

- 4.1 The vision for the ensuing three year period commencing from 2008 holds great scope for innovation and differentiation for the financial sector.
- 4.2 One of the basic premises for this period is that IT would continue to be the predominant factor acting as the main catalyst in the forces of change.
- 4.3 Network based computing would be in vogue and consequently, centralisation of certain systems, databases etc., would be the order of the day
- 4.4 Core Banking Systems would have stabilised well and all banks would have migrated to a large portion of their branch operations being conducted using Core Banking Systems
- 4.5 Sharing of costly resources would be the norm and this would work positively for the benefit of the banking system as a whole
- 4.6 The Reserve Bank which has played a substantial developmental role in ushering in Technology based Banking in the initial period and for large scale computerisation thereafter, would gradually move away from its developmental role and take a participative role. This would be feasible since the financial sector has attained the level of maturity required for this changed focus
- 4.7 Work would also be taken up for introduction of Extensible Markup Language (XML) based reporting by banks to the Reserve Bank with impetus being given to XBRL based transaction flows, for which a Committee has been constituted under the Chairmanship of Shri V Leeladhar, Deputy Governor.
- 4.8 As a move aimed at better Governance, one of the major changes planned would be that the Reserve Bank would not perform the dual role of a service provider and a regulator. This would be achieved by hiving off of service delivery functions wherever feasible.
- 4.9 Based on the above, the following are some of the specific components of the plans for 2008-2010:

- 4.9.1 Completion of the implementation of Core Banking Systems by banks
- 4.9.2 Integrating the Core Banking Systems with the common interbank payment systems offered by the Reserve Bank - such as the NEFT, RTGS etc., to facilitate 'Straight Through Processing (STP) ' modes
- 4.9.3 Approach towards centralisation so that banks and financial institutions can benefit in terms of facilities such as Customer Relationship Management (CRM), Customer Profiling and Differentiation and for improved customer service
- 4.9.4 As measures aimed at enhancing the payment and settlement systems of the country, the recommendations of the Working Group on Electronification of Payments would be implemented on time bound basis.
- 4.9.5 Need for effective and fail safe Business Continuity Plans by ensuring adequate Disaster Recovery Systems and the regular, periodical testing of critical systems
- 4.9.6 With IT becoming deeply ingrained in the normal processing systems of banks, IS Audit gains greater importance. IS Audit would be a regular function of the internal processes of Inspection and Concurrent Audit in banks as also of external / independent audit. To this end, tools and technologies such as COBIT and conformity to internationally accepted standards such as ISO 27001 would be made use of
- 4.9.7 The role of technology service providers and intermediaries would gain greater significance in the context of increased outsourcing; for the banks and financial institutions, the complexities in handling in vendor management as part of outsourcing need to be addressed so as to ensure the risks arising out outsourcing are minimised
- 4.9.8 A crucial activity which needs to be completed in a time bound manner relates to the IT related aspects pertaining to conformity to the BASEL II requirements by banks

- 4.9.9 The role of the IDRBT as a pure educational and research oriented entity would get clearly defined and the service functions currently handled by the Institute would be taken care of by the new entity which would have to ensure that these service offerings are made available to users at competitive rates and are managed in a professional manner.
- 4.9.10 For the corporate customer and financial institutions, SFMS would be made available through the Internet as well so that this could be used as a facility for the transmission of financial messages in a secure and safe manner.
- 4.9.11 Inter-linkage of SFMS and S.W.I.F.T. would be achieved so as to provide for STP based message transfers between the SWIFT gateway and the respective bank / branch in the country.
- 4.9.12 The use of mobile means of communications for banking related transactions in general and payment services in particular would assume greater importance. To this end, efforts would be channeled to provide for standards for such systems, best practices to be followed, and suitable regulatory / oversight framework provided for.
- 4.9.13 The Reserve Bank would also be implementing its own Core Banking System for the benefit of its customers. This would provide for 'Anywhere Access' for the constituents of the DAD, PAD and PDO. As far as possible, electronic based transactions processing using an STP based process would be provided for.
- 4.9.14 The Integrated Computerised Currency Operations and Management System (ICCOMS), which is being rolled out to all locations would become the means for effective information collation in respect of currency notes movement in the country, which would ultimately result in better currency management for the country as a whole.

4.9.15 The processing of Government related transactions is also envisaged to undergo substantial changes after the acceptance of electronic modes of data and / or funds movement is accepted by the Government. This, coupled with the impending introduction of Cheque Truncation, would result in changes in the processing systems and cycles which will be facilitated by IT based systems, wherever feasible.