

**Government of India
Ministry of Finance
Department of Economic Affairs**

December 9, 2016

Committee to review the framework related to Digital Payments

Ministry of Finance, Department of Economic Affairs had constituted a Committee on Digital Payments to review the payment systems in the country and to recommend appropriate measures for encouraging Digital Payments. The Committee was constituted on 23rd August 2016 under the chairmanship of Shri. Ratan P. Watal, Principal Advisor, NITI Aayog and former Finance Secretary to the Government of India. The terms of reference and composition of this Committee were as follows:

Terms of Reference:

- To study and recommend need for charges, if any, in the regulatory mechanism and any legislation, relevant for the purpose of promotion of payments by digital modes
- To study and recommend ways for leveraging Unique Identification Number or any other proof of identity for authentication of card/digital transactions and setting up of a Centralised KYC Registry;
- To study introduction of single window system of Payment Gateway to accept all types of Cards/ Digital Payments of Government receipts;
- To study feasibility and framing rules for creating a payments history of all Digital Payments and create necessary linkage between payments transaction history and credit information;
- To study and recommend various measures to incentivize transactions through cards and digital means.
- To study global best practices in payments including initiatives taken by various Governments/ Government Agencies
- To identify market failure (s), if any, along with suitable interventions that may be implemented to promote payment by card/digital means
- To identify regulatory bottlenecks, if any, and suggest changes to promote payment by card/ digital means
- To study and make recommendations on any other matter related to promotion of payments through Cards and Digital Means

Composition of the Committee

Members of this Committee were: Shri H. R. Khan, Former Deputy Governor, Reserve Bank of India; Secretary, Department of Investment and Public Asset Management; President, NASSCOM; Chairman, Indian Banks Association; Chairman, Payments Council of India; President, Internet and Mobile Association of India; Chairman, Central Board of Direct Taxes; Director General, Unique Identification Authority of India; Executive Director, Reserve Bank of India; and Joint Secretary, Department of Economic Affairs, Ministry of Finance. The Committee was also supported by Shri. B.N. Satpathy, Consultant, Ms. Deepika Srivastava, OSD and Shri. Suneet Mohan, Young Professional from NITI Aayog.

The National Institute of Public Finance and Policy (NIPFP) and Department of Economic Affairs programme team headed by Shri. Ashish Aggarwal acted as the secretariat for this Committee. The team also included Shri. Pratik Datta, Shri. Aditya Kumar Rajput & Shri. Indrajeet Sarkar.

The Committee had submitted an Interim Report to Ministry of Finance on 21st November 2016.

Towards finalization of the report, the Committee engaged extensively with all stakeholders and technology groups including Reserve Bank of India, State Governments, Comptroller Auditor General of India, Payment companies, Technology Companies and the Academia.

The Committee submitted its Final Report to the Hon'ble Finance Minister on 9th December 2016.

Recommendations:

The Committee inter-alia has recommended a medium term strategy for accelerating growth of Digital Payments in India with a regulatory regime which is conducive to bridging the Digital divide by promoting competition, open access & interoperability in payments. The Report recommends inclusion of financially and socially excluded groups and assimilation of emerging technologies in the market, while safeguarding security of Digital Transactions and providing level playing to all stakeholders and new players who will enter this new transaction space. It has suggested inter-operability of the payments system between banks and non-banks, upgradation of the digital payment infrastructure and institutions and a framework to reward innovations and for leading efforts in enabling digital payments.

This Committee was seized of the developments following the decision of the Government to cancel legal tender character of currency of high denominations. The Committee has calibrated its recommendations accordingly and has provided a suitable framework for smooth and speedy transition towards a Digital Payments Economy.