

# “Our Payments System has best technology” says G Padmanabhan, CGM RBI

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**P**AYMENTS SYSTEM is the backbone of an advanced monetary economy. It is also one of the key areas in which technology has been a driving force for innovations. In the 2<sup>nd</sup> Annual Payments Summit 2009, organized recently by the Indian Banks' Association and Finsight Events in Mumbai, the issues and challenges relating to each payments mechanism were deliberated in which regulators, legal and technology experts, senior banking professionals and academicians were present. Reserve Bank of India's Chief General Manager in charge of Department of Payment & Settlement Systems, in his key note address dwelled on various issues of Payment systems and also the initiatives taken by RBI in this regard.

“When we talk of large value payment systems, RTGS comes to our mind first. It is a matter of great satisfaction to mention here that we had recently subjected our RTGS system to an external institution for expert analysis, especially to review compliance with the internationally accepted Core Principles as applicable to Systemically Important Payment Systems. The results are very satisfying. Our RTGS system has been found to be in full compliance with all the core principles, except in one area where we are adjudged to be partly compliant and that too because we are offering the RTGS facility free of cost to member banks! But we are fully conscious that this does not mean that we can rest on our laurels. Given the fast changing landscape of the payment system we can

always plan ahead. In RBI we are already looking at the next generation RTGS with more improved features” said G Padmanabhan.

Turning out attention to the retail systems, Padmanabhan said, “The National Payments Corporation of India (NPCI) is looked upon to consolidate and launch new products to modernise the various retail payment products. NEFT, a widely used retail payment product has transcended borders with the launch of the Indo-Nepal Remittance Facility Scheme for providing a cheaper mode

of sending migrant worker remittances from India to Nepal. Payment systems in India have had a chequered history and traditional systems have been in vogue for many centuries, well mingling with the more recent electronic products. The initiatives of the Reserve Bank - all through a consultative process - have always aimed at the establishment of an integrated system that would benefit all the sectors of the economy, and at the same time reduce the overall risk in the system. At the heart of all these initiatives is the role played by technology which has been the backbone of the payment system reforms and it is gratifying to note that there has been substantial expansion of the menu of technology based products and services available to the customers of banks for their payment needs”.

On new delivery channels like the mobile phones, Padmanabhan said, “The subscriber base is increasing sharply and serves over 400 million subscribers as on date, while the mobile tariffs have seen a steep decline.



This has resulted in the increase in use of mobile phones with the average being 287 minutes a month. There is also a constant demand for more value added services for entertainment, information, banking, et al. The mobile phones and prepaid cards are expected to be the frontiers of developments in technology in general, and payment systems in particular, in the years to come”.

With RBI's Cheque truncation success in the National Capital Region Delhi, he said that to migrate cheque clearing to an electronic platform by moving to image based cheque processing at present the cheque truncation system (CTS) handles more than 90% of the daily cheque volumes at New Delhi. It is necessary to extend the benefits of cheque truncation across more centres. It is our intention to extend CTS to Chennai which would then also act as a DR site for the solution at New Delhi and vice versa.

“We have also set up a state of the art data centre where to the critical payment system applications like RTGS, CFMS and PDO-NDS have already been migrated. Back-up infrastructure

for NEFT and NFS is also being created at the data centre which will provide the requisite redundancies to assure their uninterrupted availability at all times. We are also in the process of looking at a number of other options like, hosting the data of all MICR-CPCs at a central location which can facilitate a single point of download for the member banks be it the clearing data or reports, single window facility for member banks to view the balances held across various clearing locations by leveraging the core banking solution of the bank managing the CPC, conceptualising and implementing settlement finality with an appropriate mechanism to take care of failure-to-settle situations etc” said Padmanabhan.

Concluding his address, Padmanabhan said, “As part of the regulatory set up that has been the driving force of innovations in payment systems, I can justifiably claim that our efforts are on track and in sync with what the situation requires. I am equally sure that in the years to come, if America can be enthused by slogan ‘Yes, we can’, we can very well set ourselves the slogan ‘Yes, we have’ for our payment systems. We should be able to proudly proclaim, ‘Yes’, our payment systems have embraced the best of technology, have practices that compare with the best in the world, have resilience to upscale and be inter-operable, have enabled financial inclusion, have done all that was expected of it. Can we? We can! Will we? We will! We are all equal partners in this endeavour”.