



Reserve Bank of India

**Access Criteria
For
National Payment Systems**

**Department of Payment & Settlement Systems
Central Office, Mumbai**

September 22, 2008

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Chairman / CMDs / CEOs of
All Scheduled Commercial banks including RRBs /
Urban Co-operative Banks / State Co-operative Banks /
District Central Co-operative Banks

Dear Sir,

Access Criteria for National Payment Systems

As you are aware, pursuant to the Annual Policy Statement for the year 2007-08, a Working Group was constituted by the Bank for preparing guidelines for Access to Payment Systems. The report of the Working Group was placed on the Bank's website for inviting public feedback / comments.

On the basis of the recommendations made by the Working Group and the feedback received, the criteria for participation in the national payment systems (RTGS and NEFT) have been finalized. The financial strength of an institution would be the guiding parameter for participation in national payment systems.

The RTGS and NEFT systems would continue to be regulated by respective Membership Regulations, Business Guidelines and / or Procedural Guidelines which are binding on the participant members. The Access Criteria norms only prescribe the standards for entry / exit to national payment systems.

Taking in to consideration the new norms for Access Criteria, the RTGS (membership) Regulations, 2004 and RTGS (Membership) Business Operating Guidelines, 2004 for RTGS system and NEFT Procedural Guidelines for NEFT system would be revised and circulated in due course.

Please acknowledge receipt of this circular.

Yours faithfully,

(G. Padmanabhan)
Chief General Manager

Access Criteria for National Payment Systems

1. Introduction

- 1.1 Payment systems are fundamental to economic activity and to address the various risks emerging out of rapid growth of the payment systems, it has become necessary to put in place appropriate eligibility criteria for access to Payment Systems. Adoption of appropriate guidelines for access criteria would substantially address and reduce the risks to the payment systems. Banks / financial institutions need access to Payment Systems to offer payment services to their customers.
- 1.2 To ensure the safety, security and integrity of payment services, such access should be restricted, controlled and subject to certain minimum standards. The Real Time Gross Settlement (RTGS) and National Electronic Funds Transfer (NEFT) systems at present are National Payment Systems of the country and settlement of transactions in these systems are centralised in the books of Reserve Bank of India, Mumbai.

2. Objectives

The objectives of the new Access Criteria norms are:

- 2.1 To ordinarily restrict access to payment systems to such entities regulated by the Reserve Bank of India or any other notified / special institution at the discretion of Reserve Bank of India.
- 2.2 To prescribe certain minimum financial criteria for membership to the national payment systems.
- 2.3 To extend access to payment systems to notified / special institutions that are permitted to accept deposits withdrawable by cheques, like Post Office Savings Bank.
- 2.4 To provide access to payment systems to certain entities considering their special position in the specific sector, like Non-scheduled Urban Co-operative Banks, Non-scheduled State Co-operative Banks, District Central Co-operative Banks, etc.

3. Financial Criteria

- 3.1 Only financially sound entities would be permitted to participate in the national payment systems.
- 3.2 To be categorized as financially sound, an entity should satisfy the following criteria -
 - (a) Minimum net worth of Rs. 50 crore
 - (b) CRAR of 9%
 - (c) Net NPAs less than 10%
 - (d) No default in maintenance of CRR or SLR during the past one year and
 - (e) Net Profit in at least one of the preceding two years.

- 3.3 Reference year would be the relevant financial year of the entity, i.e., April-March.
- 3.4 The figures of Net Profit, Net NPAs and CRAR will be as per the latest audited and published balance sheet of the entity.
- 3.5 The continuation of membership of a member bank will be based on the prescribed access criteria norms and subject to the continuing ability to meet the provisions of RTGS (Membership) Regulations, 2004 and RTGS (Membership) Business Operating Guidelines, 2004 for RTGS system and National Electronic Funds Transfer Procedural Guidelines for NEFT system.

4. **Eligibility for Membership**

- 4.1 The membership to RTGS system would be open to all licensed banks, primary dealers, special institutions and clearing houses / clearing agencies.
- 4.2 Scheduled Commercial Banks (excluding RRBs), Local Area Banks, Urban Co-operative Banks (Scheduled/Non-scheduled) are permitted to become direct member of RTGS and NEFT if they are financially sound.
- 4.3 State Co-operative Banks (scheduled / non-scheduled / licensed / unlicensed), District Central Co-operative Banks (scheduled / non-scheduled / licensed / unlicensed) and Regional Rural banks are eligible to become Direct Members of RTGS and NEFT without reference to their financial parameters, specified above, provided they – (a) have not defaulted in the maintenance of CRR or SLR during the past one year and (b) have a net worth of Rs. 50 crore as per the latest audited balance sheet.
- 4.4 NEFT membership is linked with RTGS i.e., only RTGS members will be eligible to join NEFT except Post Office Savings Bank (POSB).
- 4.5 A tabulated statement detailing the access criteria for RTGS and NEFT systems is presented in the Annexure.
- 4.6 Post Office Savings Bank (POSB) could be made a member of NEFT in view of its special status.

5. Type of Membership

5.1 In RTGS the Membership types would be as follows:

Sl	Type	Eligible Institutions	Facilities available
1.	A	Scheduled Commercial Banks Local Area Banks Urban Co-operative Banks (scheduled / non-scheduled) State Co-operative Banks (scheduled / non-scheduled / licensed / unlicensed) District Central Co-operative Banks (scheduled / non-scheduled / licensed / unlicensed) Regional Rural banks	Direct Membership Participant Interface Eligible for inter-institutional transactions, customer transactions, Intra-day liquidity and own account transfer
2.	B	Primary Dealers	Direct Membership Participant Interface Eligible for inter-institutional transactions, Intra-day liquidity and own account transfer.
3.	D	Clearing Organizations	Net Settlement Interface, eligible to submit MNSBs for settlement
4.	E	Special institutions	Discretion of Reserve Bank

6. Re-categorization of Membership

6.1 Entities that are presently Members of RTGS / NEFT, but are ineligible to continue their membership in terms of the access criteria prescribed in these guidelines, would be given a period of one year from the date of implementation of the guidelines to conform to the prescribed norms.

6.2 Entities not complying with the prescribed norms within one year period, will cease to be a member of RTGS / NEFT.

7. Periodical Review

7.1 Periodical review on financial parameters of the entities will be done by the Reserve Bank. The entities will have to conform to the prescribed norms, failing which they would cease to continue as members of RTGS / NEFT after the stipulated time period.

8. **Effective Date**

8.1 The new guidelines will be effective from the date of the circular.

9. **Power to amend the Access Criteria norms**

9.1 The Bank reserves the right to amend the access criteria norms for smooth functioning of the national payment systems as and when it deems fit.

Annexure

Access Criteria for RTGS / NEFT

<i>Sl. No.</i>	<i>Category of banks</i>	<i>Access to RTGS / NEFT</i>
1	Scheduled Commercial Banks (excluding Regional Rural Banks and Local Area Banks)	Type A Membership of RTGS / NEFT subject to <ul style="list-style-type: none">• CRAR 9%• Net NPAs less than 10%• No default in maintenance of CRR and SLR during the past one year• Net profit in at least one of the preceding two years; and• Minimum net - worth of Rs. 50 crore
2	State Co-operative Banks	Type A Membership of RTGS / NEFT subject to <ul style="list-style-type: none">• No default in maintenance of CRR and SLR during the past one year; and• Minimum net - worth of Rs. 50 crore
3	District Central Co-operative Banks	Type A Membership of RTGS / NEFT subject to <ul style="list-style-type: none">• No default in maintenance of CRR and SLR during the past one year; and• Minimum net - worth of Rs. 50 crore
4	Regional Rural Banks	Type A Membership of RTGS / NEFT subject to <ul style="list-style-type: none">• No default in maintenance of CRR and SLR during the past one year; and• Minimum net - worth of Rs. 50 crore
5	Local Area Banks	Type A Membership of RTGS / NEFT subject to <ul style="list-style-type: none">• CRAR 9%• Net NPAs less than 10%• No default in maintenance of CRR and SLR during the past one year• Net profit in at least one of the preceding two years; and• Minimum net - worth of Rs. 50 crore
6	Scheduled Urban Co-operative Banks	Type A Membership of RTGS / NEFT subject to <ul style="list-style-type: none">• CRAR 9%• Net NPAs less than 10%• No default in maintenance of CRR and SLR during the past one year• Net profit in at least one of the preceding two years; and• Minimum net - worth of Rs. 50 crore
7	Non-Scheduled Urban Co-operative Banks	Type A Membership of RTGS / NEFT subject to <ul style="list-style-type: none">• CRAR 9%• Net NPAs less than 10%• No default in maintenance of CRR and SLR during the past one year• Net profit in at least one of the preceding two years; and• Minimum net - worth of Rs. 50 crore
8	Banks in category 1, and 3-7 not complying with the requirements	No access
9	Unlicensed banks (other than unlicensed State Co-operative banks and District Central Co-operative banks)	No access
10	All India Financial Institutions	No access
11	Special Institutions like DICGC owned by Reserve Bank	Access to RTGS as type E member till Reserve Bank provides RTGS facility as its own constituents

12	Post Office Savings Bank	Access to NEFT
13	Clearing organizations like CCIL, NSCCL of NSE and Clearing House of BSE	Type D Member of RTGS
14	Primary Dealers	Type B Member of RTGS