Payment and Settlement Systems Act 2007

Section 2 - Definitions

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(1) In this Act, unless the context otherwise requires,

(a) "bank" means,

(i) a bank inclu'ded in the Second Schedule to the Reserve Bank of India Act, 1934(2 of 1934);

(ii) a post office savings bank;

(iii) a banking company as defined in clause (c) of section 5 of the Banking Regulation Act, 1949(10 of 1949);

(iv) a co-operative bank as defined in clause (cci) of section 5, as inserted by section 56, of the Banking Regulation Act, 1949(10 of 1949); and

(v) such other bank as the Reserve Bank may, by notification, specify for the purposes of this Act;

(b) "derivative" means an instrument, to be settled at a future date, whose value is derived from change in interest rate, foreign exchange rate, credit rating or credit index, price of securities (also called "underlying"), or any other underlying or a combination of more than one of them and includes interest rate swaps, forward rate agreements, foreign currency swaps, foreign currency rupee swaps, foreign currency options, foreign currency rupee options or any other instrument, as may be specified by the Reserve Bank from time to time;

(c) "electronic funds transfer" means any transfer of funds which is initiated by a person by way of instruction, authorisation or order to a bank to debit or credit an account maintained with that bank through electronic means and includes point of sale transfers, automated teller machine transactions, direct deposits or withdrawal of funds, transfers initiated by telephone, internet and card payment;

(d) "gross settlement system" means a payment system in which each settlement of funds or securities occurs on the basis of separate or individual instructions;

(e) "netting" means the determination by the system provider of the amount of money or securities, due or payable or deliverable, as a result of setting off or adjusting, the payment obligations or delivery obligations among the system participants, including the claims and obligations arising out of the termination by the system provider, on the insolvency or dissolution or winding up of any system participant or such other circumstances as the system provider may specify in its rules or regulations or bye-laws (by whatever name called), of the transactions admitted for settlement at a future date so that only a net claim be demanded or a net obligation be owned;

(f) "notification" means a notification published in the Official Gazette;

(g) "payment instruction" means any instrument, authorisation or order in any form, including electronic means, to effect a payment,

(i) by a person to a system participant; or

(ii) by a system participant to another system participant;

(h) "payment obligation" means an indebtedness that is owned by one system participant to another system participant as a result of clearing or settlement of one or more payment instructions relating to funds, securities or foreign exchange or derivatives or other transactions;

(i) "payment system" means a system that enables payment to be effected between a payer and a beneficiary, involving clearing, payment or settlement service or all of them, but does not include a stock exchange; .

Explanation. For the purposes of this clause, "payment system" includes the systems enabling credit card operations, debit card operations, smart card operations, money transfer operations or similar operations;

(j) "prescribed" means prescribed by regulations made under this Act;

(k) "regulation" means a regulation made under this Act;

(l) "Reserve Bank" means the Reserve Bank of India, constituted under the Reserve Bank of India Act, 1934(2 of 1934);

(m) "securities" means the Government securities as defined in the Public Debt Act, 1944(18 of 1944) or such other securities as may be notified by the Central Government from time to time under that Act;

(n) "settlement" means settlement of payment instructions and includes the settlement of securities, foreign exchange or derivatives or other transactions which . involve payment obligations;

(o) "systemic risk" means the risk arising from

(i) the inability of a system participant to meet his payment obligations under the payment system as and when they become due; or

(ii) any disruption in the system,

which may cause other participants to fail to meet their obligations when due and is likely to have an impact on the stability of the system:

Provided that if any doubt or difference arises as to whether a particular risk is likely to have an impact on the stability of the system, the decision of the Reserve Bank shall be final;

(p) "system participant" means a bank or any other person participating in a payment system and includes the system provider;

(q) "system provider" means a person who operates an authorised payment system.

(2) Words and expressions used, but not defined in this Act and defined in the Reserve Bank of India Act, 1934(2 of 1934) or the Banking Regulation Act, 1949(10 of 1949), shall have the meanings respectively assigned to them in those Acts.
