

National Electronic Funds Transfer System Procedural Guidelines



**Reserve Bank of India
Department of Payment & Settlement Systems
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NATIONAL ELECTRONIC FUNDS TRANSFER (NEFT) SYSTEM

1. Introduction

Reserve Bank of India has introduced an electronic funds transfer system called "National Electronic Funds Transfer" System (hereinafter referred to as "NEFT System" or "NEFT" or "System", as appropriate). A set of procedures to be followed by various stakeholders to the system are detailed in this document.

2. Objective

The objective of the NEFT System is to establish an electronic funds transfer system to facilitate an efficient, secure, economical, reliable and expeditious system of funds transfer and clearing in the banking sector throughout India, and to relieve the stress on the existing paper based funds transfer and clearing system.

3. Definitions

In these Procedural Guidelines, unless the context otherwise requires :

- (a) **"Acceptance"** means execution of payment instruction.
- (b) **"Bank"** means a banking company as defined in Section 5 of the Banking Regulation Act, 1949, and includes the State Bank of India, constituted by the State Bank of India Act, 1955, a subsidiary bank constituted under the State Bank of India (Subsidiary Banks) Act, 1959, a corresponding new bank under Section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and a corresponding new bank constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980, a co-operative bank, as defined in Section 56 of Part V of the Banking Regulation Act, 1949 (AACS) and such other banks as may be specified from time to time.
- (c) **"Beneficiary"** means the person designated as such, and to whose account payment is directed to be made in a payment instruction.

(d) **"Beneficiary / Destination Bank / Branch"** means the branch of the bank / branch identified in a payment instruction which is maintaining the account of the beneficiary.

(e) **"NEFT Clearing Centre"** means any office designated by the Nodal Department for receiving, processing and sending the NEFT SFMS message and the debiting and crediting of accounts of the participating banks and institutions for settlement of payment obligations or one or more of these functions. The National Clearing Cell, Reserve Bank of India, Nariman Point, Mumbai has been designated as the NEFT Clearing Centre (NCC) for purposes of the NEFT System.

(f) **"NEFT SFMS message"** means an electronic Structured Financial Messaging Solution (SFMS) message containing a batch of NEFT payment instructions for funds transfer, processed and consolidated in the manner specified for transmission of payment instructions from NEFT Service Centre to the NEFT Clearing Centre.

(g) **"NEFT Service Centre"** means an office or branch of a bank in a centre designated by that bank to be responsible for processing, sending or receiving NEFT SFMS message on behalf of that bank in that Centre and to do all other functions entrusted to a NEFT Service Centre by or under these guidelines. NEFT Service Centre is referred to as "Sending NEFT Service Centre" when it originates an NEFT SFMS message for funds transfer. NEFT Service Centre is referred to as "Receiving NEFT Service Centre" when it receives a NEFT SFMS message from the NEFT Clearing Centre.

(h) **"NEFT System"** means the National Electronic Funds Transfer System established by these guidelines for carrying out inter-bank funds transfers within India (and from India to Nepal), and providing for settlement of payment obligations arising out of such funds transfers, among the participating banks.

(i) **"Execution"** of a payment instruction in relation to a sending bank means the transmission or sending of the payment instruction by it to the NEFT Service Centre; in relation to a Service Centre it means transmission of the consolidated

payment instruction in the encrypted NEFT SFMS message to the NEFT Clearing Centre.

(j) **"Funds Transfer"** means the series of transactions beginning with the issue of originator's payment instruction to the sending bank and completed by acceptance of payment instruction by the beneficiary's bank for the purpose of making payment to the beneficiary of the instruction.

(k) **"Nodal Department"** means the Department of Payment and Settlement Systems of Reserve Bank of India, NEFT Clearing Centre and the Mumbai Regional Office of the Reserve Bank of India which are responsible for implementation, administration and supervision of the NEFT System.

(l) **"Notified"** means communicated electronically or in writing.

(m) **"Originator / Sender"** means the person who issues a payment instruction to the sending bank.

(n) **"Participating Bank"** means a bank admitted for participating in the NEFT System pursuant to Paragraph 3.1 of these Guidelines and whose Letter of Admission has not been cancelled.

(o) **"Payment Instruction"** means an unconditional instruction issued by an originator in writing or transmitted electronically to a sending bank to effect a funds transfer for a certain sum of money expressed in Indian Rupees, to the designated account of a designated beneficiary by debiting correspondingly an account of the originator or through remittance of cash.

(p) **"Public Sector Bank"** means State Bank of India, constituted by the State Bank of India Act, 1955, subsidiary banks constituted under the State Bank of India (Subsidiary Banks) Act, 1959, the banks constituted under Section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and the banks constituted under Section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980. IDBI Bank has since been classified as a Public Sector Bank.

(q) **"Reserve Bank of India"** means the Reserve Bank of India or RBI established under the Reserve Bank of India Act, 1934 (2 of 1934).

(r) **"Security Procedure"** means the set of procedural guidelines at Paragraphs under the Sections of these Guidelines for the purpose of :

- (i) verifying that a payment instruction, a communication authorising a payment instruction or a NEFT Data File is authorised by the person from whom it purports to be authorised; and
- (ii) detecting error in the transmission or the content of a payment instruction, a communication or a NEFT SFMS message.

(s) **"Sending / Originating Bank"** means the branch of a bank, which receives payment instruction from its customer or any other person for transfer of funds to the account with another bank participating in NEFT. When the originator is a participating institution, reference to sending bank shall be construed as referring to the NEFT Service Centre.

(t) **"Settlement Account"** means an account maintained by a participating bank or institution for the purpose of settlement of payment obligations under the NEFT System.

(u) **"Valid Reasons of Non-payment"** are the reasons due to which the beneficiary bank fails to or cannot make payment to the beneficiary. Some illustrative reasons are :

- (i) Beneficiary not having an account with the beneficiary bank
- (ii) Account number indicated in the payment instruction not matching with the number as recorded at the beneficiary bank.
- (iii) Dislocation of work due to circumstances beyond the control of the beneficiary bank such as earthquake, fire, etc., at the place where the beneficiary's account details are maintained, etc.
- (iv) Any other valid reason preventing passage of the credit – such as a court order restraining operations on the beneficiary's account. The reason shall be explicitly indicated.

(v) **"SFMS Message"** means an electronic Structured Financial Messaging Solution (SFMS) message containing a batch of payment instructions for funds transfer, processed and consolidated in the manner specified for transmission of payment instructions and communication related thereto.

(w) **"Credit"** means credit received by the NEFT member through the NEFT System, which has to be ultimately credited to the account of the beneficiary customer at the concerned branch of the beneficiary bank, after due verification thereof.

(x) **"IFSC"** means Indian Financial System Code used to identify a participating bank branch in the NEFT SFMS message.

4. Coverage

These procedural guidelines shall apply to all NEFT-enabled participating banks / and branches in the system as notified by Reserve Bank of India from time to time on its official website at the link <http://www.rbi.org.in/Scripts/neft.aspx>.

5. Procedure for Participation

(i) **Admission** : To be eligible to apply for admission as a participating bank, an applicant –

- (a) shall be a bank. Regional Rural Banks (RRBs) can also participate through their sponsor bank in accordance with the guidelines issued by RBI.
- (b) shall be a member of the Real Time Gross Settlement (RTGS) System.
- (c) shall have installed SFMS.
- (d) shall meet the other prescribed eligibility criteria / conditions which are notified by RBI from time to time (eligibility criteria for the present is indicated in Annexure IV).

Provided that, all or any of the above conditions may be relaxed or dispensed with, if so decided by the Reserve Bank of India.

List of participant banks and bank-branches will be displayed on website of Reserve Bank of India under the link <http://www.rbi.org.in/Scripts/neft.aspx>.

Any bank or institution desirous of participating in the NEFT System as a participating bank may submit to the Regional Director, Reserve Bank of India, Mumbai Regional Office, Shahid Bhagat Singh Marg, Fort, Mumbai – 400 001, duly authenticated application, containing full particulars in the form specified at Annexure I (Form : NEFT-IA). Every application shall be accompanied by an undertaking in the specified form to abide by the Procedural Guidelines in the event of admission.

Letter of Admission as specified in Annexure II (Form : NEFT-IB) to every bank admitted to the NEFT System will be issued by Reserve Bank of India.

(ii) **Suspension :**

- (a) If a participating bank has defaulted in meeting its settlement obligations or paying any charges or fees or complying with any procedural guideline provisions or for any reasons specified at paragraph 5(iv), the Letter of Admission issued to it is liable to be kept under suspension for such period as may be specified in the order of suspension.
- (b) Every order of suspension shall be notified immediately to all the participating banks and institutions including the bank or institution against which the order of suspension is passed.
- (c) An order of suspension may be reviewed and may be revoked at any time by the Reserve Bank of India upon representation received from the concerned bank or on its own. Every revocation shall be notified immediately to all participating banks.
- (d) A participating bank shall not, while any order of suspension is in force against it, be entitled to send or receive any NEFT message or otherwise to effect any funds transfer in the NEFT System.

- (e) Provided that a suspension shall not affect the obligations of the suspended bank or institution, whether incurred before or after the suspension.

(iii) **Withdrawal from Participation:**

- (a) Any participating bank or institution may, by giving a notice of one month to the Regional Director, Reserve Bank of India, Mumbai Regional Office, withdraw from participating in NEFT System.
- (b) No notice under these guidelines shall be effective unless it is given in writing and before the expiry of one month from the date of receipt of notice by the Regional Director, Reserve Bank of India, Mumbai Regional Office, Shahid Bhagat Singh Marg, Fort, Mumbai – 400 001.
- (c) Notwithstanding its withdrawal, a bank shall discharge all its payment obligations arising out of fund transfers attributable to it, whether effected before or after the withdrawal became effective.
- (d) The withdrawal of any participating bank shall be notified to all the participating banks by the Regional Director, Reserve Bank of India, Mumbai Regional Office, Shahid Bhagat Singh Marg, Fort, Mumbai - 400 001.

(iv) **Cancellation of Letter of Admission:** Letter of admission issued to a bank may be cancelled by the Reserve Bank on it being satisfied that such bank has –

- (a) defaulted in complying with any Regulations / Procedural Guidelines / admission terms and conditions / instructions issued from time to time.
- (b) been placed under an order of moratorium or an order prohibiting acceptance of fresh deposits or an order of winding up or in respect of which a provisional liquidator has been appointed.
- (c) stopped or suspended payment of its debts.

- (d) failed to get the order of suspension passed against it under Regulation 8(e) of the Uniform Regulations and Rules for Bankers' Clearing Houses (URRBCH) revoked within a period of three months from the date of order of suspension.
- (e) has conducted its transactions in the NEFT System in a manner prejudicial / detrimental to the interest, integrity or efficiency of the System.

No order of cancellation shall be passed without first giving an opportunity of hearing to the bank concerned.

Every order of cancellation shall be notified to the respective bank and also to all other participating banks in the NEFT System.

Notwithstanding the order of cancellation of Letter of Admission passed against it, such bank shall discharge all its payment obligations arising out of the funds transfers effected in the NEFT System.

6. Process Flow

The parties to a funds transfer under this NEFT System are the sending bank, the sending Service Centre, the NEFT Clearing Centre, the receiving Service Centre and the beneficiary branch.

(i) Request for NEFT by a Bank Customer / Any Person

- (a) A bank customer (i.e. sender or originator) desirous of remitting funds under the system shall submit an "NEFT Application Form" (to be designed by the participating bank) authorising the sending bank to debit the sender's account and transfer funds to the beneficiary as specified in the Model NEFT Application Form (Annexure III). The application could be submitted either in physical form or electronically.
- (b) The payment instruction given by the sender / originator shall be in compliance with the provisions contained in Paragraph 8 (Rights and

Obligations) of these guidelines. Banks shall ensure that the senders / originators are made aware of the rights and obligations of participants in NEFT system contained in Paragraph 8.

- (c) A transaction within the NEFT system will be said to have been initiated when the sending bank accepts a payment instruction issued by the sender.
- (d) If in a single payment instruction, the sender directs payments to several beneficiaries, each payment direction shall be treated as a separate payment instruction.
- (e) A bank branch may reject a customer's request for funds transfer when, in the opinion of the sending branch –

- the customer has not placed funds at the disposal of the sending bank; or funds placed is not adequate to cover the sum to be remitted and the service charge; or
- the beneficiary details given in the NEFT Application Form are not adequate to identify beneficiary by the beneficiary bank. The essential elements of beneficiary's identification are:

Beneficiary's Name :
Beneficiary's Branch Name :
Beneficiary's Bank Name :
Beneficiary's Account Type :
Beneficiary's Account No. :
Beneficiary's Branch IFSC :

- (f) The sending bank shall prominently display at its premises / on its website for the benefit of customers providing information, *inter-alia*, the cut-off timings up to which it shall receive the NEFT application forms from its customers for different settlements and the likely timings of the settlements by the NEFT Clearing Centre. Any payment instruction received after the cut-off time shall be included for the next available settlement either on the same NEFT day or the next NEFT day.

- (g) In order to facilitate cash remittances through NEFT up to ₹ 50,000/- for persons who are not having account with the originating bank, the originating banks are required to collect the full details of remitters, including complete address and telephone number, etc., in order to comply with the Wire Transfer Guidelines. These details need to be keyed in the Sender's details field provided in NEFT outward debit message with transaction code 50 for identification. A Special Account may need to be opened for this purpose at the originating branches to route the cash transactions and that Special Account Number should be given while originating a Cash Transaction. This account would also facilitate the handling of returned NEFT transactions. The returns would automatically be credited to the Special Account in a Straight through Processing (STP) environment.
- (h) In order to facilitate workers' remittances from India to Nepal for bank customers and persons not having bank accounts in India, Indo Nepal Remittance Facility Scheme has been introduced. An originator under the system shall indicate the IFSC of the Payment Systems Group, State Bank of India (SBIN0004430) as the Beneficiary Branch's IFSC No. in field no. 5569 with account number 2399468044302 and transaction type / code as 51 to identify the remittances meant for Nepal. At Nepal end, the remittances would be distributed through the branches of Nepal SBI Bank Ltd. (NSBL) or their money transfer agent, Prabhu Money Transfer Ltd., by picking up the beneficiary information from the inward message. Funds settlement will take place through the rupee account of the NSBL maintained with SBI, Mumbai Main Branch. The Procedural Guidelines for Indo-Nepal Remittance Facility Scheme available on the website of Reserve Bank of India may be referred for further details.
- (i) In case of payments towards Credit Card dues, customers would be required to furnish the 16 digit Credit Card Number as the

beneficiary's account number, the beneficiary's account type as 52 and the beneficiary bank's IFSC will be the IFSC of the branch responsible for handing these card bill payments. The card issuing banks may designate a branch for accepting such payments and communicate the IFSC of the designated branch to their credit card customers.

(ii) Data Entry at the Sending Bank Branch

The sending bank branch shall prepare the SFMS message as and when the applications for funds transfer is received and arrange to send the message to NEFT Service Centre till the cut off time for the batch.

(iii) Processing / Data Upload at Sending NEFT Service Centre

The sending NEFT Service Centre shall accept the messages received from branches / customers through net banking platform if these are complete / in order and received within cut-off time or reject the same if the messages are incomplete / not confirming to the parameters specified.

(iv) Transmission / Submission of NEFT Message to the NEFT Clearing Centre

The sending Service Centre shall transmit the NEFT SFMS message to the NEFT Clearing Centre by using the communication network designated by Reserve Bank of India.

(v) Processing and Transmission of NEFT Message to the Beneficiary Banks

After consolidating all NEFT messages received from originating banks, the NEFT Clearing Centre shall process the data, arrive at fund settlement, send the fund file to Deposit Accounts Department (DAD), RBI for settlement and after settlement is over, send beneficiaries' details / data to each beneficiary bank for affording credit to the beneficiaries' accounts. Banks which have no transactions will get a batch wise 'nil' transactions report and a summary report at the end of the day indicating all inward transactions received by them during the day.

NEFT messages generated for destination banks will be transmitted to the NEFT Service Centre of each beneficiary bank using SFMS.

(vi) **Data Validation at the Receiving NEFT Service Centre**

On receipt of the NEFT message, the receiving NEFT Service Centre shall process these files and forward them to the beneficiary branches using SFMS. Alternatively, the receiving NEFT Service Centre may use the Straight Through Processing (STP) interface available in SFMS and upload these NEFT messages to their internal banking solution directly, to afford the credits to the beneficiary accounts centrally.

(vii) **Payment to Beneficiary**

The beneficiary branches would make payment to the beneficiaries within two hours of batch settlement time by crediting the specified account of the beneficiary or otherwise placing funds at the disposal of the beneficiary.

(viii) **Revocation of Payment Instruction**

A payment instruction issued for execution shall become irrevocable when it is executed by the sending bank. Any revocation, after the payment instruction is executed by the sending bank shall not be binding on any other party in the NEFT system.

(ix) **Acknowledgement / Positive Confirmation by the Beneficiary Bank and Return in Case of Non-Credit**

NEFT presently functions with a Batch+2 (B+2) return cycle. The B+2 return discipline would require banks to afford credit to the beneficiaries' account immediately upon completion of a batch else return the transactions within two hours of completion of the batch settlement, if it is not possible to afford credits to the beneficiaries, for any reason. Therefore, an inward credit message which is not returned within two hours from the time at which the payment instructions are processed at NEFT Centre (B+2) is treated to have been completed and credit

afforded to the beneficiary's account by the beneficiary branch. It is, therefore, vital that uneffected credits are re-transmitted back as return NEFT transactions in the immediate next batch itself.

In addition to this, in order to facilitate the originator of NEFT to receive a confirmation of credit being afforded to beneficiary's account, the originator may indicate his / her mobile number or email-id in his / her NEFT application while initiating the transaction. After successfully crediting the beneficiary's account, the beneficiary bank will send a Credit Acknowledgement message indicating "credited to customers' account" to the originating bank through NEFT Service Centre. The originating banks after receiving the positive confirmation message from the beneficiary bank, shall initiate a mobile SMS or generate an e-mail to the originator to convey the fate of the transaction.

(x) Sender to be Advised in Case of Returns

If the beneficiary specified in the sender's payment instruction fails to get payment through the NEFT system for some valid reasons, the sender shall be informed immediately after the sending bank gets the returned NEFT. The sending bank shall also arrange to make payment to the sender by crediting the account of the sender or otherwise placing funds at the disposal of the sender. The originating bank shall provide the description "NEFT-Return<Original Transaction Reference No.><Intended Beneficiary><Reason for Return>" in the pass book / account statement of the originator whose NEFT transaction is returned.

In case of returns pertaining to the outward transactions initiated by a non-customer, the initiator to be advised immediately by referring to the contact details provided, earlier, and funds to be kept at his / her disposal.

(xi) Beneficiary to be Advised of the Receipt of Funds

After crediting the account of the beneficiary, the beneficiary bank shall advise the beneficiary of the funds received. The Account Statement / Pass Book entry or any online messaging system shall indicate briefly the source of funds as well. For this purpose, the mandatory field 6091 which contains the remitter's name shall be

picked up for the source of credit and information contained shall be printed in the Account Statement / Pass Book. Banks originating transactions shall ensure proper and meaningful details are provided in this field. Description of field 6091 is

M 6091 Sending customer a/c name 50x Sender's account name

(xii) **Holidays**

NEFT will function on all the RTGS working days and the banks participating in NEFT are required to participate on all such working days. The list of holidays for RTGS / NEFT is available in the website of RBI at <http://www.rbi.org.in/scripts/HolidayMatrixDisplay.aspx>.

7. Inter-Bank Settlement

(i) **Inter-bank Funds Settlement at Reserve Bank:** Every participating bank and admitted institution shall open and maintain in the NEFT Clearing Centre, Mumbai, a settlement account for settlement of payment obligations arising under the funds transfer executed under the NEFT system.

(ii) **Finality of Settlement :** The settlement so arrived by through multilateral netting shall be final and irrevocable, in terms of section 23 of the "Payment and Settlement Systems Act, 2007" as soon as the same is determined in terms of the procedures notified by RBI.

(iii) **Settlement and Default Handling Procedure:** Aspects relating to finality of settlement and default handling in the event of failure-to-settle situations will be in accordance with the Directive on Settlement and Default Handling Procedures issued by RBI and as duly amended from time to time.

The continued eligibility of a bank to participate shall be reviewed in case of permanent default by a member bank. Default will be considered permanent if the process of recalculation provided as part of the default handling procedure is necessitated in respect of a participant bank on more than three occasions in a

calendar month. The number of occasions shall be calculated separately for each multilateral and deferred net settlement system.

8. Rights and Obligations

(i) General Rights and Obligations of Sender / Originator, Participating Banks or Institutions

Every participating bank or institution shall maintain the security, integrity and efficiency of the System.

(ii) Rights and Obligations of the Sender / Originator

- (a) Funds transfer instruction shall be issued by the sender / originator in a manner prescribed by the participant bank.
- (b) The format shall be complete and contain all requisite particulars. The sender or the originator shall be responsible for the accuracy of the particulars given in the payment instructions and special care should be taken for account number of the beneficiary, etc.
- (c) The sender / originator shall be bound by any payment instruction executed by the bank if the bank had executed the payment instruction in good faith and in compliance with the security procedure, provided that the sender / originator shall not be bound by any payment instruction executed by the bank, if he proves that the same was not issued by him and that it was caused either by negligence or a fraudulent act of any employee of the bank.
- (d) The sender / originator shall ensure availability of funds in his / her account or remit cash while issuing the payment instruction to his / her bank.
- (e) The payment instruction shall become irrevocable once it is executed by the bank. The bank is not bound by any notice of revocation unless it is not in compliance with the security procedure.
- (f) In the event of any delay or loss on account of error, negligence or fraud on the part of an employee of the beneficiary bank in the completion of funds transfer pursuant to receipt of payment

instruction by the beneficiary bank leading to delayed payment to the beneficiary, the beneficiary bank shall pay compensation (at current **RBI LAF Repo Rate plus two percent**) for the period of delay. In the event of delay in return of funds transfer instruction for any reason whatsoever, the beneficiary bank shall refund the amount together with interest (at current **RBI LAF Repo Rate plus two percent**) till the date of refund.

- (g) During the NEFT operating hours, originating banks shall endeavour to put through the request for NEFT transactions received by them, either online or across the counters, preferably in the next available batch, but, in any case, not exceeding two hours from the time of receipt of requests. In the likelihood of any delay / possible delay in adhering to this requirement, the sender / originator shall be informed of the delay / possible delay and the reasons for the same.
- (h) Customers can complain to the Banking Ombudsman if the complaint is not resolved to his / her satisfaction within thirty days.

(iii) **Rights and Obligations of Sending Bank**

- (a) The Bank shall execute a payment instruction issued by the customer, after due verification with reference to the security procedure for its authenticity, unless –
 - the funds available in the account of the sender / originator is not adequate to comply with the payment instruction.
 - the payment instruction is incomplete or it is not issued in the prescribed form.
 - the payment instruction cannot be executed on account of court order / attachment, etc.
 - the bank has reason to believe that the payment instruction is issued to carry out an unlawful transaction
 - the payment instruction cannot be executed under the NEFT System.

- (b) No payment instruction issued by the sender / originator shall be binding on the sending bank until the bank has accepted it. The onus of ensuring credits to the Non Resident External (NRE) account, comply with the extant Foreign Exchange Management Act (FEMA) Regulations and the Wire Transfer Guidelines rest with the sending bank. The sending bank shall therefore ensure that such remittances are eligible to be credited to NRE accounts in India under the said Act and guidelines. In such cases, the account type number 40 is to be used to enable the beneficiary bank to identify that the funds proposed to be credited to the beneficiaries' account represent foreign inward remittance / eligible to be remitted abroad.
- (c) The sending bank shall not execute a payment instruction without complying with the security procedure.
- (d) If the funds transfer is not complete before end of the particular NEFT batch timing as specified by the customer, the bank shall advise the customer.
- (e) No payment instruction shall be accepted for execution in the NEFT System, if the beneficiary's bank / branch is not a participating bank or institution.
- (f) The sending bank shall be responsible for the accuracy of the transaction as furnished / originated by the sender.
- (g) The sending bank shall not be entitled to bind any other participants in the NEFT System with any "special circumstances" attached to a payment instruction accepted by it.
- (h) The sending bank shall maintain record of all payment instructions executed by it for a period of ten years in terms of instructions issued by RBI under the PSS Act, 2007 on the preservation of information / data / record pertaining to payment system applications.
- (i) The sending bank shall, upon completion of funds transfer of a payment instruction, furnish to the originator on request by him, a duly authenticated record of the transaction.

- (j) The participating banks shall reconcile the transactions on a daily basis with reference to the settlements / settlement details made available by the NEFT centre and the bank account details by RBI, DAD, Mumbai.
- (iv) **Obligations of the Sending NEFT Service Centre**
- (a) The sending NEFT Service Centre shall be responsible for the accuracy of the contents of the NEFT SFMS message and the authenticity of the payment instructions contained therein as received by the NEFT Centre, in compliance with the security procedure.
 - (b) The sending NEFT Service Centre of a bank shall be responsible for settlement of all payment obligations in regard to payment instructions executed by the branches of the bank, compliance to the security procedure and adherence to the prescribed time schedules for such settlements.
 - (c) The sending NEFT Service Centre shall ensure, before execution of any NEFT SFMS message that the balance in its settlement account is adequate to cover its settlement obligation and ensure that the ceiling, if any, specified for it is not exceeded and the requirement of collateral if specified by the Nodal Department is adequate for execution of the NEFT SFMS message originated by it.
 - (d) The sending NEFT Service Centre shall generate, dispatch and maintain records of transaction in accordance with procedure specified.
 - (e) The sending bank's Service Centre shall set up a Customer Facilitation Centre (CFC). The CFC shall ensure that complaints received from customers are resolved promptly. It would be the responsibility of the participating banks to ensure that all the transactions originated have been reflected in their account as also the transaction details have been received for all credits received by them in their current account. Such a mechanism would ensure reconciliation of daily batch-wise NEFT outward and inward

transactions with that of the final settlement details. Mismatch, if any, shall be investigated and promptly followed up with the NEFT Clearing Centre.

(v) Obligations of NEFT Clearing Centre

The NEFT Clearing Centre shall comply with the time schedule, process and sort the SFMS messages bank-wise and after debiting / crediting the settlement accounts with the corresponding value, transmit the NEFT SFMS messages to the respective receiving NEFT Service Centres. The NEFT Clearing Centre shall generate, dispatch and maintain records of transactions.

The Clearing Centre shall maintain record of all payment instructions processed by it for a period of ten years in terms of guidelines issued by RBI under the Payment and Settlement Systems Act on preservation of information / data / record pertaining to payment system applications.

(vi) Obligations of the Receiving NEFT Service Centre

- (a) The Receiving NEFT Service Centre shall be responsible for receiving NEFT SFMS message from the NEFT Clearing Centre in accordance with procedure and time schedules specified.
- (b) The Receiving NEFT Service Centre shall process the NEFT SFMS message in compliance with the SFMS procedure and sort the payment instructions into branch-wise lots and transmit to the respective branches for execution in accordance with the time schedule. Alternatively, the Receiving NEFT Service Centre may use the Straight Through Processing (STP) interface available in SFMS and upload these NEFT messages to their internal banking solution directly, to afford the credits to the beneficiaries account centrally.
- (c) The Receiving NEFT Service Centre shall generate, dispatch and maintain records of transactions. It would be the responsibility of the participating banks to ensure that all the transactions originated have been reflected in their account as also the transaction details have

been received for all credits received by them in their current account. Such a mechanism would ensure reconciliation of daily batch-wise NEFT outward and inward transactions with that of the final settlement details. Mismatch, if any, shall be investigated and promptly followed up with the NEFT Clearing Centre

(vii) Rights and Obligation of Beneficiary Bank

- (a) The beneficiary bank shall execute the payment instruction within two hours of batch settlement (B+2) on the NEFT working day unless it notices one or more of the following deficiencies –
- The beneficiary bank has no such account number as mentioned in the payment instructions.
 - The beneficiary bank is bound by instructions of the beneficiary not to give or receive any credit to the account.
 - No credit could be afforded to the beneficiary's account for any other reasons.
- (b) The beneficiary bank may reject a payment instruction on one or more of the grounds mentioned above. The beneficiary bank shall return the funds and the reasons for the return as per the NEFT procedure, specified in Paragraph 6 (ix) of these guidelines to the sending bank.
- (c) The beneficiary branches would make payment to the beneficiaries within two hours of batch settlement time by crediting the specified account of the beneficiary or otherwise placing funds at the disposal of the beneficiary. For any delay, beneficiary bank is liable to pay penalty (at the rate **RBI LAF Repo rate plus two percent**). Payment of penal interest shall be made to customer even if no claim is lodged by the customer to that effect.
- (d) The receiving bank shall maintain the record of all payment instructions received by it for a period of ten years in terms of

guidelines issued by RBI under the Payment and Settlement Systems Act on preservation of information / data / record pertaining to payment system applications.

- (e) Banking Ombudsmen under the RBI's Banking Ombudsman Scheme, 2006 will have jurisdiction in case the customers' complaints are not resolved within thirty days.

9. Service Charges

The service charges to be levied by the originating banks would be in terms of the instructions issued from time to time under the framework of charges to be levied by the banks for offering various electronic products

There are no processing charges levied by the NEFT Clearing Centre up to March 31, 2011. The same would be reviewed periodically. The RBI may, if it so desires in future, decide to levy any other charge / fee as also the quantum thereof. Beneficiary Banks would not claim service charge for passing on the credit to the beneficiaries.

10. Dispute Resolution Mechanism

The mechanism for resolution of disputes will be in accordance with the Directive on Dispute Resolution Mechanism issued by RBI and as duly amended from time to time.

11. Amendment to Procedural Guidelines

The Procedural Guidelines can be amended only by RBI. RBI may also, by issuance of a circular, amend the procedure.

Form NEFT-1A

ANNEXURE I

Ref. No.....

Date

The Regional Director
Reserve Bank of India
Mumbai Regional Office
Shahid Bhagat Singh Marg
Fort, Mumbai – 400 001

Madam / Dear Sir,

Application for participation in NEFT System

Our bank requests Reserve Bank of India's approval for participation in the NEFT System and agrees to abide by the Procedural Guidelines for the NEFT System. Our bank satisfies the eligibility criteria devised in paragraph 5 (i) and Annexure IV of the NEFT Procedural Guidelines and documentary evidence in support of that are attached herewith for your perusal.

In the event of being admitted to the System, we would comply with the technical and operational requirements of the NEFT System and would meet the settlement obligations from our account/s maintained with Reserve Bank of India.

Place : (.....)

Signature with name, designation and seal of the applicant

Enclosures : As stated above

No. of Core Banking-enabled branches that can participate in NEFT :

Form NEFT-1B

ANNEXURE II

Reserve Bank of India
Mumbai Regional Office
Shahid Bhagat Singh Marg
Fort, Mumbai – 400 001

NEFT System – Letter of Admission

Reference No.

Date :

To

.....

Madam / Dear Sir,

Please refer to your application no.....datedfor participation in the NEFT System.

It is advised that your bank has been admitted for participation in the NEFT system with effect from

You are required to comply with the technical and operational requirements as indicated in the Procedural Guidelines for NEFT System and confirm your readiness latest by

(.....)

for Regional Director

Form NEFT-2A

Annexure III

ABCD Bank

Model NEFT Application Form

----- Branch

Date :

I / We wish to transfer a sum of ₹ ----- (Rupees -----

Only) to Mr / Mrs / Ms ----- maintaining SB / CA / CC account no.

with ----- branch of -----

Bank -----

(IFSC No. -----) using NEFT facility.

You may transfer the amount as per above details, by debiting my / our account no. ----- for the amount of remittance plus your charges.

Amount ₹. Ps.				Exchange ₹. Ps.				Total ₹ Ps.			

Entered by:-----

Signature of the Applicant

Checked by:-----

Transaction Reference No:-----

Name and address of the applicant

E-mail id:

Mobile Number

Please specify if the confirmation would be required through e-mail / Mobile SMS:

(Please see the conditions of Transfer overleaf)

-----2

-2-

Form NEFT-2A

Annexure III

Conditions for transfer of funds through NEFT

1. I / We have checked the funds transfer instructions / particulars given in the application and I / We shall be liable to compensate the Bank for any loss arising on account of any error in payment order / amendment / cancellation thereto.
2. I / We understand that the messages given after cut-off time will be sent only on the next batch / working day.
3. The transfer is effected for legitimate personal / business needs.
4. I / We shall ensure availability of funds properly applicable to the payment order before execution of the payment order by the bank and understand that if the bank executes the transfer order without properly applicable funds being available in my account, I / We shall be bound to pay to the bank the amount debited to my account together with charges including interest payable to the bank provided the transfer was effected as per my order.
5. I / We understand that in case the payee branch does not have NEFT facility, the funds will be credited back to my / our account as and when it is returned by the beneficiary bank.
6. I / We agree that in the event of any delay in the completion of the funds transfer or any loss on account of error in the execution of the funds transfer pursuant to my / our payment order, the bank's liability shall be limited to the extent of the amount involved in the funds transfer plus interest (at the **RBI LAF Repo rate plus two percent**) for any period of delay.
7. I / We also agree to abide with all the other terms and conditions contained in the model agreements / application forms or other terms / rules / regulations governing NEFT transactions as enumerated by RBI.

Date:

(Signature of the Applicant)

Eligibility Criteria for Participation in NEFT System

Annexure IV

Sl. No.	Category of banks	Access to NEFT
1.	Scheduled Commercial Banks (excluding Regional Rural Banks and Local Area Banks)	Type A Membership of RTGS subject to • CRAR 9% • Net NPAs less than 10% • No default in maintenance of CRR and SLR during the past one year • Net profit in at least one of the preceding two years; and • Minimum net - worth of ₹ 50 crore
2.	State Co-operative Banks	Type A Membership of RTGS subject to • No default in maintenance of CRR and SLR during the past one year; and • Minimum net -worth of ₹ 50 crore
3.	District Central Co-operative Banks	Type A Membership of RTGS subject to • No default in maintenance of CRR and SLR during the past one year; and • Minimum net - worth of ₹. 50 crore
4.	Regional Rural Banks	Type A Membership of RTGS subject to • No default in maintenance of CRR and SLR during the past one year; and • Minimum net - worth of ₹. 50 crore
5.	Local Area Banks	Type A Membership of RTGS subject to • CRAR 9% • Net NPAs less than 10% • No default in maintenance of CRR and SLR during the past one year • Net profit in at least one of the preceding two years; and • Minimum net - worth of ₹. 50 crore
6.	Scheduled Urban Co-operative Banks	Type A Membership of RTGS subject to • CRAR 9% • Net NPAs less than 10% • No default in maintenance of CRR and SLR during the past one year • Net profit in at least one of the preceding two years; and • Minimum net - worth of ₹. 50 crore
7.	Non-Scheduled Urban Cooperative Banks	Type A Membership of RTGS subject to • CRAR 9% • Net NPAs less than 10% • No default in maintenance of CRR and SLR during the past one year • Net profit in at least one of the preceding two years; and • Minimum net - worth of ₹. 50 crore
8.	Banks in category 1, and 3-7 not complying with the requirements	No access
9.	Unlicensed banks (other than unlicensed State Co-operative Banks and District Central Co-operative Banks)	No access