



Retail Payment Systems – Our Strategy

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Starts from the Mission Statement...

“To ensure all payment & settlement systems operating in the country are **Safe, Secure, Sound, Efficient, Accessible & Authorised**”

And flows to the Vision Document...

- ❖ Covers future plans
- ❖ Present document covers the period 2009-12
- ❖ Finalised in consultation with all stakeholders
- ❖ Pace and phase of implementation strictly in accordance

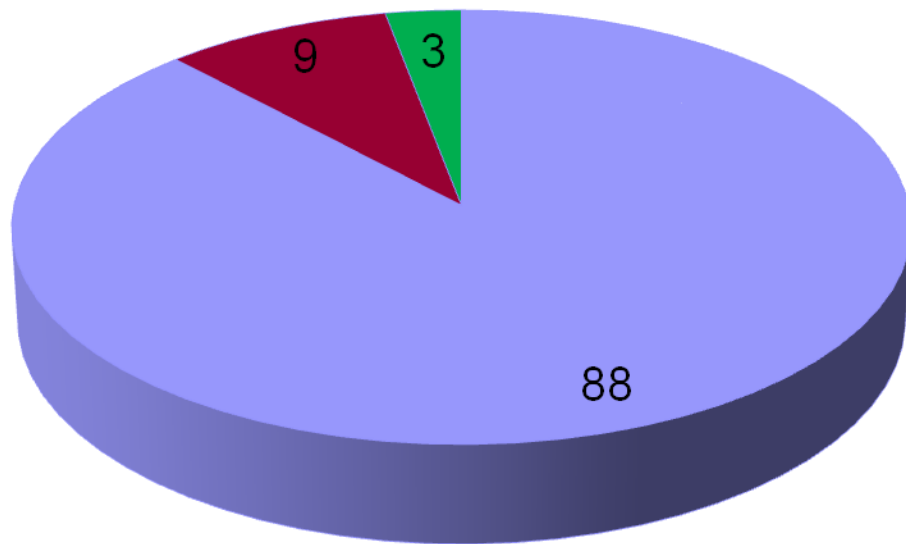


Legal basis for payment systems...

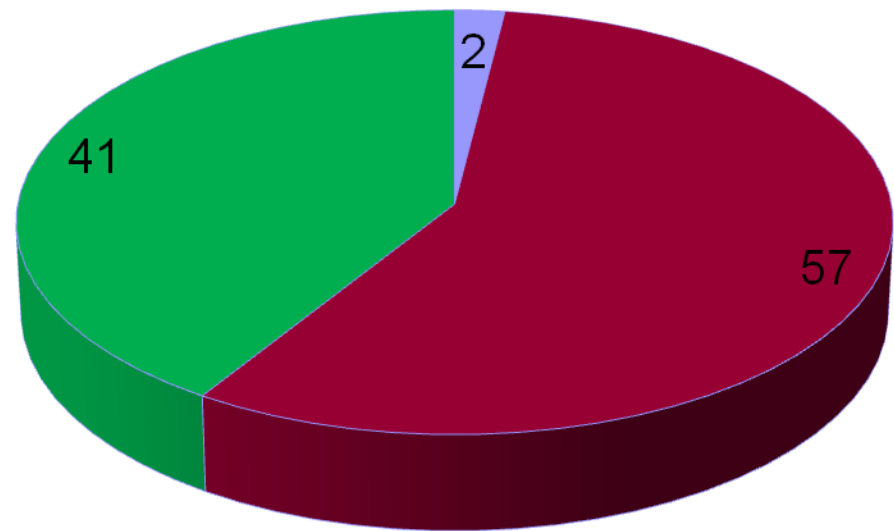
- ❖ Legislation in place – The Payment & Settlement Systems Act
- ❖ Vests RBI with authority for regulation and supervision
- ❖ Legal basis for multilateral netting
- ❖ Guidance by a Board – Headed by Governor
- ❖ Framework for operationalising the Act provisions
 - ❖ Settlement and Default Handling Mechanism in MNS systems
 - ❖ Dispute resolution mechanism
- ❖ Umbrella organisation for retail payments – National Payments Corporation of India

Our payments landscape...

In terms of Value...



In terms of Volume...



■ Large Value ■ Retail Paper ■ Retail Electronic



Paper Clearing...

Highlights

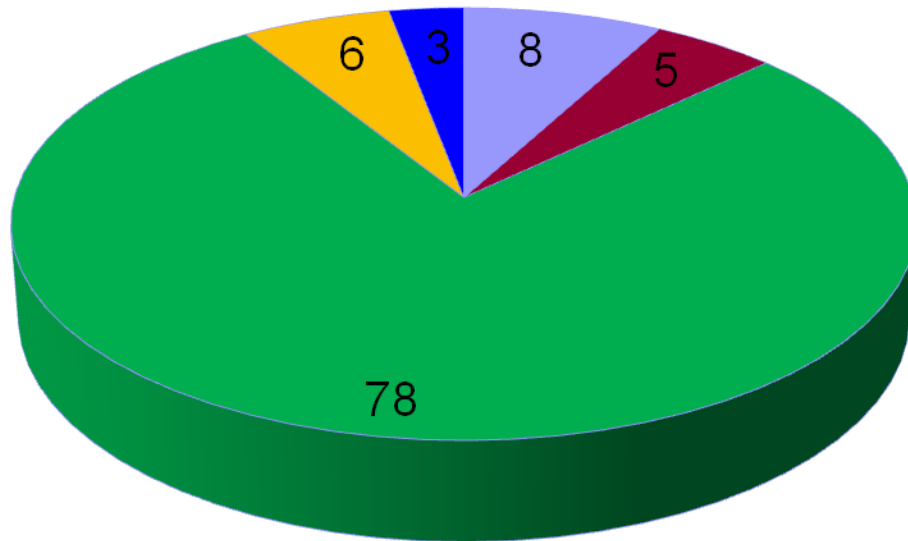
- ❖ Average daily cheque volume – 5.2 mn (4th largest in the world)
 - ❖ Growth in 2010 – Volume (2%↑) & Value (7%↓)
 - ❖ Huge and time-tested infrastructure
 - ❖ T+1 cycle – One of the most efficient

Strategy

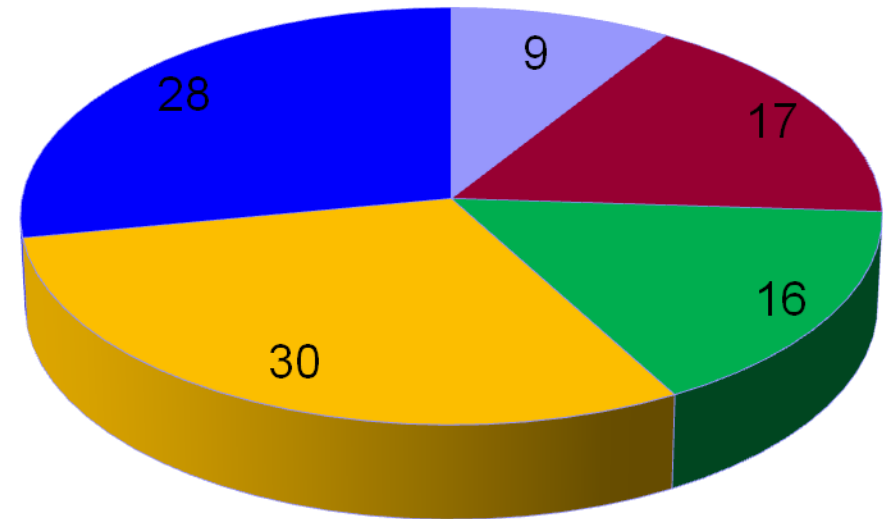
- ❖ No float with banks
- ❖ Use of cheques for small value transactions
- ❖ Increase cost of cheques to banks / issuers
- ❖ Use technology to reduce movement of paper
- ❖ Reduce fraud in use of cheques – New standard CTS-2010

Retail electronic payments landscape...

In terms of Value...



In terms of Volume...



■ ECS Cr ■ ECS Dr ■ NEFT ■ Cr Cards ■ Dr Cards



Retail electronic payments...

Highlights

- ❖ Dishonour of electronic instruction on par with cheque bouncing
- ❖ Improve relative efficiency of electronic products
- ❖ Move more transactions to near-real-time
- ❖ Consolidation of infrastructure
- ❖ Settlement in RTGS for national products
- ❖ Afford credit solely based on account number
- ❖ RBI offers electronic products free of cost
- ❖ Maximum charges by banks to customers mandated



Retail electronic payments...

National Electronic Funds Transfer (NEFT) System

- ❖ One-to-one transfers
- ❖ No minimum or maximum transaction value restrictions
- ❖ Available at over 75,000 bank branches
- ❖ 11 hourly settlements on weekdays and 5 on Saturdays
- ❖ Same day availability of funds
- ❖ Handles around 0.5 mn transactions every day
- ❖ Free SMS alerts to originators and beneficiaries
- ❖ Positive confirmation to originator for credit to beneficiary account



Alternate payment channels...

Highlights – Cards

- ❖ Pre-dominance of debit cards (92% of total 230 mn cards)
- ❖ Significant growth in debit card transactions as well (40+%)
- ❖ All card companies are authorised entities

Strategy

- ❖ Enhance safety and security
- ❖ Second factor of authentication for online card-not-present transactions...with SMS alerts to customers...since extended to IVR
- ❖ Being looked into for card-present transactions too



Alternate payment channels...

Prepaid Payment Instruments

- ❖ Can be issued by banks and non-bank entities
- ❖ Maximum amount ceiling prescribed
- ❖ Non-banks can only provide fee-based services.
- ❖ Access to funds only for banks
- ❖ Non-banks
 - ❖ No cash withdrawal permitted
 - ❖ Funds to be 'escrowed' with banks
- ❖ Addresses issuer bankruptcy concerns



Alternate payment channels...

Mobile Payments

- ❖ Bank-led model
- ❖ Receive funds for small values without bank account
- ❖ Individuals and for-profit-companies as Business Agents
- ❖ Interbank Mobile Payment Service (IMPS) launched

ATMs

- ❖ 98% of 65,000+ ATMs part of National Financial Switch
- ❖ ATMs treated as national infrastructure

POS Terminals

- ❖ Cash withdrawal at POS (5.5 mn terminals) allowed

Ubiquitous resources

- ❖ Inbound-money-transfers – Exclusive agency arrangements banned



Customer protection – Key focus area...

General

- ❖ End-to-end timeframe laid down with penalties for delay
- ❖ Banking Ombudsman mechanism to handle grievances

ATMs

- ❖ Enquiry free from any ATM; Cash withdrawal 5 times a month free
- ❖ 12-day timeframe for resolving customer complaints
- ❖ For delays, payment of per-day-penalty

Role of Intermediaries / Aggregators (EBPP) defined

- ❖ Monies collected placed with banks
- ❖ Permissible debits, credits to such accounts specified

The future...



Plans

- ❖ Domestic card – RuPay Card
- ❖ Two verticals – Retail payments by NPCI and large value by RBI
- ❖ Single switch for all retail transactions
- ❖ SWIFT for communication / messaging ?
- ❖ Complete focus on oversight (*and entities not under RBI's ambit ?*)
- ❖ Enhancing regional co-operation
- ❖ Facilitating financial inclusion – Integrating Unique ID number
- ❖ Chip & Pin cards

Challenges

- ❖ Integrating 155,000+ Post Offices
- ❖ Migrating government payments
- ❖ Funds leg of all settlements in RTGS



Thanks for the opportunity