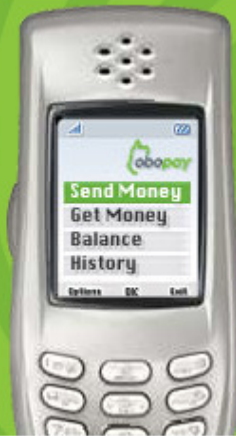




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# **Settlement Models Presentation to MPFI – Feb 2008**

**Aditya D Menon  
Executive Director**



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## Agenda

- Card based settlement – Master and Visa
- Bilateral settlement between Banks
- Settlement with Multilateral Settlement Agency
- Settlement with Multilateral Settlement Agency acting as Central User Registry
- Consolidated Account Model

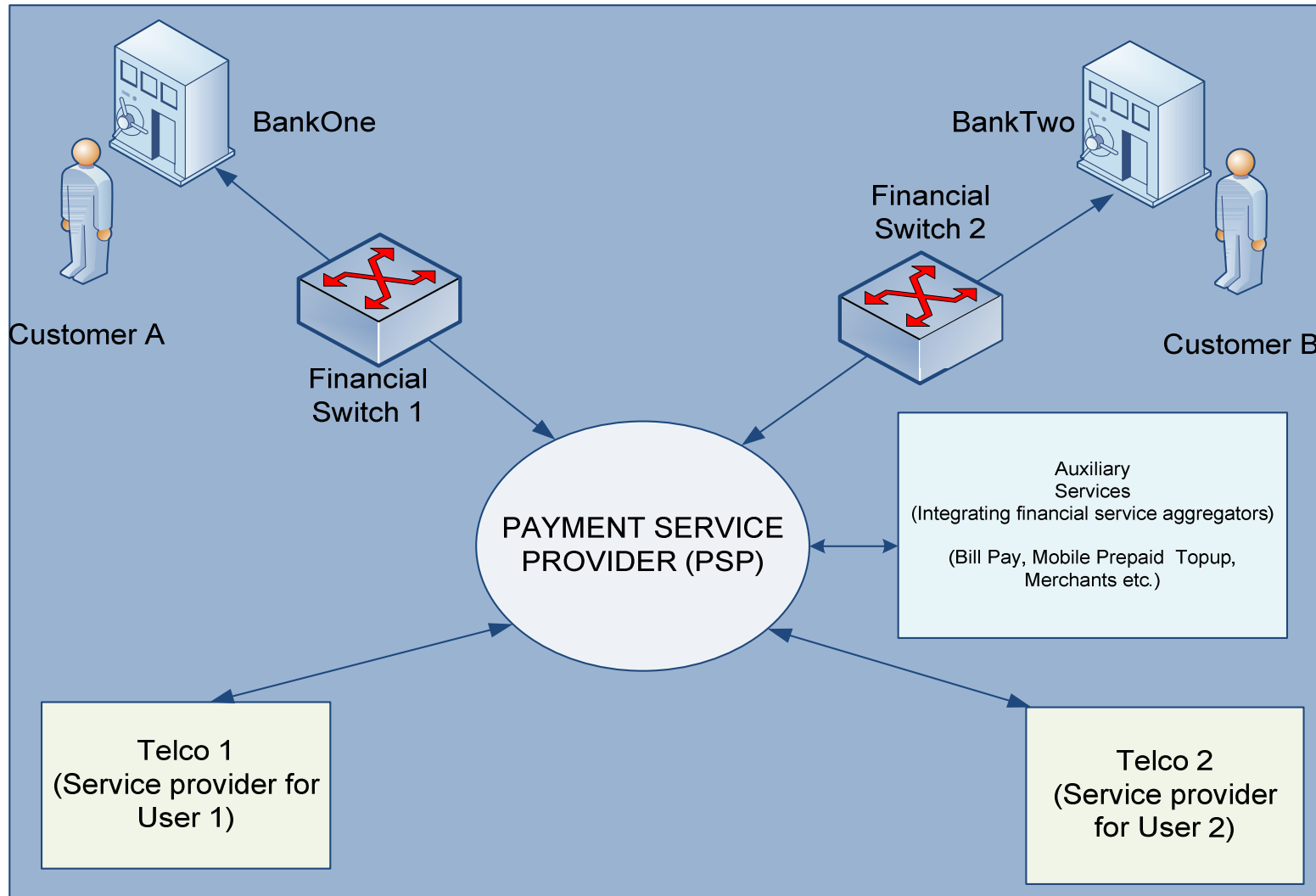


## Card Based Settlement

- MasterCard Money Send
  - Settlement in 24 Hours
- Visa Money Transfer
  - Settlement in 48-72 Hours



# Bilateral settlement between Banks





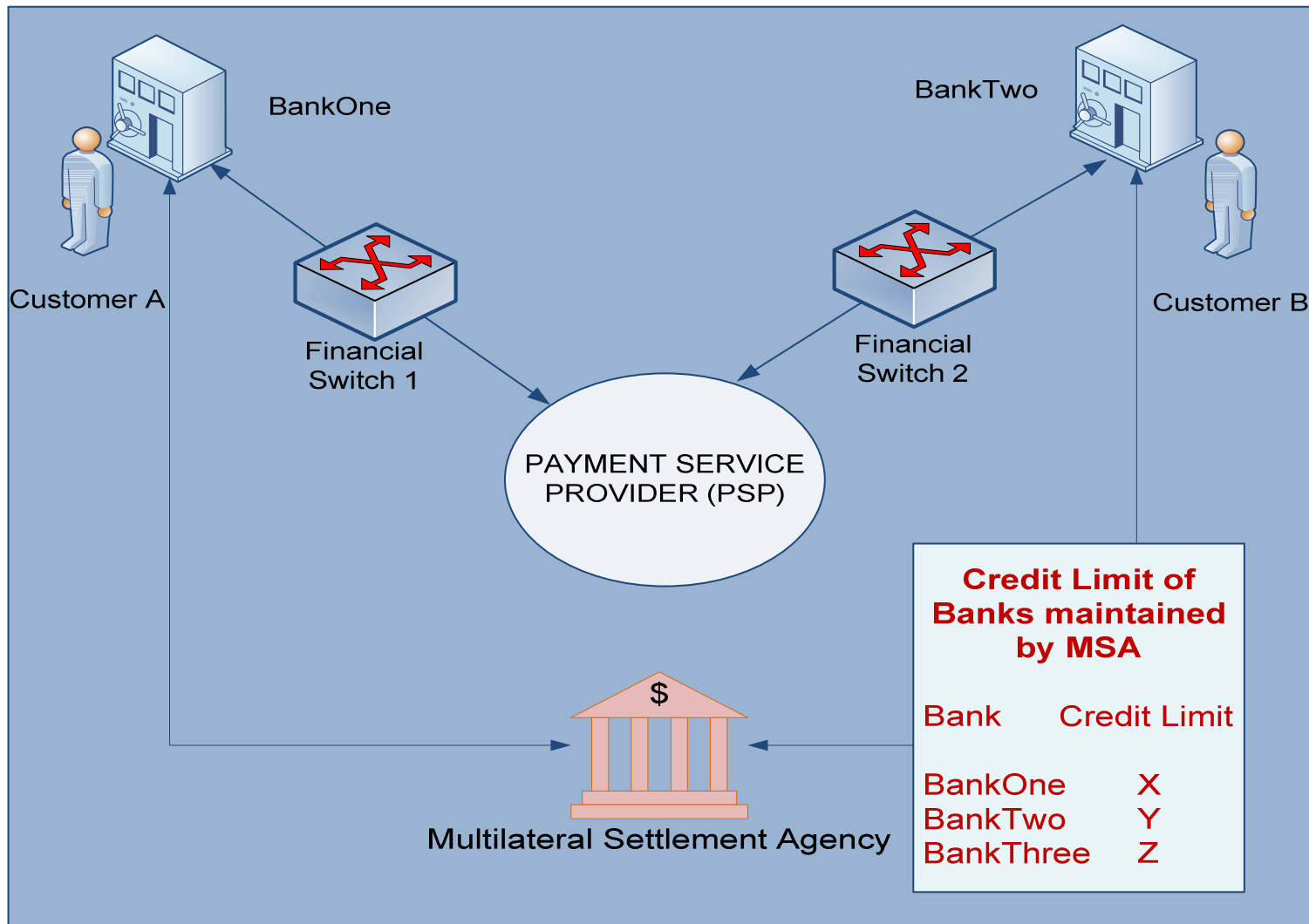
## Bilateral settlement between Banks

Generally follows existing bilateral arrangements such as Drafts, ATM sharing etc.

- Each bank opens Inward and Outward settlement accounts
- Daily Maximum Overall and Threshold Limit set per bank between other bank
- Reconciliation and settlement done once a day at pre-agreed times
- Maximum Overall Limit per day – This is the maximum limit that each bank will take exposure on the inward settlement account
- Overall Threshold Limit for the day – When this limit is reached a warning message will be sent to the bank



# Settlement with Multilateral Settlement Agency (MSA)



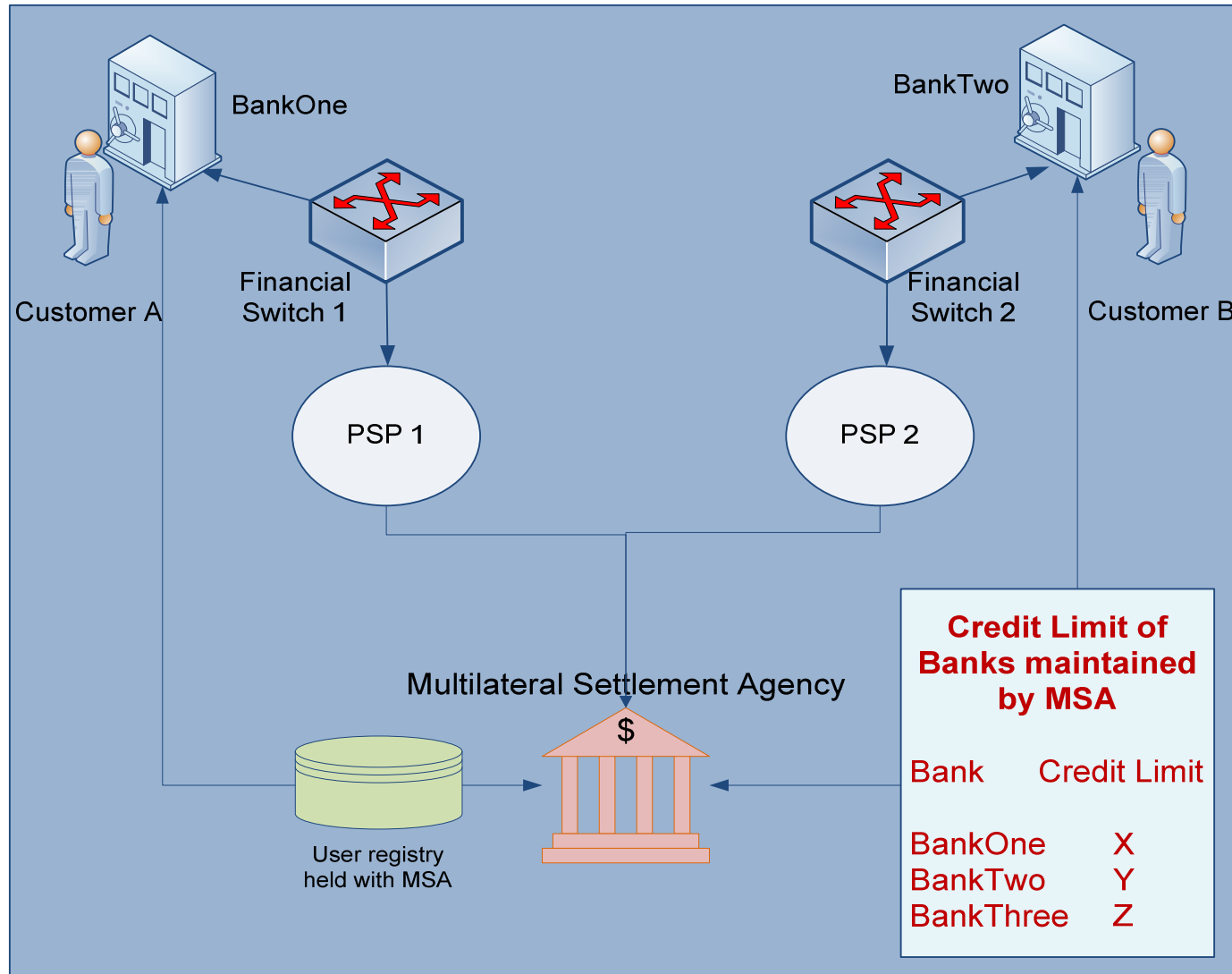


## Settlement with Multilateral Settlement Agency (MSA)

- Banks have an agreement with the multilateral settlement agency which can operate either pre-funded or partially funded with a settlement guarantee fund
- Banks maintain a credit guarantee with the MSA and are provided with a credit limit, or are required to fully fund the settlement account
- The credit guarantee should be equal or more than the monthly moving average of the net payouts of the respective bank
- The Multilateral settlement agency acts as the central node for all transactions and enables quick end of day settlement of the transactions



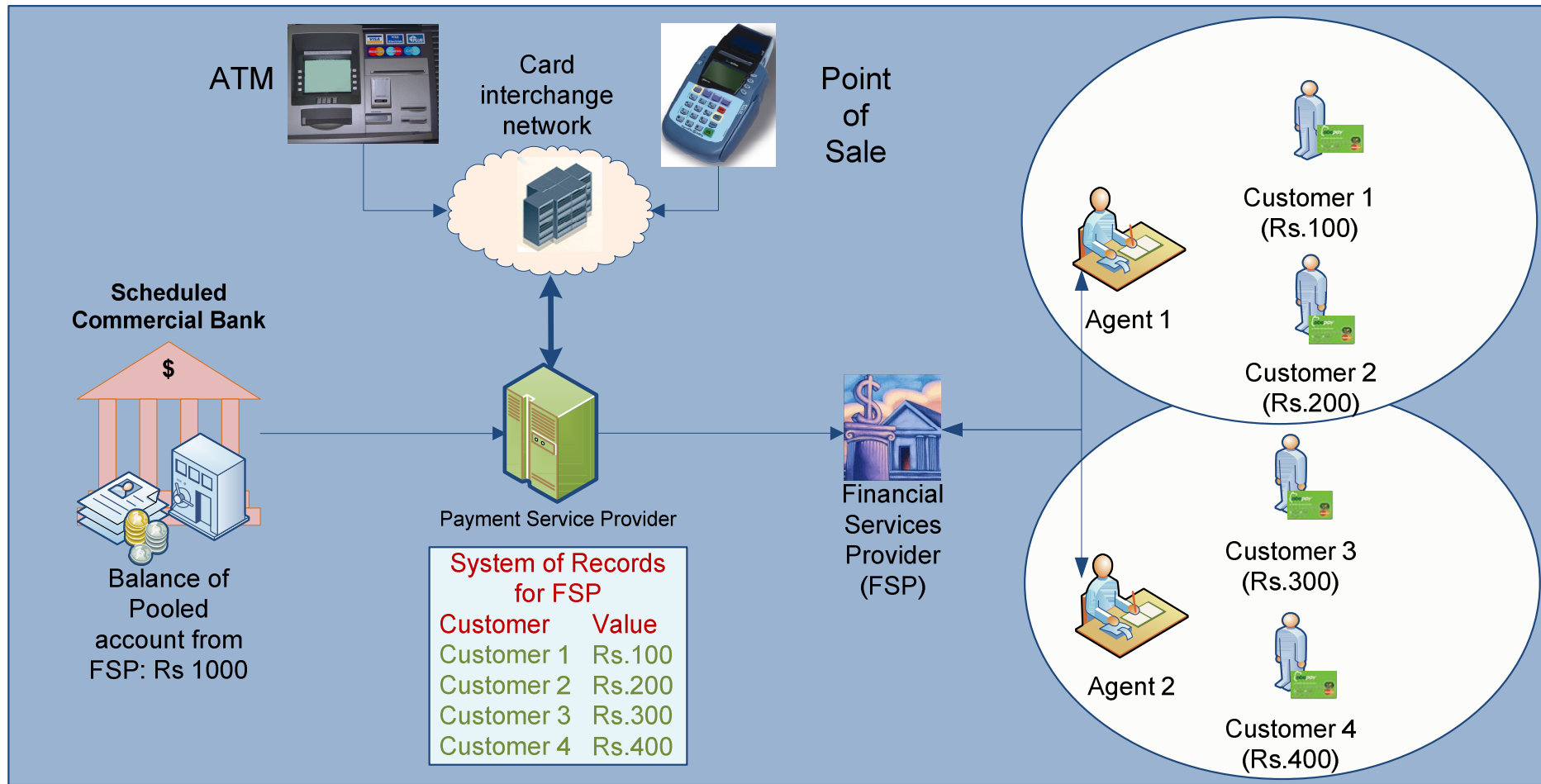
# Settlement with Multilateral Settlement Agency (MSA) acting as a Central User Registry





## Settlement with Multilateral Settlement Agency (MSA) acting as a Central User Registry

- Similar to Settlement with Multilateral Settlement Agency
- The Multilateral Settlement Agency acts as the universal database/registry of all mobile customers across multiple payment service providers
- This mode of micropayments works across multiple Payment Service providers who have all linked up to the central MSA
- MSA can act as a relay between otherwise disconnected Payment Service providers
- MSA ensures good funds across providers, and banks





## Consolidated Account Model

- The financial service provider will have a bank account with the scheduled commercial bank which will reflect the net positions of their daily operations on an intra-day basis
- The accounts are held in trust by banks for their customers and not by either the Payment Service providers or the Telco or third party Financial Service Provider.
- At the Payment service provider's end, the banks can either operate under a single consolidated master account or choose to create individual accounts to be reconciled at the close of each business day. The system of record can be managed by the payment service provider through a G/L or prepaid card system
- All velocity controls are maintained within the consolidated account



Thank You

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