

Ratan Watal Committee Report: Where do we stand in implementing its recommendations

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Overview – Watal Committee Report

- Formed: August'16, Report Submitted: Dec'16
- Key objectives:
 - Review Payments System in India
 - Suggest measures for encouraging digital payments
- Vision: Reduce Cash-to-GDP ratio from 12% to 6% in next three years
- Focus areas:
 - Identifying market failure and suggesting required state interventions
 - Promoting Competition and Innovation
 - Consumer protection
 - Creating and protecting trust in payment systems
 - Adoption and usage
- 13 main recommendations suggested – Legislative (2), Executive (3), Regulatory (6), and Executive & Regulatory (2)

Recommendation - 1

Independent payments regulatory function

- Make regulation of payments independent from the function of central banking.
- Authority: Ministry of Finance
- Suggested Timeline: 1 month
- Status:
 - Payments Regulatory Board (PRB) is formed (Finance Bill Amendments, 2017)
 - 6 members- Governor, Deputy Governor, one officer of RBI nominated by Central Board of RBI and 3 members nominated by Central Government
 - PRB will replace BPSS

Recommendation - 2

Update Payments & Settlement System Act, 2007

- Update PSSA to explicitly include mandate for
 - a) competition and innovation
 - b) open access and interoperability
 - c) consumer protection
 - d) regulations on systemic risks
 - e) data protection and security
 - f) regulatory governance
- Authority: Ministry of Finance
- Suggested Timeline: 1 month
- Status: Comprehensive review of PSSA is under consideration (Union Budget Speech, 2017). Only amendment to PSSA is for constitution of PRB.

Recommendation - 3

Creation of Regulatory Sandbox mechanism

- Create a formal mechanism to enable innovations and new business models. Consultation paper may be released
- Authority: RBI, NITI AAYOG
- Timeline: 3-4 months
- Status: The Inter-Regulatory Working Group on Digital Payments might be working on some form of a regulatory framework but there is no public announcement yet

Recommendation - 4

Enable interoperability

- Enable payments to be inter-operable between bank and non-banks as well as within non-banks
- Authority: RBI, NPCI
- Timeline: 2 months
- Status: Interoperability to be enabled in phases for the PPIs
 - First phase - Interoperability has been enabled for full-KYC PPIs
 - Subsequent phases – Interoperability shall be enabled between wallets and bank accounts through UPI. Interoperability for PPIs in the form of cards shall also be enabled in due course.

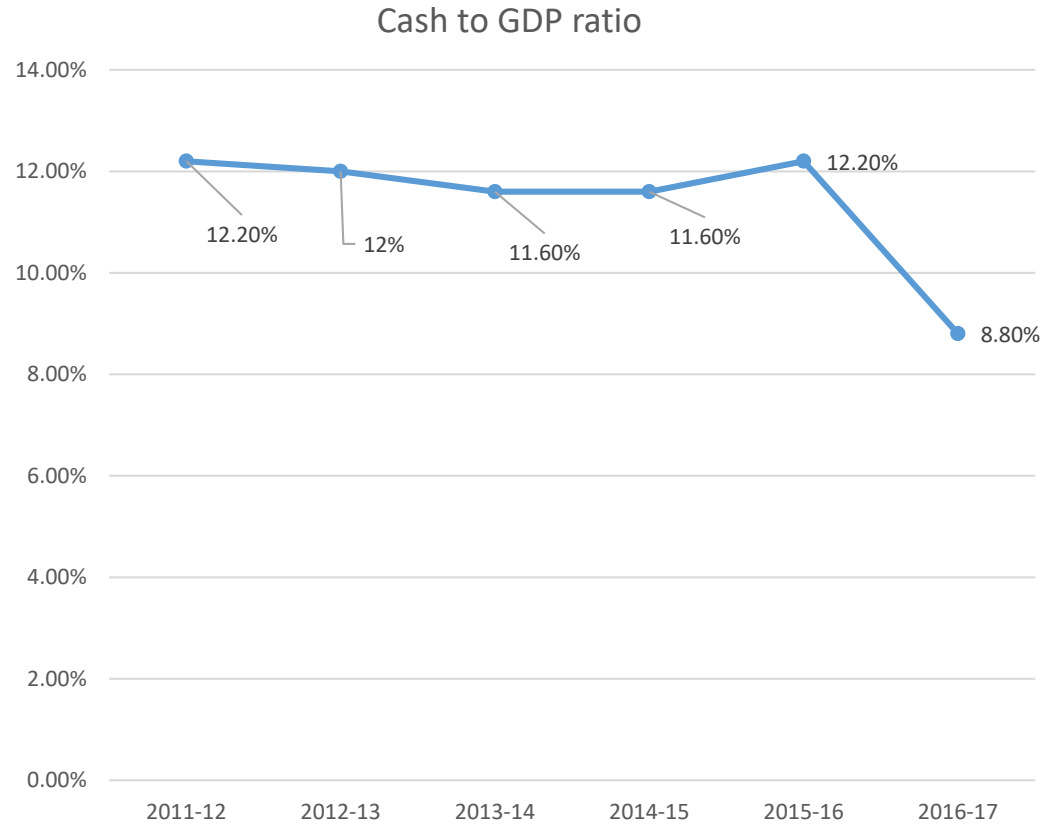
Recommendations - No progress

Recommendation	Description	Category	Authority	Timeline
Broad-based ownership structure of NPCI	Ownership of NPCI should be diversified widely to include more banks and include non-banks	Regulatory	RBI	2 months
Allow non-bank PSPs open access	Regulations may be released for consultation in regard to allowing non-bank PSPs direct access to payment systems.	Regulatory	RBI	2 months
Consider operating RTGS and NEFT 24*7	RBI to progressively increase their timings over due course of time. Consultation paper may be released	Regulatory	RBI	3 months
Consider outsourcing RTGS and NEFT	To initiate cost-benefit analysis as a first step. Consultation paper may be released over time	Regulatory	RBI	6 months

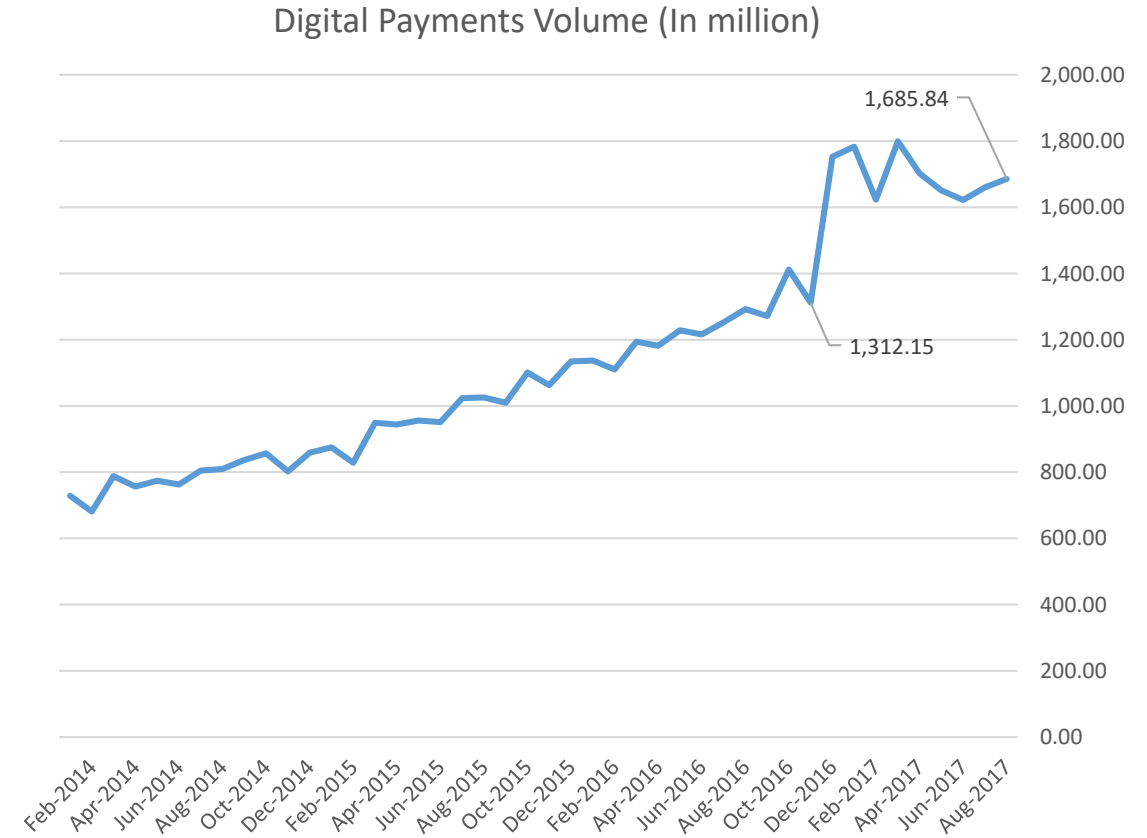
Few more recommendations

- Promotion of digital payments within Government
- Creation of fund from savings from cash-less transactions
- Creation of ranking and reward framework
- Other measures to promote digital payments- digital payments metric, disincentives for cash, promoting cross-border payments, promoting Aadhaar-based eKYC, creating awareness on cost of cash etc.

In March 2017, CIC amounted to 8.8% of GDP, Significant increase in Digital Payments Volume since Dec'16



Source: RBI annual report 2016-17



Source: RBI statistics- Payment System Indicators

Thank you!