



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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October 14, 2010

The Chairman and Managing Director / Chief Executive Officer
of member banks participating in RTGS / NEFT / NECS / ECS

Madam / Dear Sir,

**Electronic payment products - Processing inward transactions
based solely on account number information**

As you are aware, the Reserve Bank of India has introduced various electronic payment products (RTGS, NEFT, NECS and the ECS variants) to facilitate electronic transfer of funds in a secure and efficient manner. The volume of transactions routed through these products has witnessed substantial growth, indicating the acceptance and ease of use, by bank branches and customers alike.

2. The electronic payment products rely extensively on technology for origination, movement, processing and ultimate settlement of instructions. You would agree that any manual intervention not only delays completion of the instruction but also provides scope for error and fraudulent intent. Implementation of core banking solutions (CBS) in banks, software interfaces connecting the CBS platform to the payment system gateways and internet access to customers have been major enablers towards providing a straight-through-processing (STP) environment and, thus, popularising these products.

3. In the CBS environment customers of a bank can be uniquely identified by their account number across branches. In terms of the extant Procedural Guidelines for RTGS / NEFT / NECS / ECS Credit, however, banks are generally expected to match the name and account number information of the beneficiary before affording credit to the account. In the Indian context, given the many different ways in which beneficiary names can be written, it becomes extremely challenging to perfectly match the name field contained in the electronic transfer instructions with the name on record in the books of the destination bank. This leads to manual intervention hindering STP and causing delay in credit or due return of uncredited instructions.

4. Being essentially credit-push in nature, responsibility for accurate input and successful credit lies with the remitting customers and the originating banks. The role of destination banks is limited to affording credit to beneficiary's account based on details furnished by the remitter / originating bank. In order to handle surging volumes in a limited time window, some banks use name matching software, while a few others employ a risk-based approach based on the nature and value of transfer.

5. Keeping in view the foregoing, in the RTGS / NEFT / NECS / ECS Credit products, it has since been decided as under :

- i) Responsibility to provide correct inputs in the payment instructions, particularly the beneficiary account number information, rests with the remitter / originator. While the beneficiary's name shall be compulsorily mentioned in the instruction request, and carried as part of the funds transfer message, reliance will be only on the account number for the purpose of affording

credit. This is applicable both for transaction requests emanating at branches and those originated through the online / internet delivery channel. The name field in the message formats will, however, be a parameter to be used by the destination bank based on risk perception and / or use for post-credit checking or otherwise.

- ii) Originating banks may put in place an appropriate maker-checker system to ensure that the account number information furnished by their customers is correct and free from errors. This may entail advising customers enjoying online / internet banking facilities to input the account number information more than once (with the first time feed being masked as in case of change of password requirements) or such other prescriptions. Customers submitting funds transfer requests at branches may be required to write down the account number information twice in the application form.
- iii) For transactions requested at branches, the originating bank shall put in place a maker-checker process with one employee expected to input the transaction and the other checking the input.
- iv) Banks should put suitable disclaimers on the funds transfer screens in the online / internet banking platform and funds transfer request forms advising customers that credit will be effected based solely on the beneficiary account number information and the beneficiary name particulars will not be used therefor.
- v) Destination banks may afford credit to the beneficiary's account based on the account number as furnished by remitter / originating bank in the message / data file. The beneficiary's name details may be used for verification based on risk perception, value of transfer, nature of transaction, post-credit checking, etc.
- vi) Member banks shall take necessary steps to create awareness amongst their customers about the need for providing correct account number information while making payments through RTGS / NEFT / NECS / ECS Credit.
- vii) The system of providing mobile / e-mail alerts to customers for debit / credit to their accounts will be another way of ensuring that the debits / credits are genuine and put through / expected by them, and preferably, should be extended to all customers for all funds transfer transactions irrespective of value.
- viii) The above notwithstanding, in cases where it is found that credit has been afforded to a wrong account, banks need to establish a robust, transparent and quick grievance redressal mechanism to reverse such credits and set right the mistake and / or return the transaction to the originating bank. This particularly needs to function very efficiently and pro-actively till such time customers are comfortable with the new arrangements.

6. These modifications are equally applicable to ECS Debit transactions to be used by destination banks for debiting their customer accounts based on details furnished by the user institutions / sponsor banks.

7. Banks are hereby advised to put in place appropriate systems and procedures to ensure compliance with the above prescriptions. The guidelines are issued under the powers vested with Reserve Bank of India under Section 10(2) of the Payment & Settlement Systems Act, 2007 and would come into effect from January 1, 2011. The instructions would be reviewed and suitable changes will be effected, if necessary, based on operational experience and general feedback.

8. Please confirm receipt of this circular.

Yours faithfully

(G. Padmanabhan)
Chief General Manager