

An Update on the Payment and Settlement Systems Act, 2007

The Payment and Settlement Systems Act, 2007, came into effect in August 2008. This Act will regulate and supervise payment systems in the country, including their setting up/ continuance, define performance and security standards, and levy penalties in case of non-compliance.

The RBI Press Release on Sep 12, 2008, invited applications from entities currently operating or desirous of setting up a payment system. TechProcess Solutions Limited, as a leading provider of payment processing solutions in India, has applied for registration in accordance with the above Regulation.

The regulatory environment is likely to further evolve as the central bank sets up an advisory committee for expert opinion on the applications received. *While the formal approval process may take some more time, RBI has granted a provisional authorization to TechProcess (vide their letter dated February 11, 2009) to continue with its payment processing services, which include:*

- *ECS Debit and Direct Debit*
- *ECS Credit, NECS, NEFT, and Direct Credit*
- *TechPro Instant Pay TM (online net-banking and credit/debit/cash card processing)*

With more and more people being brought under the formal fold of banking and technology, and the rise in E commerce, the usage of payment systems is expected to rise exponentially. The passage of the above regulatory framework is a welcome and important milestone for the Indian payment processing industry, as well as users of payment processing services. It is clear that the framework, once implemented fully, will help mitigate systemic risk and increase consumer confidence. It will also further strengthen the legal basis for multilateral netting and finality of settlements.

The regulatory environment is likely to develop significantly over the next few months, and we shall strive to keep you up-to-date with new developments as they happen.