

Make Ordinary Bank Customer Ultimate Beneficiary of RTGS: RBI urges Banks

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Shri Vepa Kamesam, Deputy Governor, Reserve Bank of India today urged banks to ensure complete infrastructural and human resources readiness, and connectivity and security at their end so that the Real Time Gross Settlement (RTGS) facilities could percolate to the ordinary customers. He added that one of the primary objectives of every central bank is to put in place a modern, robust, secure and integrated payment and settlement system to enable the common man to make payments to anyone he likes in the most efficient and cost effective manner. Shri Kamesam was addressing chief executives of banks today at a meeting held in the Reserve Bank of India. The meeting was called to take stock of the banks' preparedness for RTGS implementation.

The RTGS system is scheduled to be delivered by the end of October 2003 followed by installation, testing and commencement of parallel run before the year-end. The RTGS system will facilitate large value inter bank payments and settlement in real time on-line mode on a transaction by transaction basis. It will enhance systemic efficiency and minimise the existing settlement risk.

Introduction of RTGS system has a number of pre-requisites. These include, availability of industry-wide communication network, reliable resilient and state-of-the-art computer platform for the implementation of the systemically important payment system applications including the RTGS system, facilities for electronic based payment and settlement, standardisation of message formats for inter and intra bank applications, robust messaging system with facility for security of international standards, proper business process re-engineering by each RTGS participant and facilities for advanced liquidity management. Most of these prerequisites have already been met, it was noted.

In this context, the bankers discussed the need for having a second liquidity adjustment facility auction, using SLR securities as a collateral during the day, possibility of large credit transfers from customer accounts without notice and as such the need for better cash management by banks. In this context, the Deputy Governor also pointed out that the implementation of RTGS system will allow banks to offer newer products arising out of intra day liquidity management. Another possibility according to him would be fee based RTGS services to the customer, which may provide an additional source of revenue to the banks. He, however, cautioned banks that implementation of RTGS system will affect the availability of float funds to them and they may have to re-look at the price structure of their products.

Reviewing the progress of RTGS, the Deputy governor pointed out that the Reserve Bank has already operationalised the Centralised Fund Management System(CFMS) which provides banks on-line information on their aggregate funds position maintained across 15 RBI centres. Further, the Reserve Bank will, by September 2003, make available fund transfer facilities between banks and RBI offices under the Centralised Fund Management System. The Structured Financial Messaging System(SFMS) has been implemented on the lines of SWIFT which is a messaging system for international funds transfer with adequate security.

The Deputy Governor called upon the chief executives of banks to play a catalytic role in building up opinion within the organisation and also among bank customers. He stressed upon ensuring complete infrastructural and human resources readiness so that the RTGS facilities could percolate to the ordinary customers. Pointing out that the RTGS system will be a credit transfer system as against the present payment system which is based on cheques and instruments resulting in debit transfer system, he clarified that RTGS would require re-orientation of customer banking and therefore customer education. Connectivity among bank branches in 21 centres where the Reserve Bank has its offices and also between bank branches in 126 commercially important centres was also important. The ultimate objective, according to Shri Kamesam, was to reach the ordinary customers not only in the cities but also in the countryside.

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