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# Independent Payments Regulatory Board - RBI's Dissent

## Why in news?

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The RBI has opposed the government's proposal to set up a separate and independent regulator for the payments industry in the country.

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## What was the proposal?

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- An inter-ministerial committee was earlier set up by the Department of Economic Affairs.
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- It was tasked to finalise amendments to the Payment & Settlement Systems (PSS) Act, 2007.
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- **Recommendations** - The committee proposed the establishment of an Independent Payments Regulatory Board (PRB).
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- The aim is to foster competition and consumer protection, systemic stability and resilience in the payments sector.
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- It also recommended having a government-appointed chairperson for the PRB.
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- It held that the Securities Appellate Tribunal (SAT) should look at dispute cases related to the payments.
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- Besides, the *Payment Council of India* (PCI) also maintained that the payments sector has undergone a sea change in the last 7-8 years.
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- So, there are various types of risks involved, and a risk-based regulation is the need of the hour.
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## What is RBI's rationale?

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- In a dissent note, the RBI has rejected the above recommendations.
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- It has argued that payment systems are a sub-set of currency, which is regulated by the RBI.
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- There is an overarching impact of monetary policy on payment and settlement systems and vice-versa.
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- This adds validity to the idea that regulation of payment systems remain with the monetary authority i.e. the RBI.
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- Also, the activities of payments banks come well within the purview of the traditional banking system.
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- So there is no case of having a separate regulator for payment systems outside the RBI.
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- Regulation of the banking systems and payment system by the same regulator provides synergy.
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- Nevertheless, RBI is open to changes and is not totally against a new PSS Bill, if required.
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- However, the changes should not result in the existing foundations being shaken.
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- They should not result in potential creation of disturbances in an otherwise well-functioning and internationally-acclaimed structure.
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- RBI also held it would prefer the Payments Regulatory Board to function under the purview of the RBI Governor.
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- It, however, may comprise three members nominated by the government and the RBI respectively.
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- It should come with a casting vote for the governor to ensure smooth operations of the board.
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- The recommendation on Securities Appellate Tribunal was also rejected by the RBI.

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- The exchanges and securities markets are not under the purview of the Payment Systems Bill.
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- So there is no rationality in bringing SAT for resolving payment system-related cases.
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## Why is RBI's decision welcome?

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- There is definite overlapping of the current regulatory powers of the RBI and the proposed regulations for the payments industry.
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- A unified regulator can thus help lower the regulatory compliance costs and enable the seamless implementation of rules.
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- Further, there is a risk that a brand new regulator may be unable to match the expertise of the RBI in carrying out regulatory duties.
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- This is especially given the fact of rapidly growing payments industry which can ill-afford regulatory errors at this point.
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- Moreover, the decision comes as an expression of RBI's firm stance against any dilution of its current powers over the financial sector.
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## What lies ahead?

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- The move comes as an instance of RBI and Union government being at loggerheads over the legitimate extent of their powers.
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- RBI's dissent against government’s plans has potentially set the stage for a regulatory turf war.
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- But, at this time of increasing risks to the stability of domestic financial system, both the government and RBI must work together.
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**Source: BusinessLine, The Hindu**

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## Quick Facts

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### Payments Council of India

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- The Payments Council of India was formed under the aegis of IAMAI (Internet and Mobile Association of India) in the year 2013.
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- It was set up to cater to the needs of the digital payment industry, address and help resolve various industry level issues and barriers.
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- It works to promote payments industry growth and to support the national goal of ‘Cash to Less Cash Society’ and ‘Growth of Financial Inclusion’.
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