



Project Nexus of BIS

[Source: IE](#)

Why in News?

Recently, the [Reserve Bank of India \(RBI\)](#) has joined **Project Nexus**, a **multilateral international initiative** to enable **instant cross-border retail payments** by **interlinking domestic [Fast Payments Systems \(FPSs\)](#)**.

What is Project Nexus?

▪ About:

- **Project Nexus** is conceptualised by the Innovation Hub of the [Bank for International Settlements \(BIS\)](#).
- It seeks to **enhance cross-border payments** by connecting multiple global domestic instant payment systems (IPS).
- It is the **first BIS Innovation Hub project** in the payments area to move towards live implementation.

▪ Members:

- Project Nexus aims to connect the FPSs of four [Association of Southeast Asian Nations \(ASEAN\)](#) namely, Malaysia, Philippines, Singapore, Thailand, and India, who would be the **founding members and first mover countries** of this platform.
 - **Indonesia** will also join the platform in the future.
- An agreement on this was **signed by the BIS and the central banks** of the founding countries in Basel, Switzerland.

▪ Benefits:

- Project Nexus aims to streamline how IPS connect globally, eliminating the need for custom connections with each new country **by centralising connections** through a single platform.
- This single connection **allows a fast payment system to reach all other countries on the network**.
 - According to BIS, connecting IPS can enable cross-border payments from sender to recipient **within 60 seconds (in most cases)**.
- While India and its partner countries continue to **benefit through bilateral connectivity of FPS**, a multilateral approach will provide further impetus to the RBI's efforts in expanding the international reach of Indian payment systems.
 - The **Reserve Bank of India** has been collaborating bilaterally with various countries to link India's Fast Payments System (FPS) [UPI](#), with their respective FPSs for **cross-border Person to Person (P2P)** and **Person to Merchant (P2M)** payments. For example, [Bhutan](#) , [UAE](#), [France](#), [Sri Lanka](#), [Mauritius](#).

Bank for International Settlements (BIS)

- **Established in 1930**, the [BIS](#) is **owned by 63 central banks**, representing countries from **around the world** that together account for about 95% of world [GDP](#).
- Its head office is in Basel, Switzerland and it has two representative offices (Hong Kong SAR and Mexico City), as well as **Innovation Hub Centres** around the world.

- **Innovation BIS 2025**, is its **medium-term strategy** that leverages technology and new collaboration channels to serve the central banking community in the fast-changing world.
- The **Basel Banking Accords** are global rules set by the [Basel Committee on Banking Supervision \(BCBS\)](#), operating under the **Bank for International Settlements (BIS)** in Basel, Switzerland, providing guidelines for **best practices in banking**.
- It **provides central banks with:**
 - a forum for dialogue and broad international cooperation
 - a platform for responsible innovation and knowledge-sharing
 - in-depth analysis and insights on core policy issues
 - sound and competitive financial services

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DIGITAL PAYMENT SYSTEMS IN INDIA

A digital or electronic payment refers to transferring money from one payment account to another using a digital device or channel (bank transfers, mobile money, QR codes etc.)



Payment Systems by NPCI

National Payment Corporation of India (NPCI) is an umbrella entity for retail payment (Payment and Settlement Systems Act, 2007).

Immediate Payment Service (IMPS)

- ↪ For retail customer
- ↪ **Limit:** ₹1-5 lacs (Fees+GST)
- ↪ 24/7 (Instant Settlement)
- ↪ **Provider:** Banks, PPI, Mobile Wallet Companies

Unified Payment Interface (UPI)

- ↪ Technology for digital payment apps based on IMPS
- ↪ Push and Pull Transaction
- ↪ Also adopted by other countries like France, UAE, Singapore
- ↪ **UPI-Lite+NFC:** For offline payment
- ↪ **BHIM-UPI:** Money transfer app

Rupay Card Payment Gateway (RuPay)

- ↪ **Works in 3 Channels:** ATM, Point of Sale Device, Online Portals
- ↪ Given free with PMJDY
- ↪ Adopted in foreign countries as well (e.g. Mauritius)

Miscellaneous Initiatives

- ↪ Bharat Bill Payment System (BBPS) & Unified Presentment Management System (UPMS)
- ↪ National Electronic Toll Collection (NETC)
- ↪ PAI Chatbot
- ↪ Bharat QR
- ↪ e-RUPI
- ↪ Aadhaar Payment Bridge (APB) System
- ↪ Aadhaar enabled Payment System (AePS)

RBI's Centralised Payment System (CPS)

Real Time Gross Settlement (RTGS)

- ↪ For high value transactions
- ↪ **Lower Limit:** ₹2 Lacs (No Upper ceiling) (No fees)
- ↪ 24/7 (Instant Settlement)
- ↪ Provided by banking & non-banking entities

Lightweight Payment and Settlement System (LPSS)

- ↪ RBI's emergency alternative to NEFT/RTGS
- ↪ Temporary, portable solution

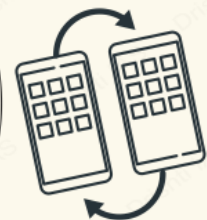


National Electronic Fund Transfer (NEFT)

- ↪ For mid-range transactions
- ↪ No limit imposed by RBI (No fees)
- ↪ 24/7 (Settles net amount between banks @ 30 minutes intervals)
- ↪ Provided by banking & non-banking entities

Digital Payment Regulatory Bodies

- ↪ Digital Transactions Ombudsman
- ↪ Board for Regulation & Supervision of Payment & Settlements Systems (BPSS)



UPSC Civil Services Examination, Previous Year Question (PYQ)

Prelims

Q1. With reference to digital payments, consider the following statements: (2018)

1. BHIM app allows the user to transfer money to anyone with a UPI-enabled bank account.
2. While a chip-pin debit card has four factors of authentication, BHIM app has only two factors of authentication.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

Ans: (a)

Q2. Which of the following is a most likely consequence of implementing the 'Unified Payments Interface (UPI)'? (2017)

- (a) Mobile wallets will not be necessary for online payments.
- (b) Digital currency will totally replace the physical currency in about two decades.
- (c) FDI inflows will drastically increase.
- (d) Direct transfer of subsidies to poor people will become very effective.

Ans: (a)

Q3. Consider the following statements: (2017)

1. National Payments Corporation of India (NPCI) helps in promoting the financial inclusion in the country.
2. NPCI has launched RuPay, a card payment scheme.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

Ans: (c)