



RESERVE BANK OF INDIA

[www.rbi.org.in](http://www.rbi.org.in)

[www.rbi.org.in/hindi](http://www.rbi.org.in/hindi)

e-mail: [helpprd@rbi.org.in](mailto:helpprd@rbi.org.in)

PRESS RELATIONS DIVISION, Central Office, Post Box 406, Mumbai 400001  
Phone: 2266 0502 Fax: 2266 0358, 2270 3279

May 3, 2005

## RBI releases Vision Document for Payment and Settlement Systems

The Reserve Bank of India today released the Vision Document for Payment and Settlement Systems. The document lists the accomplishments in the area of payment system during the last three years and gives a roadmap for its further advancement during the next three years.

Safety, security, soundness and efficiency have been identified in the document as the key themes of the payment systems upgradation efforts. Whereas **safety** in payment and settlement systems relates to risk reduction measures, **security** pertains to confidence in the integrity of the payment systems. All payment systems are envisaged to be on **sound footing** with adequate legal backing for operational procedures and transparency norms. **Efficiency** enhancements are envisaged by leveraging the benefits of technology for cost effective solutions.

The document also details the action points for upgradation of the payment systems with definite milestones during next three years. During the first year, i.e., 2005-06, focus would be on setting up of a new institution for all retail payment systems and operationalising a National Settlement System (NSS). The new institution would be a limited company, owned and operated by banks and would act as an umbrella organisation for all retail clearing operations - both paper based and electronic. Apart from starting robust technology intensive electronic credit system (ECS) and electronics funds transfer (EFT) facility, the proposed institution would take initiatives on converting existing MICR clearing to cheque truncation based clearing. ATM switching, multi application smart card, e-commerce and m-commerce would be other activities of the new institution. The proposed NSS system would facilitate centralised settlement of all clearing transactions at one place so that banks can pool their balances and manage their liquidity optimally. To start with, all clearing settlements at the four metropolitan centres (i.e., Mumbai, Delhi, Kolkata and Chennai) would be settled under NSS system by December 2005.

Expanding the reach of the RTGS and electronic payment products would also receive priority. The Reserve Bank has envisaged that EFT products with a combination of its variants (RTGS, EFT, Special-EFT, National-EFT, National EFT (Extended)) would be available at about 10,000 bank branches at 500 centres by March 2006. Cheque Truncation Project would be launched at National Capital Region by March 2006 and extended to other three metro centres (Mumbai, Kolkata and Chennai) during the next two years.

The Vision Document emphasises creation of a sound legal base by way of Payment System Act and regulations made under the bill. Making all large value payment systems like RTGS, Government Securities Clearing (G-Sec Clearing), FOREX Clearing and High Value Clearing compliant with Core Principles of

important objective. Creating a sound legal base will form a part of this compliance initiative. The Vision Document also indicates that MICR clearing would be introduced at 14 centres (in addition to 40 existing centres) by March 2007.

As regards customer facilitation and protection, it is envisaged that all payment system service providers would set up Customer Facilitation Centres (CFC) and would put in place appropriate compensation policy and procedures for any deficiency in services.

It may be recalled that Dr. Y.V. Reddy, Governor, Reserve Bank of India, had, in the recently announced Annual Policy Statement, announced that the Reserve Bank will release a vision document for Payment and Settlement System.

**Alpana Killawala**  
Chief General Manager

**Press Release: 2004-2005/1144**