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भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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April 9, 2012

The Chairman/Managing Director/Chief Executive Officer  
All Scheduled Commercial Banks including RRBs/  
Urban Co-operative Banks/State Co-operative Banks/  
District Central Co-operative Banks

Dear Sir/Madam

### **Access criteria for payment systems – sub-membership to centralised payment systems**

Under the overall guidance of the Board for Payment and Settlement Systems, the Reserve Bank over the last few years, has been taking a number of steps to popularise the electronic payment systems in the country. In this connection, a reference is invited to [circular DPSS.CO.OD.494/04.04.009/2011-2012 dated September 21, 2011](#), in terms of which, liberalised revised access criteria for centralised and decentralised payment systems were announced.

2. The centralised payment systems, viz. Real Time Gross Settlement System (RTGS) and National Electronic Funds transfer (NEFT), currently provide for only direct membership. As an exception, Regional Rural Banks (RRBs) have been given access to the NEFT system through their Sponsor Banks.

3. On a review, it has been decided to expand the sub-membership route to enable all licenced banks to participate in NEFT and RTGS systems. This would be an alternate mechanism to all licenced banks which have the technological capabilities but are not participating in centralised payment systems on account of either not meeting the access criteria or because of cost considerations. This arrangement would be subject to the following conditions:

A) The sub-member/s would participate in the centralised payment systems through their sponsor bank which is a direct member of the centralised payment system.

B) In order to ensure compliance with the timely credit and return discipline which are of utmost importance in centralised payment systems, branches of sub-member/s that are not under core banking system shall be kept out of the centralised payment systems till such time they are brought under core banking.

C) The sponsor banks would be responsible for sending/receiving the transactions/messages on behalf of their sub-member/s.

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D) There are no restrictions on the number of sub-members a sponsor bank could sponsor. Aspects relating to operational feasibility, risk mitigation, fund settlement, collaterals etc., have to be taken care of by the sponsor banks before sponsoring sub-member/s.

E) The sponsor bank should put in place a risk management framework and a system of continuous monitoring of the risk management practices of sub-member/s that they desire to sponsor. The risk management framework should be approved by the Board of the sponsor bank.

F) The settlement of transactions by/on the sub-members would take place in the settlement accounts of the sponsor banks maintained with Reserve Bank of India. The sponsor bank under this arrangement will assume complete responsibility for the settlement of all transactions by/on the sub-members.

G) The sponsor bank at all times should ensure that their sub-member/s adhere to and abide by the rules, regulations, operational requirements, instructions, orders, decisions etc, of the centralised payment systems, as laid down by Reserve Bank of India from time to time.

H) Redressal of all customer complaints / grievance would be the responsibility of the sponsor bank. To aid in this process, the sponsor bank should ensure that the sub-member/s have put in place a transparent and robust mechanism to resolve customer complaints in a quick and efficient manner, as laid down in the procedural guidelines, business rules and regulations of the centralised payment systems.

I) All disputes between the sponsor bank and the sub-member/s will be handled bi-laterally amongst them.

J) The sponsor bank should bring to the immediate notice of the Reserve Bank of India:

(i) any involvement of its sub-member/s in any suspicious transactions, frauds, etc.,

(ii) any of its sub-member/s resorting to any unfair practices relating to their participation in centralised payment systems;

(iii) any of its sub-member/s not adhering to the rules, regulations, operational requirements, instructions etc, of centralised payment systems;

K) The sponsor bank is not required to take prior approval of the Reserve Bank of India for sponsoring a sub-member/s into the centralised payment systems. However, as and when they sponsor sub-member/s, they should immediately inform the Reserve Bank of India, the details of the sub-member/s, IFSC/MICR codes allotted to the branch/branches of sub-member/s, date of commencement of sub-membership etc.

L) The sponsor bank should inform the Reserve Bank of India in case of cessation of sponsorship arrangement between the sponsor bank and sub-member/s immediately.

**M) The charges for customer transactions of sub-member/s cannot exceed the charges applicable to customers of sponsor banks/direct members of the centralised payment systems viz., RTGS and NEFT.**

4. The scheme of sub-membership for centralised payment systems is effective from the date of this circular.

5. Any further rationalisation / liberalisation of the access criteria norms would be considered at a later stage based on the experience of these measures put in place.
6. Kindly acknowledge receipt of the circular.

Vijay Chugh  
(Chief General Manager)