



Test Notification 09877899 Header

Financial Inclusion and Education are two important elements in the Reserve Bank of India's developmental role. Towards this, it has created critical volume of literature and has uploaded on its website in 13 languages for banks and other stakeholders to download and use. The aim of this initiative is to create awareness about financial products and services, good financial practices, going digital and consumer protection.

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comparatively lower (per capita PSL less than ₹6000), and a lower weight (90%) would be assigned for incremental priority sector credit in the identified districts where the credit flow is comparatively higher (per capita PSL greater than ₹25,000). The list of both categories of districts is given in Annex IA & IB. This list will be valid for a period up to FY 2023-24 and will be reviewed thereafter. The districts other than those mentioned in Annex IA and IB will continue to have existing weightage of 100%.

The Financial Literacy Week is an initiative by RBI to promote awareness on key topics every year through a focused campaign

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The data on Aggregate Deposits and Gross Bank Credit of Scheduled Commercial Banks as on last Friday of December 1997 collected through the BSR-7 returns have now become available. The top hundred centres arranged according to size of deposits accounted for 59.5 per cent of the total deposits. Similarly, the top hundred centres arranged according to size of bank credit constituted 72.2 per cent of total bank credit.



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LETTER OF TRANSMITTAL

Ref.No.SECD.BRDS.209/02.16.001/2022-23

May 26, 2022
Jyeshtha 5, 1944 (Saka)

The Finance Secretary
Government of India
Ministry of Finance
New Delhi - 110 001

Dear Finance Secretary,

In pursuance of Section 53(2) of the Reserve Bank of India Act, 1934, I have the pleasure in transmitting the following documents:

- (i) A copy of the Annual Accounts for the year ended March 31, 2022 certified by the Bank's Auditors and signed by the Chief General Manager, the Deputy Governors and I; and
- (ii) Two copies of the Annual Report of the Central Board on the working of the Bank during the year ended March 31, 2022.

Sincerely,

Shaktikanta Das

Nationalised banks as a group contributed 54.6 per cent of the aggregate deposits while the State Bank of India and its Associates accounted for another 25.3 per cent. The shares of other bank groups were 7.3 per cent for Foreign Banks, 9.4 per cent for Other Scheduled Commercial Banks and 3.5 per cent for Regional Rural Banks. As regards Gross Bank Credit,

Nationalised Banks accounted for a share of 47.7 per cent of the total Bank Credit, while State Bank of India and its Associates claimed a share of 29.9 per cent. Other Scheduled Commercial Banks, Foreign Banks and Regional Rural Banks followed with shares of 9.9 per cent, 9.4 per cent and 3.1 per cent, respectively.

Among the States, the growth rate of deposits was highest in Orissa (26.7 per cent), followed by Delhi (26.2 per cent), Tripura & Meghalaya (24.3 per cent each) and Jammu & Kashmir (22.4 per cent). The growth rate of Bank Credit was highest in Delhi (31.3 per cent), followed by Arunachal Pradesh (26.5 per cent), Sikkim (24.5 per cent), Rajasthan (20.1 per cent) and Meghalaya (18.6 per cent). Six states namely Maharashtra, Delhi, Uttar Pradesh, West Bengal, Tamil Nadu and Gujarat together accounted for a total share of 60.7 per cent in Aggregate Deposits. Similarly, the six states namely Maharashtra, Delhi, Tamil Nadu, Andhra Pradesh, Karnataka and West Bengal together accounted for a total share of 69.1 per cent in Gross Bank Credit. Maharashtra alone contributed 20.3 per cent of total deposits and 25.2 per cent of total credit.

The All-India Credit-Deposit(C-D) ratio as on last Friday of December 1997 worked out to 55.5 per cent. This ratio was relatively high for State Bank of India and its Associates (65.7 per cent). The C-D ratios were much lower for Regional Rural Banks at 49.0 per cent and Nationalised Banks at 48.5 per cent. Population group-wise, Metropolitan centres had the highest C-D ratio of 74.5 per cent followed by Rural centres (43.5 per cent), Urban centres (42.6 per cent) and Semi-Urban centres (36.5 per cent).

The National Summary Data Page (NSDP) links are intended to provide quick access to a single comprehensive source of economic and financial data consistent with the data categories and components described in the subscriber's metadata. Additionally, many of the NSDPs include further links to additional data or information on other national internet data sites.

Under the Special Data Dissemination Standards (SDDS) of the International Monetary Fund (IMF), central banks undertake the responsibility of disseminating information under certain data categories, such as, analytical accounts of the banking sector, analytical accounts of the central bank, balance of payments, international reserves and exchange rates. The IMF requires that these data should be available at regular intervals in public domain.

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The Reserve Bank of India is one of the earliest central bank signatories of SDDS. This section provides the data released by the Reserve Bank of India under SDDS requirements.

Please refer to paragraph 6.1.2 of the [Master Circular DOR.CAP.REC.4/21.06.201/2024-25 dated April 1, 2024](#) on **Basel III Capital Regulations**, wherein the list of domestic credit rating agencies accredited for the purpose of risk weighting banks' claims for capital adequacy purposes has been prescribed.

2. A reference is also invited to the [Press Release: 2022-2023/1033 dated October 12, 2022](#) in terms of which, regulated entities/market participants were advised that in respect of ratings/credit evaluations required in terms of any guidelines issued by the Reserve Bank, no

such fresh ratings/evaluations shall be obtained from Brickwork Ratings India Private Limited (the CRA).

3. On a review, banks are hereby permitted to use the ratings of the CRA for risk weighting their claims for capital adequacy purposes, subject to the following:

- a) In respect of fresh rating mandates, rating may be obtained from the CRA for bank loans not exceeding Rs.250 crore.
- b) In respect of existing ratings, the CRA may undertake rating surveillance irrespective of the rated amount, till the residual tenure of such loans. *Provided that* in case of existing ratings assigned to working capital facilities exceeding Rs.250 crore, the CRA shall undertake rating surveillance only till the next renewal of such facility by the banks.

4. All other provisions regarding external credit ratings stipulated in the Master Circular *ibid* remain unchanged.

Attention of Authorised Persons is invited to A.P. (DIR Series) Circulars, i.e., [No.11 dated February 16, 2021](#), [No.03 dated April 26, 2023](#), and [No.06 dated June 22, 2023](#), on remittances to International Financial Services Centres (IFSCs) in India under the Liberalised Remittance Scheme (LRS) and the [Master Direction No. 7/2015-16 on LRS dated January 01, 2016](#) (as amended from time to time).

2. At present, remittances under LRS to IFSCs can be made only for:

- i. Making investments in IFSCs in securities except those issued by entities/ companies resident in India (outside IFSC); and
- ii. Payment of fees for education to foreign universities or foreign institutions in IFSCs for pursuing courses mentioned in the gazette notification no. SO 2374(E) dated May 23, 2022, issued by the Central Government.

For these permissible purposes, resident individuals can open Foreign Currency Account (FCA) in IFSCs.

3. On a review, it has been decided that Authorised Persons may facilitate remittances for all permissible purposes under LRS to IFSCs for:

- i. Availing financial services or financial products as per the International Financial Services Centres Authority Act, 2019 within IFSCs; and
- ii. All current or capital account transactions, in any other foreign jurisdiction (other than IFSCs) through an FCA held in IFSCs.

For these permissible purposes, resident individuals can open Foreign Currency Account (FCA) in IFSCs.

4. Authorised Persons shall bring the contents of this circular to the notice of their constituents and customers. The [Master Direction No. 7/2015-16 on LRS](#) is being updated to reflect these changes.

5. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions/approvals, if any, required under any other law.

RBI/2023-24/

DOR.SFG.REC. /30.01.021/2023-24

February 28, 2024

All Scheduled Commercial Banks (excluding Local Area Banks, Payments Banks and Regional Rural Banks)

All Tier-IV Primary (Urban) Co-operative Banks (UCBs)

All All-India Financial Institutions (viz. EXIM Bank, NABARD, NaBFID, NHB and SIDBI)

All Top and Upper Layer Non-Banking Financial Companies (NBFCs)

Madam/ Dear Sir,

Climate-related risks are one of the emerging risks and are expected to significantly impact the regulated entities (REs) as well as have implications on financial stability.

2. Given the increasing threat of climate change and the associated physical damage, changes in market perception and the transition towards more environment-friendly products and services, the impact of climate change on REs is inevitable. The REs also play an important role in financing the transition towards an environmentally sustainable economy. It is therefore imperative for the REs to implement a robust climate-related financial risk

management policies and processes to effectively counter the impact of climate-related financial risks.

3. There is a need for a better, consistent and comparable disclosure framework for REs, as inadequate information about climate-related financial risks can lead to mispricing of assets and misallocation of capital by them. Accordingly, it has been decided to put in place a standard Disclosure framework for REs on Climate-related

Priority Sector Lending – Amendments to the Master Directions

Please refer to [Master Directions \(MD\) on Priority Sector Lending \(PSL\) dated September 04, 2020](#) as updated from time to time. The following paras of the Directions stand amended in view of factors detailed thereunder.

2. Para 7 - Adjustments for weights in PSL Achievement:

The MD specifies that the lists of districts with comparatively high and low PSL credit detailed in Annex IA and IB of the MD are valid until FY 2023-24 subject to review thereafter. Based on a review, the lists of districts have been updated. These lists will remain valid until FY 2026-27 and will be reviewed thereafter. Accordingly, from FY 2024-25 onwards, a higher weight (125%) would be assigned to the incremental priority sector credit in the identified districts where the credit flow is comparatively lower (per capita PSL less than ₹9,000), and a lower weight (90%) would be assigned for incremental priority sector credit in the identified districts where the credit flow is comparatively higher (per capita PSL greater than ₹42,000). Therefore, [para 7 of the MD on PSL](#) has been updated as mentioned above.

3. Para 9 - Micro, Small & Medium Enterprises:

The definition of MSMEs has been referenced to the [Master Direction - Lending to Micro, Small & Medium Enterprises \(MSME\) Sector](#), for clarity.

4. Para 27 - Monitoring of Priority Sector Lending targets:

The MD specifies that UCBs shall furnish data on priority sector advances in the reporting formats ‘Statement I’ and ‘Statement II (Part A to D)’ at quarterly and annual intervals, to the Regional Offices of DoS, RBI. This provision has been repealed in terms of [Master Direction - Reserve Bank of India \(Filing of Supervisory Returns\) Directions – 2024 \(MD on FSR\) dated February 27, 2024](#). The applicable return for reporting PSL data by UCBs has been prescribed at Sl. No. 61 of Annex III of the MD on FSR. Accordingly, para 27 of MD as applicable to UCBs has been updated.

5. The relevant amendments made in the MD on PSL are detailed in the [Annex](#).

6. The [Master Directions](#) and [FAQs](#) on Priority Sector Lending on the Bank’s website have been updated accordingly.

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LETTER OF TRANSMITTAL

Ref.No.SECD.BRDS.209/02.16.001/2022-23

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Jyeshtha 5, 1944 (Saka)

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RBI/2023-24/

DOR.SFG.REC. /30.01.021/2023-24

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“...the primary objective of monetary policy is to maintain price stability while keeping in mind the objective of growth.”

Preamble to the Reserve Bank of India Act 1934

- Under the Reserve Bank of India, Act, 1934 (RBI Act, 1934) (as amended in 2016), RBI is entrusted with the responsibility of conducting monetary policy in India with the primary objective of maintaining price stability while keeping in mind the objective of growth.

In May 2016, the RBI Act, 1934 was amended to provide a statutory basis for the implementation of the flexible inflation targeting framework.

Inflation Target: Under Section 45ZA, the Central Government, in consultation with the RBI, determines the inflation target in terms of the Consumer Price Index (CPI), once in five years and notifies it in the Official Gazette. Accordingly, on August 5, 2016, the Central Government notified in the Official Gazette 4 per cent Consumer Price Index (CPI) inflation as the target for the period from August 5, 2016 to March 31, 2021 with the upper tolerance limit of 6 per cent and the lower tolerance limit of 2 per cent. On March 31, 2021, the Central Government retained the inflation target and the tolerance band for the next 5-year period – April 1, 2021 to March 31, 2026.

Section 45ZB of the RBI Act provides for the constitution of a six-member Monetary Policy Committee (MPC) to determine the policy rate required to achieve the inflation target.

Failure to Maintain Inflation Target: The Central Government has notified the following as the factors that constitute failure to achieve the inflation target: (a) the average inflation is more than the upper tolerance level of the inflation target for any three consecutive quarters; or (b) the average inflation is less than the lower tolerance level for any three consecutive quarters.

o Where the Bank fails to meet the inflation target, it shall set out in a report to the Central Government:

- a. the reasons for failure to achieve the inflation target;
- b. remedial actions proposed to be taken by the Bank; and
- c. an estimate of the time-period within which the inflation target shall be achieved pursuant to timely implementation of proposed remedial actions.

The operating framework of monetary policy aims at aligning the operating target – the weighted average call rate (WACR) – with the policy repo rate through proactive liquidity management to facilitate transmission of repo rate changes through the entire financial system, which, in turn, influences aggregate demand – a key determinant of inflation and growth

Section 45ZB of the amended RBI Act, 1934 provides for an empowered six-member monetary policy committee (MPC) to be constituted by the Central Government by notification in the Official Gazette. The first such MPC was constituted on September 29, 2016. The present MPC members, as notified by the Central Government in the Official Gazette of October 5, 2020, are as under:

- 1. Governor of the Reserve Bank of India—Chairperson, ex officio;
- 2. Deputy Governor of the Reserve Bank of India, in charge of Monetary Policy—Member, ex officio;
- 3. One officer of the Reserve Bank of India to be nominated by the Central Board—Member, ex officio;

- 4. Prof. Ashima Goyal, Professor, Indira Gandhi Institute of Development Research—Member;
- 5. Prof. Jayanth R. Varma, Professor, Indian Institute of Management, Ahmedabad—Member; and
- 6. Dr. Shashanka Bhide, Senior Advisor, National Council of Applied Economic Research, Delhi—Member.
- (Members referred to at 4 to 6 above, will hold office for a period of four years or until further orders, whichever is earlier).

The MPC determines the policy repo rate required to achieve the inflation target.

The MPC is required to meet at least four times in a year. The quorum for the meeting of the MPC is four members.

Each member of the MPC has one vote, and in the event of an equality of votes, the Governor has a second or casting vote.

Each Member of the Monetary Policy Committee writes a statement specifying the reasons for voting in favour of, or against the proposed resolution.

- There are several direct and indirect instruments that are used for implementing monetary policy.
- **Repo Rate:** The interest rate at which the Reserve Bank provides liquidity under the liquidity adjustment facility (LAF) to all LAF participants against the collateral of government and other approved securities.
- **Standing Deposit Facility (SDF) Rate:** The rate at which the Reserve Bank accepts uncollateralised deposits, on an overnight basis, from all LAF participants. The SDF is also a financial stability tool in addition to its role in liquidity management. The SDF rate is placed at 25 basis points below the policy repo rate. With introduction of SDF in April 2022, the SDF rate replaced the fixed reverse repo rate as the floor of the LAF corridor.
- **Marginal Standing Facility (MSF) Rate:** The penal rate at which banks can borrow, on an overnight basis, from the Reserve Bank by dipping into their Statutory Liquidity Ratio (SLR) portfolio up to a predefined limit (2 per cent). This provides a safety

valve against unanticipated liquidity shocks to the banking system. The MSF rate is placed at 25 basis points above the policy repo rate.

- **Liquidity Adjustment Facility (LAF):** The LAF refers to the Reserve Bank's operations through which it injects/absorbs liquidity into/from the banking system. It consists of overnight as well as term repo/reverse repos (fixed as well as variable rates), SDF and MSF. Apart from LAF, instruments of liquidity management include outright open market operations (OMOs), forex swaps and market stabilisation scheme (MSS).
- **LAF Corridor:** The LAF corridor has the marginal standing facility (MSF) rate as its upper bound (ceiling) and the standing deposit facility (SDF) rate as the lower bound (floor), with the policy repo rate in the middle of the corridor.
- **Main Liquidity Management Tool:** A 14-day term repo/reverse repo auction operation at a variable rate conducted to coincide with the cash reserve ratio (CRR) maintenance cycle is the main liquidity management tool for managing frictional liquidity requirements.
- **Fine Tuning Operations:** The main liquidity operation is supported by fine-tuning operations, overnight and/or longer tenor, to tide over any unanticipated liquidity changes during the reserve maintenance period. In addition, the Reserve Bank conducts, if needed, longer-term variable rate repo/reverse repo auctions of more than 14 days.
- **Reverse Repo Rate:** The interest rate at which the Reserve Bank absorbs liquidity from banks against the collateral of eligible government securities under the LAF. Following the introduction of SDF, the fixed rate reverse repo operations will be at the discretion of the RBI for purposes specified from time to time.
- **Bank Rate:** The rate at which the Reserve Bank is ready to buy or rediscount bills of exchange or other commercial papers. The Bank Rate acts as the penal rate charged on banks for shortfalls in meeting their reserve requirements (cash reserve ratio and statutory liquidity ratio). The Bank Rate is published under Section 49 of the RBI Act, 1934. This rate has been aligned with the MSF rate and, changes automatically as and when the MSF rate changes alongside policy repo rate changes.
- **Cash Reserve Ratio (CRR):** The average daily balance that a bank is required to maintain with the Reserve Bank as a per cent of its net demand and time liabilities

(NDTL) as on the last Friday of the second preceding fortnight that the Reserve Bank may notify from time to time in the Official Gazette.

- **Statutory Liquidity Ratio (SLR):** Every bank shall maintain in India assets, the value of which shall not be less than such percentage of the total of its demand and time liabilities in India as on the last Friday of the second preceding fortnight, as the Reserve Bank may, by notification in the Official Gazette, specify from time to time and such assets shall be maintained as may be specified in such notification (typically in unencumbered government securities, cash and gold).
- **Open Market Operations (OMOs):** These include outright purchase/sale of government securities by the Reserve Bank for injection/absorption of durable liquidity in the banking system.
- For current operative policy rates, please see "Current Rates" section on the home page. For historical rates, please see "Key rates" on the DBIE website, [DBIE-RBI: DATABASE OF INDIAN ECONOMY](#)

Like individual consumers, businesses and organisation of all kinds, banks need their own mechanism to transfer funds and settle inter-bank transaction-such as borrowing from and lending to other banks-and customer transactions. As the banker to banks, the Reserve Bank fulfills this role.

Since its inception, Reserve Bank of India has undertaken the traditional central banking function of managing the government's banking transactions. The Reserve Bank of India Act, 1934 requires the Central Government to entrust the Reserve Bank with all its money, remittance, exchange, and banking transactions in India. The Reserve Bank may also, by an agreement, act as a banker to State Governments.

The Reserve Bank has well defined obligations and provides several banking services to the Governments. As a banker to the Government, the Reserve Bank receives and pays money on behalf of the various Government Departments. It provides Ways and Means Advances – a short-term interest-bearing advance – to the Governments, to meet temporary mismatches in their receipts and payments. Besides, like a portfolio manager, it also arranges for investment of surplus cash balances of the Governments. The Reserve Bank acts as an adviser to the Government, whenever called upon to do so, on monetary and banking related matters. The Central Government and State Governments may make rules for the receipt, custody and

disbursement of money from the consolidated fund, contingency fund, and public account. These rules are legally binding on the Reserve Bank as accounts for these funds are with the Reserve Bank.

The banking functions for the Governments are carried out by the Government Banking Divisions at the offices/branches of the Reserve Bank. As it has offices and sub-offices in 34 locations, the Reserve Bank appoints other banks to act as its agents for undertaking the banking business on behalf of the Governments. The Reserve Bank pays commission to the agency banks for the same. Final compilation of Government accounts, of the Centre and the States, is done at Central Accounts Section, Nagpur office of the Reserve Bank.

Banks are also required to maintain a portion of their demand and time liabilities as cash reserves with the Reserve Bank. For this purpose, they need to maintain current account with the Reserve Bank. The current account of the banks is opened by the Banking Departments of the Reserve Bank's Regional offices. The Department of Government and Bank Accounts (DGBA) issues general guidelines for opening the current accounts.

Under Sections 20 and 21 of the RBI Act, 1934, the RBI shall have an obligation and right respectively to accept monies for account of the Central Government and to make payments up to the amount standing to the credit of its account, and to carry out its exchange, remittance, and other banking operations.

Under the administrative arrangements, the Central Government is required to maintain a minimum cash balance with the RBI. The following accounts of Central Government are maintained in the Regional Offices of RBI and the Principal account of these accounts are maintained at Central Accounts Section (CAS), RBI, Nagpur: i. Central Government - Civil; ii. Railway Fund; iii. Post Fund; iv. Telecommunication Fund; v. Defence Fund; and vi. Departmentalized Ministries. All receipts, payments /disbursements, clearing/remittance transactions take place through these accounts. The Reserve Bank is in the process of opening of more accounts for the Governments for processing the payments which were hitherto handled by the agency banks.

Under Section 21A of the RBI Act, 1934 *ibid* the Bank may, by agreement, with the Government of any State, undertake all its money, remittance, exchange, and banking transactions in India, including in particular, the deposit, free of interest, of all its cash

balances with the Bank. Accordingly, as of now, the Bank is banker to all the States and the Union Territories in the country, except for the State of Sikkim. All the State Governments are required to maintain a minimum balance with the Reserve Bank, which varies from State to State, depending on the relative size of the State budget and its economic activity. To tide over temporary mismatches in the cash flow of receipts and payments, the Reserve Bank provides Special Drawing Facility (SDF), Normal Ways and Means Advances and Overdraft (OD) to the State Governments.

Under section 45(1) of RBI Act 1934, the Reserve Bank, may, having regard to public interest, convenience of banking, banking development and such other factors which in its opinion are relevant in this regard, appoint any scheduled bank as its agent at all places, or at any place in India for such purposes as the Bank may specify. Presently, the Reserve Bank has appointed 12 public sector banks, 20 private sector banks and 01 foreign sector bank (WOS) as its agency banks for conducting Government banking business. Business allocation to the agency banks is done in consultation with the Governments.

The list of Agency Banks is as below

The current accounts of individual banks are being opened in e-Kuber (CBS of RBI) by Banking Departments of the Regional Offices. These current accounts are also maintained for participation in centralized and decentralized Payment Systems and are used for settling inter-bank obligations, such as clearing transactions or clearing money market transactions between two banks, buying and selling securities and foreign currencies. Thus, Reserve Bank acts as a common banker, known as 'Banker to banks' function, the operational instructions for which are issued by the concerned Central Office departments of the Reserve Bank. Among other provisions, the Reserve Bank stipulates minimum balances to be maintained by banks in these accounts. It is the responsibility of each bank maintaining current account with the Reserve Bank to ensure that sufficient balance is available in the account to avoid defaults in payments and settlements. As Banker to banks, the Reserve Bank provides short-term loans and advances to select banks, when necessary, to facilitate lending to specific sectors and for specific purposes.

As a Banker to Banks, the Reserve Bank also acts as the 'lender of the last resort'. It can come to the rescue of a bank that is solvent but faces temporary liquidity problems by supplying it with much needed liquidity when no one else is willing to extend credit to that

bank. The Reserve Bank extends this facility to protect the interest of the depositors of the bank and to prevent possible failure of the bank, which in turn may also affect other banks and institutions and can have an adverse impact on financial stability and on the economy.

Few initiatives

Being the Banker to the Governments is one of the key functions of RBI as it undertakes the traditional Central Banking function of managing the Government's banking transactions. As a Banker to the Governments and Banks, the Reserve Bank focusses on:

- Facilitating timely receipts in the Government accounts and just-in-time Government payments across the country
- Working with Governments to migrate the Government transactions to online modes, thereby benefiting all the stakeholders
- Facilitating smooth inter-governmental transactions
- Consolidation of transactions in the Government accounts carried out by various banks and providing MIS reports to the Governments
- Enabling smooth, swift and seamless clearing and settlement of inter-bank
- Providing an efficient means of funds transfer for banks
- Enabling banks to maintain their accounts with the Reserve Bank for statutory reserve requirements and maintenance of transaction balances
- Acting as a lender of last resort

The central bank of any country is usually the driving force in the development of national payment systems. The Reserve Bank of India (RBI) as the central bank of India has been playing this developmental role and has taken several initiatives for Safe, Secure, Sound, Efficient, Accessible and Authorised payment systems in the country.

In India, the payment and settlement systems are regulated by the Payment and Settlement Systems Act, 2007 (PSS Act) which was legislated in December 2007. The PSS Act as well as the Payment and Settlement System Regulations, 2008 (PSS Regulations) framed thereunder came into effect from August 12, 2008. In terms of Section 4 of the PSS Act, no

person other than RBI can commence or operate a payment system in India unless authorised by RBI.

The Board for Regulation and Supervision of Payment and Settlement Systems (BPSS), a sub-committee of the Central Board of RBI is the highest policy making body on payment systems in RBI. The BPSS is empowered for authorising, prescribing policies and setting standards for regulating and supervising all the payment and settlement systems in the country. The Department of Payment and Settlement Systems (DPSS) of RBI serves as the Secretariat to the BPSS and executes its directions.

The Reserve Bank has since authorised various types of payment system operators, viz. financial market infrastructure (enabling securities, triparty repos, forex trades, Rupee / forex derivatives settlements, etc.), retail payments organisation (operating ATM switch, fast payment systems, cheque clearing, automated clearing, Aadhaar-based payments, toll collections, etc.), card payment networks, cross-border inbound money transfer entities, Automated Teller Machine (ATM) networks, white label ATM operators, Prepaid Payment Instrument (PPI) issuers, instant money transfer service provider, Trade Receivables Discounting System (TReDS) operators, Bharat Bill Payment Central Unit (BBPCU), Bharat Bill Payment Operating Units (BBPOUs), etc.

The list of Payment System Operators (PSOs) authorised by RBI to set-up and operate a payment system in India under the PSS Act is available [here](#).

Oversight of the Payment and Settlement Systems

Oversight of the payment and settlement systems is a central bank function whereby the objectives of safety and efficiency are promoted by monitoring existing and planned systems, assessing them against these objectives and, where necessary, inducing change. By overseeing payment and settlement systems, central banks help to maintain systemic stability and reduce systemic risk, and to maintain public confidence in payment and settlement systems. The Payment and Settlement Systems Act, 2007 and the Payment and Settlement Systems Regulations, 2008 framed thereunder, provide the necessary statutory backing to the Reserve Bank of India for undertaking the Oversight function over the payment and settlement systems in the country.

Clearing Corporation of India Limited (CCIL)

CCIL was set up in April 2001 by banks, financial institutions and primary dealers, to function as an industry service organisation for clearing and settlement of trades in money market, government securities and foreign exchange markets.

The Clearing Corporation plays the crucial role of a Central Counter Party (CCP) in the government securities, USD–INR forex exchange (both spot and forward segments) and Triparty Repo markets. CCIL plays the role of a central counterparty whereby, the contract between buyer and seller gets replaced by two new contracts - between CCIL and each of the two parties. This process is known as ‘Novation’. Through novation, the counterparty credit risk between the buyer and seller is eliminated with CCIL subsuming all counterparty and credit risks. In order to minimise these risks, that it exposes itself to, CCIL follows specific risk management practices which are as per international best practices. In addition to the guaranteed settlement, CCIL also provides non-guaranteed settlement services for rupee derivatives such as Interest Rate Swaps.

CCIL is also providing a reporting platform and acts as a trade repository (CCIL-TR) for Over the Counter (OTC) products. Legal Entity Identifier India Ltd., is a wholly owned subsidiary of CCIL, acting as a Local Operating Unit for issuing Legal Entity Identifiers (LEI) in India.

Both CCIL and CCIL-TR are recognised as financial market infrastructures. CCIL is granted the status of a Qualified Central Counterparty (QCCP) and is subjected, on an on-going basis, to rules and regulations that are consistent with the Principles for Financial Market Infrastructures (PFMIs) issued by the Committee on Payment and Settlement Systems (CPSS) and International Organisation of Securities Commissions (IOSCO).

Mobile Banking Services

Mobile phones, as a medium for extending banking services, have attained greater significance because of their ubiquitous nature. Banks which are licensed, supervised and having physical presence in India, are permitted to offer mobile banking services (through SMS, USSD or mobile banking application) after obtaining necessary permission from Reserve Bank of India and are to be made available to bank customers irrespective of the

mobile network. 'Mobile Banking transaction' means undertaking banking transactions using mobile phones by bank customers that involve accessing / credit / debit to their accounts and / or, debit / credit cards issued as per the extant RBI guidelines.

Bharat Bill Payment System

Bharat Bill Payment System (BBPS) is an integrated bill payment system that offers interoperable and accessible bill payment services with a single brand image, providing convenience of 'anytime anywhere' bill payment to customers. BBPS facilitates collection of repetitive (monthly, bi-monthly, quarterly etc.) payments for everyday utility services provided by utility service providers in categories like electricity, telecom, DTH, gas, water bills, etc. and also other repetitive payments like insurance premium, mutual funds, school fees, institution fees, credit cards, fastag recharge, local taxes, housing society payments, etc., at one single window. BBPS transaction can be initiated through multiple payment channels like, internet banking, mobile banking, PoS (Point of Sale terminal), mobile wallets, kiosk, ATM, bank branch, agents and business correspondents. BBPS facilitates various payment modes viz, cards (credit, debit and prepaid), NEFT, UPI, wallets, Aadhaar based payments and cash. Mobile prepaid recharges was permitted as a biller category to facilitate the customers with more options to recharge.

The participants in the BBPS include authorised entities, such as, the Bharat Bill Payment Central Unit (BBPCU), the Bharat Bill Payment Operating Units (BBPOUs) as well as their agents, payment gateways, banks, billers and service providers, and other entities, including authorised prepaid payment instrument issuers, as required under the BBPS. National Payments Corporation of India (NPCI) is the only entity authorised by RBI as BBPCU and it sets necessary operational, technical and business standards for the entire system and its participants, and also undertakes clearing and settlement activities. BBPOUs are RBI authorised operational units working in adherence to the standards set by the BBPCU.

Trade Receivables Discounting System

Trade Receivables Discounting System (TReDS) is a scheme for setting up and operating institutional mechanism for facilitating the financing of trade receivables of MSMEs from corporate and other buyers, including Government Departments and Public Sector Undertakings (PSUs), through multiple financiers. TReDS facilitate the discounting of both

invoices as well as bills of exchange. Further, as the underlying entities are the same (MSMEs and corporate and other buyers, including Government Departments and PSUs), the TReDS deals with both, receivables factoring as well as reverse factoring, so that higher transaction volumes can come into the system and facilitate better pricing. The transactions processed under TReDS are 'without recourse' to the MSMEs.

Payment Aggregators/Gateways

Payment Aggregators (PAs) are entities that facilitate e-commerce sites and merchants to accept various payment instruments from the customers for completion of their payment obligations without the need for merchants to create a separate payment integration system of their own. PAs facilitate merchants to connect with acquirers. In the process, they receive payments from customers, pool and transfer them on to the merchants after a time period. Non-bank entities which want to offer services as Payment Aggregators need to apply for authorisation from the RBI under the PSS Act.

Payment Gateways are entities that provide technology infrastructure to route and facilitate processing of an online payment transaction without any involvement in handling of funds. Payment Gateways shall be considered as 'technology providers' or 'outsourcing partners' of banks or non-banks, as the case may be.

Framework for small value payments in Offline mode

An offline payment means a transaction which does not require internet or telecom connectivity to take effect. Transactions up to Rs.200 were allowed to be undertaken by Reserve Bank in offline mode. Lack of internet connectivity or low speed of internet, especially in remote areas, is a major impediment in adoption of digital payments. Against this backdrop, providing an option of off-line payments through cards, wallets and mobile devices is expected to further the adoption of digital payments.

Digital Payment options for feature phone users (UPI 123Pay)

UPI 123PAY is an instant payment system for feature phone users who can use Unified Payments Interface (UPI) payment service in a safe and secure manner. The users will be able to undertake a host of transactions based on four technology alternatives including- IVR (interactive voice response) number, missed call-based approach, through functionality

implemented by Original Equipment Manufacturer (OEM) in feature phones and proximity sound-based technology. This will bring non-smartphone users under the digital payment system and is expected to benefit more than 40 crore feature phone users in the country and enable them to undertake digital payments in a secure and convenient manner.

24*7 Helpline for digital payments (DigiSaathi)

DigiSaathi is an automated 24x7 response system that helps customers in addressing their queries related to debit and credit cards, UPI, NEFT, RTGS, IMPS, PPI wallets, ATM, and mobile and net banking, among others. DigiSaathi is available to customers via website & chatbot facility at www.digisaathi.info, through toll-free calls - 14431 & 1800 891 3333 and on WhatsApp by messaging on +91 892 891 3333

Others

Apart from the above, there are payment systems like Cross border Money Transfer - in-bound only, Instant Money Transfer, operated by various authorised payment system operators (PSOs). Reserve Bank has authorised National Payments Corporation of India (NPCI) to function as a Retail Payments Organisation and it operates payment systems like, National Financial Switch (NFS), Immediate Payment System (IMPS), Aadhaar Enabled Payments System (AEPS), Unified Payments Interface (UPI) and National Electronic Toll Collection (NETC).

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