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## **Annexure**

### **Committees on Computerisation**

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#### **I. Working Group to consider feasibility of introducing MICR/OCR Technology for Cheque Processing (1982)**

Convenor : Dr.Y.B.Damle, Adviser, Management Services Department, Reserve Bank of India.  
Recommendations :

\*\* Introduction of 'item processing' (sorting and listing of cheques with the help of computers) in three phases.

- In the first phase at the four metropolitan cities viz. Mumbai, New Delhi, Chennai and Calcutta, with the help of MICR technology.
- In the second phase all state capitals and important commercial centres.
- In the final phase national clearing to be introduced by dividing the country into four Regional Grids with headquarters at Mumbai, New Delhi, Chennai and Calcutta.

Each Regional Centre was to perform two functions:

- (i) to act as a clearing house for intra-grid instruments, and
- (ii) participate in national clearing on behalf of the grid for extra-grid outstation cheques.

#### **II. Committee on Mechanisation in the Banking Industry (1984)**

Chairman : Dr.C.Rangarajan, Deputy Governor, Reserve Bank of India.

***Recommendations :***

\*\* Banks should set up service branches at centres where they have more than 10 branches. The service branch so set up would exclusively be devoted to clearing operations of the bank at that particular centre.

\*\* Banks to be in readiness for the introduction of MICR Clearing at the four metropolitan cities by assessing their requirements for encoders, adopting standardised cheque forms and reorganising work procedures where necessary, and training staff down to the branch level.

**III. Committees on Communication Network for Banks and SWIFT implementation (1987)**

Chairman : Shri T.N.A.Iyer, Executive Director, Reserve Bank of India.

***Recommendations :***

\*\* Setting up of X.25 based packet switching network called 'BANKNET' to be jointly owned by the Reserve Bank and the public sector banks. It suggested that the computer system resources of the four IBM Mainframes (installed at the four metros for cheque processing operations) could be made use of during the day time by BANKNET for data communication with additional equipment.

\*\* BANKNET to be implemented in two phases. In Phase I the computer systems available in the Head Offices of the Public Sector Banks in the four metropolitan cities would be connected to the four IBM Mainframe servers. In the second phase connectivity could be gradually extended to eight to ten banking intensive centres, and to a hundred centres over a three year period. The applications that were identified were:

- inter-bank fund transfers on banks' own account and on customers' account;
- inter-branch funds transfers on banks' own account and on customers' account;
- currency chest transactions;
- government transactions;
- improvements in payment systems by facilitating automated clearing services (similar to BACS);
- any branch banking, etc.

\*\* India should join the SWIFT (Society for Worldwide Interbank Financial Telecommunication) Network for the transmission and reception of international financial messages.

\*\* BANKNET should strive to emulate SWIFT in matters of data security, encryption, and authentication and SWIFT message standards which are internationally accepted should be adopted by BANKNET.

#### **IV. Committee on Computerisation in Banks (1988)**

Chairman : Dr. C. Rangarajan, Deputy Governor, Reserve Bank of India

##### ***Recommendations :***

- \*\* Computerisation of the settlement operations in the clearing houses managed by Reserve Bank of India at Bhubaneshwar, Guwahati, Jaipur, Patna and Thiruvananthapuram.
- \*\* Operationalisation of MICR technology and the National Clearing of inter-city cheques at the four metropolitan cities.
- \*\* Introduction of one-way collection of cheques drawn on the 4 metros received from Ahmedabad, Bangalore, Nagpur and Hyderabad.
- \*\* Framing of Uniform Regulations and Rules of Clearing Houses.
- \*\* Branch level computerisation and the establishment of connectivity between branches.
- \*\* Improvements in customer service - introduction of on-line banking.
- \*\* Standardisation and rigorous security features to ensure an efficient and risk free transfer of funds electronically.
- \*\* Setting up a network of Automated Teller Machines (ATMs) in Mumbai. ATMs to be strategically located at airports, railway stations, hospitals, important commercial centres, as well as bank branches, to be used by the customers to perform a variety of functions such as deposits, withdrawals, balance enquiries, statement of accounts etc., at any point of time during the day.
- \*\* Introduction of a single 'All Bank' credit card and advocated the need for its widespread acceptance by merchant establishments and usage by customers to reduce the load on cash and cheque transactions.

#### **V. Committee on Technology Issues relating to Payments System, Cheque Clearing and Securities Settlement in the Banking Industry (1994)**

Chairman : Shri W.S.Saraf, Executive Director, Reserve Bank of India

##### ***Recommendations :***

- \*\* Establishment of an Electronic Funds Transfer (EFT) system, with the BANKNET communications network as its carrier. The message transfers would be in a batch mode with high value institutional funds transfers being batched every one hour and the transactions of retail customers being batched at the end of the day. Starting with the 4 metropolitan cities, the scheme to be extended in a phased manner to all important centres.

- \*\* Enactment of suitable legislation on the lines of the Electronic Funds Transfer Act 1978, USA and Data Protection Act 1984, UK.
- \*\* MICR clearing be introduced at all centres with more than 100 bank branches. Priority should be given to centres such as Ahmedabad, Bangalore, Hyderabad, Pune and Surat which have relatively large volumes.
- \*\* Introduction of a Delivery versus Payment (DvP) system for SGL transactions, with settlement on gross basis both for securities transactions in PDO and funds transactions in current accounts at DAD.
- \*\* Introduction of Electronic Clearing Service Credit for low value repetitive transactions such as interest, dividend, salary, pension payments and an Electronic Debit Clearing for payments to utility companies.
- \*\* A uniform size for MICR instruments.
- \*\* Geographical expansion of the BANKNET network with nodes in all important branches of banks and modifications in COMET software to enable dial-up connectivity, file transfer facility, encryption etc.
- \*\* Switch over to on-line inter-bank clearing on a gross basis.
- \*\* Introduction of 'Clearing Bank' concept for decentralised cheque processing.
- \*\* Truncation of cheques upto the value of Rs.5,000/-
- \*\* Large scale induction of computers and communication technology in service branches
- \*\* Optimal usage of SWIFT.
- \*\* NICNET, to be used for the reporting of currency chest transactions by the chest branches to their Link Offices and Issue Departments of the RBI.
- \*\* Promotion of a card culture, as well as enhanced training facilities.

## **VI. Committee for proposing Legislation On Electronic Funds Transfer and other Electronic Payments (1995)**

Chairperson : Smt.K.S.Shere, Principal Legal Adviser, Reserve Bank of India.

### ***Recommendations :***

- \*\* EFT system could be introduced immediately by framing regulations under Section 58 of the RBI Act. A Model Customer Contract agreement to govern the banker-customer relationship with regard to EFT should be adopted by all banks participating in the system.
- \*\* As a long term measure, a new legislation needed for regulating, defining and determining the rights and obligations of the system providers and users.