

## Access for Non-banks to Centralised Payment Systems (CPS)

(Updated as on July 28, 2021)

1. What are the different CPS operated by the Reserve Bank?

Ans. The Reserve Bank owns and operates following CPS:

i. Real Time Gross Settlement (RTGS) System – It is the country's Large Value Payment System and was introduced in March 2004. It was subsequently enhanced to Next Generation-RTGS (NG-RTGS) built on the ISO 20022 standard with advanced features such as hybrid functionality, liquidity management functions, future date functionality, scalability, etc. The transactions settle real-time on a gross basis in the books of RBI and have a floor value of Rs. 2 lakh. RTGS also settles Multilateral Net Settlement Batch (MNSB) files emanating from ancillary payment systems such as CCIL and NPCI. It is available round the clock on all days of the year with effect from December 14, 2020.

ii. National Electronic Fund Transfer (NEFT) system – It is a retail payment system and was introduced in November 2005. NEFT has a straight through process which operates in 48 half-hourly batches 24x7x365 with effect from December 16, 2019. There is no floor or ceiling for the amount that can be transferred in a single transaction, because of which NEFT has emerged as a popular hybrid payment system.

2. What can I read for further guidance on RTGS and NEFT payment systems?

Ans. Following links can be perused for understanding RTGS and NEFT systems: -

[RTGS System Regulations](#)

[NEFT Procedural Guidelines](#)

[FAQs on RTGS](#)

[FAQs on NEFT](#)

[Master Guidelines on Access Criteria for Payment Systems](#)

3. Which are the non-bank entities enjoying access to CPS presently?

Ans. Non-bank entities with access to CPS are standalone primary dealers, clearing corporations of stock exchanges, central counterparty (CCIL), retail payment system organisation (NPCI), select financial institutions (NABARD, EXIM Bank) and DICGC.

4. How have non-bank Payment System Providers (PSPs) accessed payment systems previously?

Ans. Banks have been providing the services to non-banks for their payment and settlement needs.

5. Why does the Reserve Bank allow non-banks to access CPS directly?

Ans. Direct participation in CPS can reduce delay in execution of funds transfer instructions of non-banks. Further, if there is any impact in the functioning of the bank, it can cause business disruptions for its non-bank customers as well. Such disruptions, even if temporary, can have the potential to spread instability in the system.

Direct participation to CPS will enable access neutrality between banks and non-banks and facilitate better settlement risk management with increased participation of non-banks.

6. What are the advantages of direct access to CPS for non-bank PSPs?

Ans. Non-banks increasingly and actively offer financial services and direct access to CPS can enable them to leverage technology and offer more choices to their consumers.

Apart from managing settlement risk in payments landscape, expanding access and participation of non-banks is a progressive move and leads to diversity and resiliency of the payments ecosystem.

7. Which non-bank PSPs (other than central counterparty and retail payment system organisation) are eligible for direct access?

Ans. Direct access to CPS for non-banks will be enabled in a phased manner. In the first phase, the following authorised non-bank PSPs will be provided access –

i. Prepaid Payment Instrument (PPI) Issuers,

ii. Card Networks and

iii. White Label ATM Operators.

8. What type of RTGS membership are authorised non-bank PSPs eligible for?

Ans. Details of types of membership in RTGS are available in chapter 4 of [RTGS System Regulations](#). The type of membership in RTGS for non-banks PSPs will be decided by Reserve Bank based on the type of transactions they handle.

9. What type of transactions will authorised non-bank PSPs be allowed to initiate / receive?

Ans. RTGS system enables participants to initiate and receive payments for inter-bank / non-bank / customer transactions. NEFT system allows members to send and receive transactions of retail nature electronically. Membership to NEFT is, however, relevant to non-bank PPI issuers only.

RTGS system also enables eligible members to post MNSB transactions, do Own Account Transfers (OAT) between current account and settlement account in RTGS. In the context of Q.7 above, MNSB transactions are relevant for Card Networks only.

10. Will authorised non-bank PSPs be eligible for liquidity support in the form of IDL from Reserve Bank?

Ans. No. For any shortfall / default in completing the payment / settlement obligations, such entities will need to have a pre-approved line of credit facility from a bank. They will also have to ensure that appropriate liquidity support arrangements are in place with their bankers to avoid gridlock and to ensure business continuity. Any such shortfall / default in availability of funds by the PSP can entail appropriate regulatory action from the Reserve Bank, including review of CPS membership.

11. Can the authorised non-bank PSPs continue to maintain accounts with bank/s even after becoming member of CPS? How do authorised non-bank PSPs safeguard customer funds?

Ans. Yes. It shall be in order for such non-bank PSPs to effect funds transfer from their current account with RBI to current accounts maintained with commercial banks for taking care of their routine payments. The current account of RBI shall not be used therefor.

Further, extant instructions for non-bank PPI issuers on maintenance of escrow account/s with scheduled commercial bank(s) shall continue to apply. Card networks shall not be allowed to use the RBI current account for their settlement guarantee and related activities.

12. What kind of supervisory assessment will be applicable for authorised non-bank PSPs directly participating in CPS?

Ans. In addition to extant regulatory requirements for authorised non-bank PSPs, supervisory assessments will include compliance with regulatory requirements as laid out in:

Master Directions on Access to Payment Systems;

RTGS System Regulations; and

NEFT Procedural Guidelines.

13. What is the process to become a direct member of CPS?

Ans. The detailed process of application is given in the Master Directions on Access Criteria for Payment Systems issued vide [DPSS.CO.OD.No.1846/04.04.009/2016-17 dated January 17, 2017](#).

All applications for membership to CPS shall have to be submitted to the Chief General Manager, Department of Payment and Settlement Systems (DPSS), Reserve Bank of India (RBI), Central Office, 14th Floor, Central Office Building, Shahid Bhagat Singh Marg, Fort, Mumbai – 400 001.

The application will need to be in the format prescribed in Appendix - 1 “Covering letter for membership to Centralised Payment System”, of [Master Directions on Access Criteria for Payment Systems](#), together with annexures.

14. Can authorised non-bank PSPs who are direct members sponsor other banks / PSPs as sub-members in the CPS?

Ans. Non-bank PSPs will be allowed only direct membership of CPS. They will not be permitted to sponsor any bank / PSP as sub-member in CPS.

15. Is there a checklist of documents for CPS membership?

Ans. An indicative checklist of documents is given below:

a) Covering Letter for Membership to CPS, including:

i. Part-A: General Information

ii. Part-B: Financial and Risk Management Aspects

b) For Current Account:

- i. Application Form for Opening Current Account with RBI Regional Office ([Annex-I](#) of Master Directions on Access Criteria for Payment Systems)
  - ii. Original Certificate of Incorporation / Registration
  - iii. Original Certificate of Commencement of Business
  - iv. An Up-to-date Copy of the Memorandum and Articles of Association / Byelaws Duly Authenticated by the Chairman of the Board
  - v. True Copy of a Resolution (as per specimen on the reverse) of the Board of Directors Authorising the Opening of the Account Together with Specimen of the Signatures of the Authorised Signatories Duly Attested by the Chairman
  - vi. List of Officials Authorised to Operate Account
- c) For INFINET Membership:
- i. Application Form for INFINET Membership ([Annex-IV](#) of Master Directions on Access Criteria for Payment Systems)
  - ii. Undertaking to be Given by the Applicant on Letter Head of the Entity
  - iii. Copy of Board Resolution to Obtain INFINET Membership
  - iv. Details of Existing IT Infrastructure
- d) For RTGS Membership:
- i. Application Form for RTGS Membership ([Annex-V](#) of Master Directions on Access Criteria for Payment Systems)
  - ii. Certified Copy of the Advice of INFINET Membership
  - iii. Undertaking in the Prescribed Form (Stamp Paper)
  - iv. Power of Attorney, in Original, in the Prescribed Form (Stamp Paper)
  - v. Certified True Copy of the Resolution of the Board of Directors Authorising to Apply for the Membership of the RTGS System
  - vi. Standing Instructions for Start of the Day Fund Transfer
- e) For NEFT Membership:
- i. Application Form for NEFT Membership ([Annex-VI](#) of Master Directions on Access Criteria for Payment Systems)
  - ii. Certified True Copy of RTGS Membership Certificate

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