

# **RTGS (Membership) Regulations, 2004**

## **Reserve Bank of India**

### **The RTGS (Membership) Regulations, 2004**

Whereas it is necessary and expedient to frame regulations for the membership of the Real Time Gross Settlement (RTGS) System and its operations and management for facilitating on-line real time settlement of Payments, either on gross basis or through Multilateral Net Settlement Batches, received from the members and for matters connected therewith or incidental thereto. The RTGS System is for the entire country.

The RTGS (Membership) Regulations, 2004 are hereby framed.

### **Chapter I**

#### **Short Title and Commencement**

1. These Regulations shall be called the Real Time Gross Settlement System (Membership) Regulations, 2004.
2. These Regulations shall come into force on such date, as may be notified by the Reserve Bank of India (hereinafter also referred to as the 'Bank') and shall be binding on all the members of the RTGS System.

### **Chapter II**

#### **Management of the RTGS System**

##### **Supervision of the RTGS System**

3. The RTGS system will be operated under the supervision of the Regional Director for Maharashtra and Goa, Reserve Bank of India, Mumbai or any other authority, nominated by the Bank for the purpose, from time to time.

##### **Standing Committee**

4. (i) The Bank shall constitute a Standing Committee for the management of the RTGS system.  
(ii) The Standing Committee shall consist of the following members, namely :-
  - a) a President
  - b) a representative each from:
    - 1) Department of Government and Bank Accounts, Reserve Bank of India, Central Office, Mumbai

- 2) Department of Information Technology, Reserve Bank of India, Central Office, Mumbai
  - 3) Reserve Bank of India, Mumbai Regional Office
  - 4) Internal Debt Management Department, Reserve Bank of India, Central Office, Mumbai
- c) a member representing State Bank of India and its Associate Banks.
  - d) two members representing all the nationalised banks as a distinct group.
  - e) one member each representing
    - all foreign banks as a distinct group
    - all private banks as a distinct group
    - all banks, other than those mentioned above, as a distinct group
    - all Primary Dealers as a distinct group

(iii) President shall be the Regional Director, Reserve Bank of India, Mumbai or such other authority from the Bank, as may be nominated by the Bank, from time to time.

(iv) The President shall provide Secretarial assistance to the Standing Committee.

#### **Tenure of members**

5. (i) Each member of the Standing Committee, representing a distinct group, other than the Bank, shall have tenure of 1 year and shall be substituted by another member of that distinct group each year.

(ii) The tenure of the representatives of the Bank shall be, as may be decided by the Bank, from time to time.

#### **Meeting of the Standing Committee:**

6. (i) The Standing Committee shall meet at least once every quarter.

a) The Standing Committee shall take decisions by majority of the members present in a meeting or by circulating among the members, the agenda items and the proposed resolutions, as may be deemed fit and proper by the President of the Standing Committee.

- a) The President of the Standing Committee shall convene and preside over the meetings of the Standing Committee and arrange to furnish a copy of the decisions taken by the Standing Committee to all members of RTGS System.
- b) The quorum for any meeting shall comprise of the President, one of the representatives from among the members referred to in sub clause (b) of clause (ii) of Paragraph 4 and not less than two members from among the representatives referred to in sub clauses (c), (d) or (e) of clause (ii) of paragraph 4 of these Regulations, for conducting the business of the Standing Committee.
- c) In the absence of the required quorum, the meeting shall stand adjourned and the President shall have the power to re-convene the meeting at any time later either on the same day or any other subsequent day.
- d) Each member present shall have one vote.
- e) The President, and in the absence of the President, the member, elected to preside over the meeting, shall have a casting vote in case of a tie.

#### **Functions of the Standing Committee**

7. The functions of the Standing Committee shall include the examination, clarification, and finalisation of decisions on issues relating to :
- (i) Such issues, as it may deem fit and proper for the smooth, satisfactory and proper functioning of the RTGS System.
  - (ii) Suggestions made by the participants of the RTGS System, received at least seven days before the meeting or if otherwise permitted by the Chair.
  - (iii) Such other matter as may be referred to it by the Reserve Bank of India.

### **Chapter III**

#### **RTGS Membership**

##### **Membership**

8. (i) Reserve Bank of India, Mumbai and any other clearing agency managed by RBI shall be a member of the RTGS system.
- (ii) Membership of RTGS system shall be open to all the scheduled banks and to any other institution at the discretion of the Bank.

##### **Procedure for Admission as an RTGS Member :**

9. (i) An application for membership for the RTGS system shall be made in the prescribed form, as per Annexure-A, to the Regional Director for Maharashtra and Goa, Reserve Bank of India, Mumbai or such other authority, as may be specified by the Bank in this regard from time to time. Provided, however, it shall not be necessary for the Reserve Bank of India, Mumbai to apply for RTGS membership.
- (ii) No institution shall be admitted as a member of the RTGS System unless it fulfills all the following criteria:-

- (a) It is a member of the Indian Financial Network (INFINET).
- (b) It is member of the Negotiated Dealing System (NDS).
- (c) It maintains a Current Account with the Deposit Accounts Department, Reserve Bank of India , Mumbai.
- (d) It is either a Scheduled Bank or a Primary Dealer.

Provided that the Bank may admit any Clearing House or Clearing Agency (Other than those managed by RBI), which has made an application for membership, as a member of the RTGS system, even if it does not fulfill the above criteria.

(iii) Notwithstanding anything contained in Clause (ii), the Bank may, for reasons to be recorded in writing, admit any bank or financial institution, as a member, even if it does not fulfill any or all of the above criteria.

(iv) An Application, received from an institution, shall be considered by the Bank and be disposed of within a period of 30 days from the date of the receipt of the application.

#### **Categories of Members :**

10. (i) The members, admitted to the RTGS system, shall be of one of the following types, namely :-

Type A – The Bank and All Scheduled banks, including Scheduled Co-operative Banks

Type B – Primary dealers

Type C – Scheduled Banks and Primary Dealers, participating in Call money Operations, availing of RTGS services through either a Type ‘A’ member or the Bank.

Type D – Clearing Houses and Clearing Agencies

Type E – Non-scheduled banks and other financial institutions

(ii) The Bank may add to, delete from or modify the above categories, at its sole discretion.

#### **Entitlements of RTGS Members :**

11. The rights of the RTGS members shall be as under:-

- a) A Type ‘A’ or Type ‘B’ member shall be eligible for Participant Interface (PI) Application Software from the Bank on payment of such amount, as determined by the Bank, subject to the terms and conditions specified in the Regulations or the Operating Guidelines.
- b) A Type ‘A’ or Type ‘B’ member shall be entitled to have a Settlement Account in the RTGS System.
- c) A Type ‘A’ or Type ‘B’ member will be eligible for Intra-day Liquidity from the Bank, subject to the terms and conditions, specified in these Regulations or the Operating Guidelines.
- d) A Type ‘A’ member will be eligible to put through (i) funds transfer including customer-based funds transfer with another Type ‘A’ or Type ‘B’ member and (ii) own account funds transfer transactions.

Explanation: 'Customer' in this clause includes a Type 'C' member also.

- e) A Type 'B' member will be eligible to put through (i) funds transfer with Type 'A' or another Type 'B' member and (ii) own account funds transfer transactions.
- f) A Type 'C' member may adopt either the Bank or any Type 'A' member as its Sponsor Bank and avail of RTGS services through the Sponsor Bank, as its customer.
- g) A Type 'D' member will be a Clearing House / Clearing Agency and will have a Net Settlement Interface (NSI) software from the Bank and will be eligible to submit Multilateral Net Settlement Batches (MNSBs) to the RTGS System for settlement.
- h) Any member, which has PI, will be eligible to receive patches or fixes of the software, including upgrades / higher version of the same from the Bank, on payment of such amount, as may be determined by the Bank from time to time.
- i) A Type 'E' member shall be entitled to such facilities as may be determined by the Bank.
- j) Any member, which has PI, will be eligible to receive patches or fixes of the software, including upgrades or higher version of the same from the Bank, on payment of such amount, as may be determined by the Bank from time to time.

**Obligations of RTGS Members:**

12. An RTGS member shall :-

- (a) install and operationalise the PI on its Payment Systems Gateway and the Disaster Recovery System therefor ;
- (b) comply with these Regulations and RTGS (Membership) Business Operating Guidelines,2004 as amended from time to time and also with such circular, order, notification, press release, instructions as may be issued by the Bank in this behalf from time to time
- (c) not provide access to the PI to any other institution, including its own subsidiary ;
- (d) maintain secrecy of information about other members, received by it in the course of the use of the RTGS System;
- (e) not misuse any information or document, which it may receive in the course of its participation in the RTGS system ;
- (f) track continuously whether the payment transactions, submitted by it, have settled or not and if not settled, take necessary action for immediate settlement thereof ;
- (g) be bound in all respects for all the transactions made by it with other members through the RTGS system and
- (h) ensure the use of the digital certificates in connection with the RTGS operations.

- (i) furnish such information and documents as may be called for by the Bank from time to time.

*Explanation:-*

Digital Certificates mean and include the Class I or Class II or Class III certificates, referred to in the Institute for Development and Research in Banking Technology Certifying Authority (IDRBT CA) Certification Practice Statement and issued by the IDRBT CA to its subscribers for creating digital signature and/or for encryption.

(ii) Each Type 'A' or Type 'B' member shall ensure that its Payment Systems Gateway is either an 'Active-Active' or 'Active-Passive' clustered Computer System and shall have a Disaster Recovery System for its Payment Systems Gateway outside the city, where its Payment Systems Gateway is located, subject to the terms and conditions in RTGS (Membership) Regulations, 2004 and RTGS (Membership) Business Operating Guidelines, 2004 as amended from time to time and also with such circular, order, notification, press release, instructions as may be issued by Reserve Bank of India in this behalf from time to time.

(iii) Each Type 'C' member, shall have clear funds or lines of credit with its type 'A' Sponsor Bank for effecting RTGS funds transfer.

**Liabilities of Members:**

13. (i) An RTGS member shall continue to be solely liable and responsible for the contents of the messages sent by it through its PI, even if it subsequently resigns or is suspended or its membership is terminated.

(ii) An RTGS member shall be directly and wholly liable in respect of all its customers, and with reference to all the transactions, executed on the RTGS system on behalf of such customers and the Bank shall in no way be responsible either for the source or usage of funds involved in the transactions.

Explanation: 'Customer' in this clause includes a Type 'C' member also.

**Suspension/Termination of Membership**

14. (i) The Bank may, in the following circumstances, take such steps, as it deems necessary.

- a) The member has failed to comply with or violated any of the provisions of these regulations or the RTGS (Membership) Business Operating Guidelines, 2004 as amended from time to time and also with such circular, order, notification, press release, instructions as may be issued by Bank in this behalf from time to time including the resolutions, orders, notices, directions or decisions of the Bank or of any of its officials, duly authorised in this behalf or of the Standing Committee.
- b) The membership of the member to the Indian Financial Network (INFINET) has been suspended or terminated.

- c) Membership of the member to the Negotiated Dealing Systems (NDS) has been suspended or terminated.
- d) The member has violated or has failed to comply with the requirements, stipulated in the IDRBT CA Certification Practice Statement or any other instructions, issued by IDRBT CA.
- e) The current account or all current accounts of the member with the Deposit Accounts Department, Reserve Bank of India, Mumbai are closed.
- f) The member misuses the RTGS system.
- g) The member fails to use the PI continuously for fifteen RTGS Business Operations Days, without any reasonable cause.
- h) The member fails to reverse Intra Day Liquidity entirely before the RTGS End of Day on the day of availment in accordance with the Operating Guidelines.
- i) The member is amalgamated or merged with another member or agency.
- j) Steps have been initiated for winding up the business of the member.
- k) The Bank is of the opinion that the member is acting in a manner, detrimental to the interests of the RTGS system or prejudicial or subversive to its objectives and purposes and that it is necessary to take steps against the member.
- l) Any moratorium and / or notification issued by the Judicial Authorities, Government or Bank for freezing the current account or for cancelling the licenses of the member.
- m) If a Type 'C' member ceases to be eligible for participation in the Call money market, it shall cease to be a RTGS member also.

(ii) The steps, referred to in sub-Regulation 14 (i), include issue of warning or censure to the member, restricting the use of the RTGS system by the member, suspension or termination of its membership;

Provided that, before restricting the use of the RTGS System by the member or suspending or terminating its membership, the Bank shall pass a reasoned order in writing, after giving one week's notice in writing to the member, indicating the grounds therefor and after providing an opportunity of being heard;

Provided further that, if the Bank is of the opinion that immediate steps need to be taken, the Bank may take any action, referred to in sub-Regulation 14 (i) immediately, after recording the reasons therefor in writing and issue notice within a period of ten days thereafter and provide an opportunity of being heard to the member and pass an order cancelling or confirming the order passed earlier.

(iii) The Bank may, at any time, if it is satisfied, either on its own motion or on the representation of a member that the order of suspension or termination of its membership may be revoked, it may pass an order accordingly.

(iv) The member, whose termination of membership has been revoked, shall be entitled to apply for membership afresh in accordance with these Regulations.

(v) Any decision of the Bank in this regard under this Regulation shall be final.

**Resignation by an RTGS member**

15. (i) An RTGS member may resign from its membership by giving one month notice in writing to the President of the Standing Committee.

(ii) The Bank shall accept the resignation within the notice period, subject to such conditions, as it deems necessary to impose on the member and the member shall be bound to comply with the said conditions.

(iii) The resignation shall take effect on acceptance thereof by the Bank.

**Chapter IV**

**General duties of the Reserve Bank of India and of the Members**

16. The Bank shall endeavour to ensure proper operation, control, maintenance and security of the RTGS System;

Provided that, the Bank shall not be responsible for the loss, if any, that may be caused to the members or their customers or any person, arising out any action taken in good faith by the Bank's staff or malfunctioning or break down of the computer systems, computer network, telecommunication network or any other equipment (inclusive of hardware and software), used in the RTGS System or any *force majeure* conditions.

17. Each member shall :

- a) operate the Payment Systems Gateway and the Disaster Recovery System for its Payment Systems Gateway ;
- b) control, maintain and ensure security of its Payment Systems Gateway and Disaster Recovery System for its Payment Systems Gateway ;
- c) provide necessary business resumption and recovery measures to ensure the continuity of operations of its Payment Systems Gateway, as and when required ;
- d) maintain, operate and upgrade its Payment Systems Gateway to provide adequate capacity to handle its RTGS transactions and ensure maximum Systems availability to the satisfaction of the Bank during any RTGS Business Day ;
- e) bear all expenditures in respect of its Payment Systems Gateway and Disaster Recovery System for its Payment Systems Gateway ;
- f) adhere to the security guidelines, issued by the Bank from time to time, pertaining to the operations and maintenance of the PI;
- g) take stringent measures to protect the security of the private keys of their users and the PI Application Software and,
- h) take immediate action in accordance with the procedures laid down by the IDRBT CA in the event of any breach of security.

**Miscellaneous**

**Transfer of the Inter-bank Fund Transfer Processor :**

18. The Bank may transfer the Inter-bank Fund Transfer Processor (IFTP) to any company or corporation for effective management, supervision and operations thereof.

**Inspection:**

19. (i) The Bank may, at any time, conduct or cause to be conducted an inspection of the premises of a member with a view to determining whether internal controls and procedures, relating to the security of and access to the Payment Systems Gateway and to the Disaster Recovery System for the Payments Systems Gateway, are adequate.

(ii) The Bank and officials of the Bank or any other person, appointed by the Bank in this behalf for this purpose, shall be allowed full access into the premises, the Payment Systems Gateway and the Disaster Recovery System for the Payment Systems Gateway of the member and to all relevant documents and records, whether in paper or electronic form or otherwise, and the officials and employees of the member shall furnish such information truthfully and accurately and produce such documents and records promptly, as may be required by such officials or representatives of the Bank.

(iii) Where, in an inspection referred to in sub Regulation (19.1) above, any deficiency in the internal controls and procedures is found or the internal controls and procedures are or some aspects of the internal controls and procedures, non-existent, the Bank may direct the member to take immediate steps to rectify the deficiency or establish appropriate or incorporate additional appropriate features into its internal controls and procedures and the member shall comply with the instructions accordingly and inform the Bank in writing of having done so within ten days of the receipt of such direction.

**Transfer Prohibited**

20. A member shall not at any time assign, lease, license or dispose of to any other person, trust, company or corporation including its subsidiaries in whole or in part, the RTGS services, including PI software, provided by the Bank or any benefit or advantage derived therefrom.

**Resolution of Disputes/Differences**

21. In the event of any difference or dispute, arising between a member and another member or between a member and the Bank, in connection with the RTGS System or incidental thereto, the decision of the Bank shall be final.

**Power to amend the Regulations**

22. The Bank may make such amendments to these Regulations as are deemed fit and proper from time to time.

**Power to frame Operating Guidelines**

23. (i) The Bank may issue Operating Guidelines from time to time for the functioning and operation of the RTGS System and in all matters in connection therewith and/or incidental thereto. Such operating guidelines may *inter alia*, include the following.

- a) Norms, procedures and terms and conditions for ,-
    - (1) admission, continuation or cessation of members;
    - (2) admission of payment transactions for settlement in the RTGS System;
    - (3) the sanction of Intra Day Liquidity by the Bank ;
    - (4) the imposition of restrictions on some or all members.
  - b) Procedure for imposition and enforcement of penalties and other consequences including suspension or termination of membership.
  - c) fixation of fees, transaction type/s and other charges, payable by the members to the Bank ;
  - d) dissemination of information and announcements;
  - e) any other matter as may be decided by the Bank.
- (ii) Bank may issue guidelines in connection with, inter alia, the following operational parameters from time to time.
- a) The RTGS calendar i.e. the working and non-working days.
  - b) The start and close timings of each RTGS Business Day, including the start and end of the business day phases.
  - c) The eligible transaction types for each participant type/membership type.
  - d) The number and timings of the operating sessions, including submission session and/or settlement session, and the transaction types, eligible for each operating/settlement session.
  - e) The quantum and mechanism of Intra Day Liquidity to be granted to members.
  - f) The transaction types, including the clearing types, which will be eligible for Intra Day Liquidity.;
  - g) The terms and conditions under which such intra day liquidity facility will be granted including reversal/squaring off thereof by each member before the RTGS end of day.
  - h) The norms in respect of the settlement of Multilateral Net Settlement Batches including the length of the time window for settlement thereof .
  - i) Other matters which may affect the settlement of the transactions in the RTGS system keeping in view the larger interests of the public and the members.
  - j) Such other matter, as may be decided by the Bank from time to time.
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