

**RBI/2008-09/437**

DPSS (CO) RTGS No.1839 / 04.04.002 / 2008 - 2009

April 20, 2009

Chairman and Managing Director /  
Chief Executive Officer of all banks participating in RTGS

Dear Sir,

**Two Tier checking in RTGS Transactions**

As you are aware, the number of RTGS enabled bank branches have crossed 55,000. The volume and value of transactions settled in RTGS have also grown significantly. In the year 2008-09, RTGS processed 13.37 million transactions as against only 5.84 million transactions in the previous year. Similarly, RTGS processed total value of Rs. 323 trillion in 2008-09 as against Rs. 273 trillion in the previous year.

2. The increasing use of electronic modes of payment underscores the need for putting in place a robust security environment. Accordingly, it has been made mandatory for the members to put in place maker-checker facility during data entry. Further, all transactions put through the RTGS system is to be digitally signed and encrypted.

3. Instances have come to the notice of Reserve Bank where non adherence to procedures has resulted in fraudulent transactions being put through. Further non adherence to maker-checker facility has led to delayed / wrong credit being afforded to customers. We have also come across instances of smart cards meant for different officials being used by the same official for perpetrating fraudulent transactions.

4. We wish to reiterate that strong internal controls and scrupulous adherence to laid down security procedures are extremely important as banks migrate transactions to electronic modes. You are, therefore, advised to put in place adequate checks and balances to prevent any slackening of the two tier security system inherent in the architecture of RTGS. Staff accountability may be fixed for any lapses in this regard. In other words, IT security should be foolproof and the internal control systems strong enough to counter frauds

/ attempted frauds in the RTGS system. Any breach in the internal control system resulting in fraud / attempted fraud will be viewed seriously by the Bank and may also lead to termination or suspension of RTGS membership as prescribed in Section 14 of RTGS (Membership) Regulations, 2004. In addition, Bank may also consider imposing fines under Section 30 of the Payment and Settlement Systems Act, 2007 (51 of 2007).

Please acknowledge receipt and forward an action taken report by May 29, 2009.

Yours faithfully,

(G. Padmanabhan)  
Chief General Manager