



# CENTRAL BANK TRANSFORMATION LIKE NEVER BEFORE

## The RBI Story

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**The Reserve Bank of India is the central bank of the country. It is unique for the range of roles it performs including traditional Central Banking functions, managing Central and State accounts, Credit Policy, Developmental, Supervisory and advisory functions. However, the bank required a centralized system for the management of its formidable balance sheet. This article provides an overview of the solution, yet brings out certain key features that makes it an invaluable asset to the nation's central bank.**

In a far sighted and progressive move, decision makers at the RBI focused on system design, its extendibility, and its potential to improve business performance. When the RBI spoke to us, they did not have a centralized system for the management of their formidable USD 690 billion (2010-11) balance sheet.

The transaction mix for Central Banks is distinctly different from commercial banks. The accounts are fewer and the number of transactions per day per account is of staggering volumes. System design architecture must necessarily be fundamentally different to overcome the 100-million-and-over transactions per day-driven bottlenecks.

The RBI had to contend with several disparate legacy systems. They wanted an integrated solution - a real-time GL. And to use Financial Technology aggressively to drive financial efficiency for the country.

he more they engaged with us as they made up their minds on whom to entrust with this transformation initiative of staggering proportions, the clearer they became that Polaris is the only enterprise in the world with a solution specially engineered for a Central Bank! That being established, it was all about implementing the Intellect™ Quantum Core Banking Solution at RBI. And living up to the trust reposed in us by the Reserve Bank of India.

The RBI solution impacted practically every area of the Bank's operations.

**The Intellect™ Quantum Core Banking Solution is specifically engineered for Central Bank requirements. 100 million transactions/day, scalable to 50 – 60 million transactions/day within 6 months.**

There is a formidable array of the proverbial bleeding edge technology frameworks including XAP technology, Run Time Re-Use (RTRU) technology and Look Ahead Processing (LAP) technology. And that's to name just three of the IP packed Intellect™ Core Banking solution technology frameworks.

What we wanted was a small hardware footprint. Our solutions do not need mainframes excesses. We saw no need for the RBI to suffer huge upfront and maintenance costs for hardware, compounded with limited scalability potential. This is what we delivered.



The RBI Core Banking transformation initiative has generated an embarrassment of riches in terms of demonstrated outcomes. In the short time of our engagement since April 2011 when the contract was signed, there are clear customer benefits that are generating enormous interest in the community of Central Banks across the world.

### **Multiple Hops Vs. Single Transaction**

In a Central Bank's ecosystem, there is the banking finance universe and the government organization universe. There is an enormous flow of financial dealings, but the two universes are alarmingly disconnected. Polaris' solution has significantly enhanced efficiency by enabling single transaction functionality.

### **Integrated Vs. Distinct Roles**

A 1000-page Blue Book we developed during the BPR stage, provides for distinct roles for participants and services providers across clearing, payments, loans, and so on.

The integration of bank and government operations and the provision of distinct roles for service providers is best banking practice. It reduces risk and provides for future hiving off, as and when relevant.

### **Single Day User Adoption**

In keeping with our belief in the merits of Complexity Reduction, the Polaris solution has significantly simplified complex operations. Users across RBI offices have been able to adopt and adapt to the new processes within a single day. The use of extensive predictive automation with user interaction only where required has accelerated this process.

### **Passive Vs. Active Balance Sheet**

The RBI Balance Sheet (called the Weekly Statement of Affairs) was traditionally prepared on Friday for submission to the Parliament the following Wednesday. In the new model, we now have an active Balance Sheet, based on real-time enterprise General Ledger that allows drill down to the last transaction. No more recon between multiple systems. We have enabled a single source of truth!

### **EOD Under 5 Minutes**

From the current scoping of 100 million transactions/days to the anticipated 50 – 60 million transactions/day within 6 months, we're looking at EOD under 5 minutes.

### **Real-Time Investment Decisions**

Surplus funds in a particular state can now be invested during the day, saving interest costs, and no longer restrained by EOD limitations. In addition to direct collections, the RBI now offers agency banks as another collection point option for citizens. Same day movement allows rapid movement of money from the tax payer to the Government account as against an earlier 3–4 day lag.

### **Integrated Money & Securities**

No other Central Bank has the facility of integrated single-shot money and securities. Doing away with the typical risks involved and endured by other Central Banks, the RBI now effects transactions only where the money and

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“The strategy for implementing a suite of systems with sweeping impact covered comprehensive Business Process Reengineering for key processes, seamless functional integration, endless testing, tightly controlled parallel runs, cohesive project team management through constant engagement and unmatched camaraderie between the.”

*RBI and Polaris teams.*

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securities exist. The netted batches are uniquely handled in a single transaction. While every country has this sort of Delivery versus Payments Settlement Protocol on their road maps, it's already up and running at the RBI!

### Treasury Single Account

A Central Bank manages the finances of governments and government organizations. It collects taxes, manages expenditure and subsidies. Its borrowings constitute public debt. At any given point in time, a Central Bank should have an accurate read on the deficit. A single click treasury account is on the road map of major Central Banks – and we have it up and running at the RBI!

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Other central banks are perhaps five years behind the RBI in terms of automation.

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### GEPG Enabled Accountable Financial Chain

Subsidies pumped through the pipe slow down to a trickle by the time they reach the common man. Polaris' solution at RBI has enabled greater efficiency in the financial plumbing through the Government Electronic Payment Gateway (GEPG), wiring the Payment Banking infrastructure in India from the government through the Central Bank into the cities, villages and finally to the common man. An accountable secure financial pipe is no longer a pipe dream!

These are a few of several resounding and emphatic outcomes. The Target 2 System the European Central Bank began in 2008 and is estimated to go live in 2017. Central Banks in the western world are grappling with 20 – 25 disparate systems and are arguably 5 – 6 years behind the RBI.

Through our engagement with the RBI, the spontaneous response to our solution and its outcomes has been heartwarming. The association is an honor. The mutual warmth and regard makes each new challenge a shared journey, where the outcomes are being actively examined and discussed with other Central Banks.

Our corporate baseline reads 'Live Your Dream', and has set the tone for a company forged just over two decades ago. It spurred a small team of passionate people to punch well above their weight, and constantly challenge limiting beliefs. The spirit runs as strongly through the organization decades later.

#### Did you know?

The reliability of the system is such that just ten personnel are required to support it.

**To hear a senior RBI team member say, "Whatever we were dreaming has become a reality in your system", restated our 'Live Your Dream' promise, first intended as an internal message. We're now helping our customers live theirs!"**

Going forward, the RBI engagement promises considerable opportunity as we drive transformation through government departments at Central and State levels where sophistication and diversity of transactions can be impacted through best practices in systems, procedures and guidelines. The integrated system is not available elsewhere for Central Banks, and the RBI model will be emulated around the world.



#### **About The Author**

Suresh Kamath started his software career as a Software Engineer with Tata Consultancy Services (TCS) in 1982. He served as an Executive Director at Genie Computers for 3 years. Suresh founded Laser Soft Infosystems Limited in 1986 and looks after Research and Development as well Product Designing.

In 2001, Suresh was awarded the “Distinguished Alumnus Award” by IIT, Madras. He is a Gold Medalist with an Engineering Degree in Electronics and Communication from the National Institute of Engineering. He also holds an M. Tech in Computer Science from Indian Institute of Technology, Madras.

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#### **About Polaris Financial Technology Limited**

Polaris Financial Technology Limited is a global leader in Financial Technology for Banking, Insurance and other Financial Services. With over 25 years of expertise in building a comprehensive portfolio of products, smart legacy modernization services and consulting, Polaris owns the largest set of Intellectual Properties for a comprehensive product suite, Intellect® Global Universal Banking (GUB) M180. Intellect® is the world's first pure play Service Oriented Architecture (SOA) based application suite for Retail, Corporate, Investment banking and Insurance. Its acclaimed products, solutions and services enable unprecedented operational productivity for the global Financial Services Industry by Building, Maintaining, Expanding and Extending highly complex and Integrated Financial Technology Infrastructure.

This makes Polaris the chosen partner for 9 of the top 10 global banks and 7 of the top 10 global insurance companies. The company has a global presence through its 40 relationship offices across 30 countries, 6 international development centers and 8 fully owned Business Solution centers. Polaris has a talent strength of over 13,000 solution architects, domain and technology experts. For more information, please visit <http://www.polarisFT.com>

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