

Summary of recommendations of committees on payments

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Outline

- ▶ Competition and Innovation- Policy issues
- ▶ Committees recommendations
- ▶ What has been done?

Committees and Working Groups on payments

- ▶ March 2013: FSLRC Working Group on Payments (MoF)
- ▶ December 2013: Committee on Comprehensive Financial Services for Small Businesses and Low Income Households (RBI)
- ▶ December 2015: Committee on Medium term path on financial inclusion (RBI)
- ▶ April 2016: Task force on promotion of payments through cards and digital means (DIPAM)
- ▶ July 2016: Inter-regulatory Working Group on FinTech and Digital Banking (RBI)
- ▶ August 2016: Committee on Digital Payments (MoF)
- ▶ November 2016: Committee of CMs on digital payment systems (NITI Aayog)

Competition and Innovation- Policy issues

- ▶ Ownership neutrality
- ▶ Technology neutrality
- ▶ Infrastructure neutrality
- ▶ Excessive regulation
- ▶ Overlap of payment regulator and provider roles
- ▶ Board for Regulation and Supervision of Payment and Settlements Systems (BPSS) composition and independence
- ▶ Foster Innovation

Committees recommendations

Ownership neutrality

- ▶ No differentiation between public and private sector or a bank and non-bank (CDP & FSLRC)
- ▶ Regulation need to be neutral to ownership and category structures (FSLRC)
- ▶ Update the current PSSA to explicitly mandate for competition and innovation (CDP)

Technology neutrality

- ▶ Mandating use of particular technology- hinder innovation (CDP)
- ▶ Technology neutrality as a principle must be incorporated in the payments legislation (CDP)

Infrastructure neutrality

- ▶ Access to infrastructure services - open and free of restrictive practices (FSLRC)
- ▶ Update the current PSSA to include explicit mandate for open access and interoperability (CDP)
- ▶ Placing open access and interoperability obligations upon infrastructure providers (CDP)

Excessive regulation

- ▶ A system of 'proportionate regulation' to be in place (FSLRC)
- ▶ Enabling continuous licensing framework in practice (CDP)

Overlap of payment regulator and payment provider roles

- ▶ Independent payment regulation to minimise conflict of interest (FSLRC)
- ▶ Outsource operations of RTGS, NEFT (CDP)

The BPSS composition and independence

- ▶ Independent Payments Regulatory Board (PRB) (CDP)
- ▶ Restrict representation from within RBI on the Payments Board (CDP & FSLRC)
- ▶ Majority of non-RBI members nominated by the Central Government (CDP)

Foster Innovation

- ▶ Limited-purpose banking (FSLRC)
- ▶ Payments business to not be a 'monoline' business but a 'joint product' (FSLRC)
- ▶ Regulatory sandbox mechanism (CDP)
- ▶ Constitution of a Payments Council (FSLRC & CDP)

What has been done?

- ▶ Payment Banks
- ▶ Comprehensive review of PSSA in consideration by GOI
- ▶ Revamped Payments Regulatory Board (amendment in Finance Bill, 2017)
- ▶ Interoperability provisions-draft PPI guidelines

Way forward..

Thank you