment and Settlement System Oversight and the results of the Task Force's examination may be placed for discussions of the Council in one of its future meetings. The Council also appreciated the efforts put in by the Reserve Bank to promote the development of electronic retail payment modes, including SMART Cards.

**Alpana Killawala
General Manager**

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