

RBI OPPOSES MOVE FOR INDEPENDENT PAYMENTS REGULATORY BOARD

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The Reserve Bank of India (RBI) has opposed the move to have an independent Payments Regulatory Board (PRB) as envisaged by the draft proposal for amendments to the Payment & Settlement Systems Act, 2007.

In a dissenting note to the Inter-Ministerial Committee for finalisation of amendments, the RBI said, "There is no case of having a regulator for payment systems outside the RBI." The Watal Committee, it said, had recommended the establishment of the PRB within the overall structure of the RBI. "Since banks are regulated by the RBI, a holistic regulation by RBI will be more effective and not result in increased compliance costs," it said.

"There needs to be integrated operations and not co-ordination. Co-ordination is required across different but related functions, which is not the case for payment systems. This is also the basis for reiterating that the Governor of the RBI should be the chairman of the proposed PRB," the note said. Objectives for the PRB, the RBI said, were best avoided to be mandated by law. For, it felt that law might not provide the much-needed flexibility. "The views of the Ministry of Law could also be taken into account on jurisdictional conflict. Further, innovation is generally not mandated — it evolves based on requirements," it added.

Stating that it welcomed changes, the RBI, however said, "changes should not result in existing foundations being shaken and the potential creation of disturbances in an otherwise well-functioning structure as far as India is concerned."

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