

PSS developments in Bhutan

**Royal Monetary Authority of
Bhutan(RMA)**

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Payment Systems Development in Bhutan

- RMA created a full fledged Department from April 2009 to develop payment systems in Bhutan.
- RMA Act revised to provide legal basis to operate EFTCS.
- NECS Credit implemented from June 11, 2010.
- NECS Debit implemented from December 14, 2010.
- NEFT implemented from December 2, 2011.
- ATMs interoperable from December 2, 2011.
- Processing and settlement of payment systems during Saturdays from January 1, 2012.
- PoS interoperable from July 12, 2012.

Electronic Funds Transfer and Clearing System (EFTCS) Project

- The RMA with the Technical Assistance from the Reserve Bank of India(RBI) has implemented the EFTCS project for strengthening the Payment Systems in Bhutan aimed at providing fast, secure and efficient payment services to the public.
- Under the Electronic Funds Transfer and Clearing System, the transfer of money/funds shall take place electronically.
- The EFTCS Project shall facilitate the customers to transfer the funds amongst the commercial banks. The customers can now easily transfer the funds from an account maintained with Bank A to another account maintained with Bank B, Bank C or Bank D.

Types of Payment Systems under EFTCS

- Under the EFTCS Project, RMA has implemented the following three types of Payment Systems:
 1. National Electronic Clearing System (NECS Credit)
 2. National Electronic Clearing System (NECS Debit)
 3. National Electronic Funds Transfer System (NEFT)

National Electronic Clearing System (NECS) Credit

NECS (Credit) is used for affording credit to a large number of beneficiaries by raising a single debit to an account. In other words, funds under NECS Credit shall be paid to many customers by one institution such as dividend and salary payments.

Transactions to be included under NECS Credit

- Salary
- PF contributions
- GIS contributions
- Tax Deducted at Source (TDS)
- Loan repayments
- Dividend
- Leave Travel Concession (LTC)
- Pension payments
- Bonus
- Income tax refund by government
- Refund of Initial Public Offer(IPO) for subscription of shares

National Electronic Clearing System (NECS) Debit

NECS (Debit) is used for raising multiple debits from a number of accounts of consumers/ account holders for crediting a particular institution.

NECS Debit shall be used for collecting receivables by an institution from many of its customers. In other words, funds under NECS Debit shall be collected from many customers to one user institution such as the payment of utility bills to the utility companies.

Transactions to be included under NECS Debit

- Payment of Utility bills (power, water, telephone)
- Subscription to shares
- Loan repayments
- Payment of insurance premium
- Monthly rental charges for cable television
- Fees for school/college/training institutions etc.

National Electronic Funds Transfer (NEFT)

The National Electronic Funds Transfer (NEFT) system is a nationwide funds transfer system to facilitate the transfer of funds from one branch of a bank to any branch of other participating commercial bank in Bhutan.

NEFT facilitates transfer of funds from one individual to other individual, one institution to other institution, one institution to one individual. In other words, under NEFT funds can normally be transferred between two parties.

Benefits of EFTCS

Following are some of the benefits of using the EFTCS by individuals (customers), user institutions and the banks:

- Inconveniences and delays associated with cash and other paper based transfer of funds such as cheques and drafts shall be avoided.
- Transfer of funds electronically from one branch of a bank to any branch of the other participating commercial banks in Bhutan shall be possible.
- Receipts/payments of funds shall be faster.
- Administrative cost associated with the conventional methods of payments will be reduced to a great extent.
- Reconciliation of accounts shall be immediate.

- Safe and secured methods of Payments.
- Beneficiary need not visit the bank for depositing physical paper instruments.
- Facilitates making payment on designated date.
- Funds shall be realised at one time instead of receiving payments at different dates.
- Chances of loss of instrument and its fraudulent encashment is avoided.
- Better financial management.
- Promotes cashless banking.
- Promotes Financial Inclusion.
- Improve efficiency and provide better financial services to the general public.

Bhutan Financial Switch

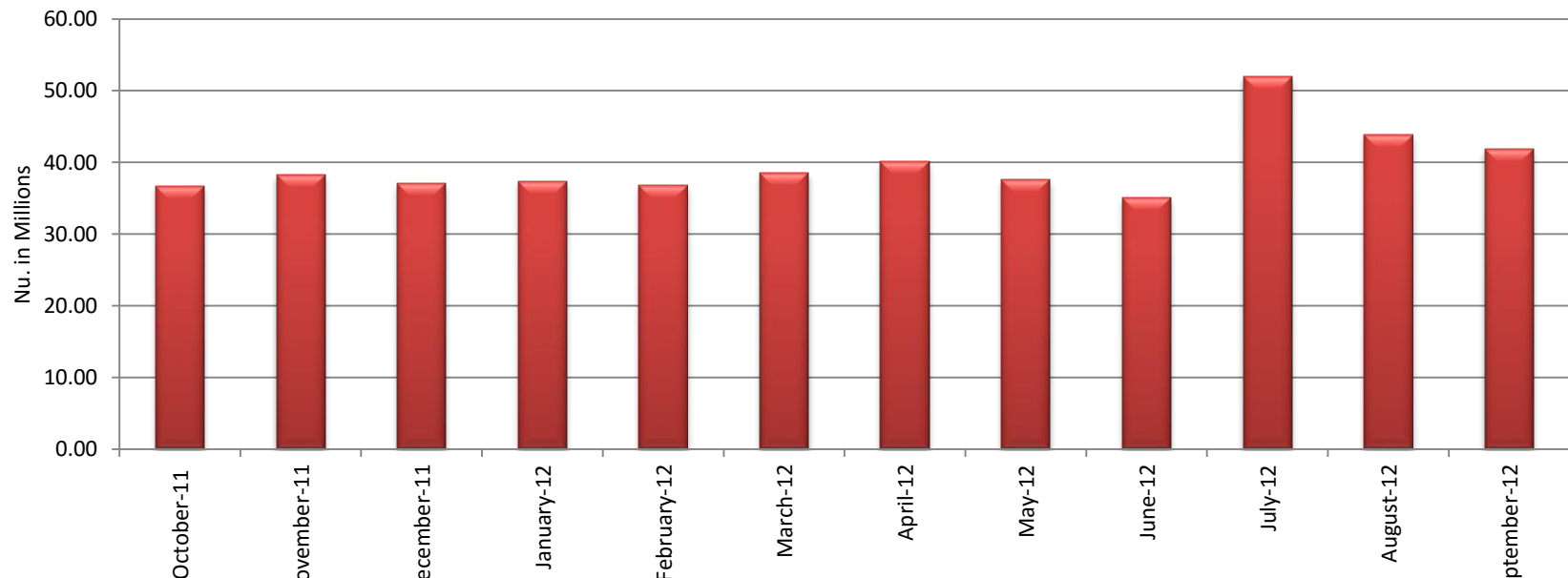
The RMA has also operationalised the Bhutan Financial Switch (BFS) from December 2, 2011. The following facilities would be available under the BFS:

- Benefits:
 - Interoperability of ATMs of banks.
 - Interoperability of Point of Sales (PoS) terminals of banks.

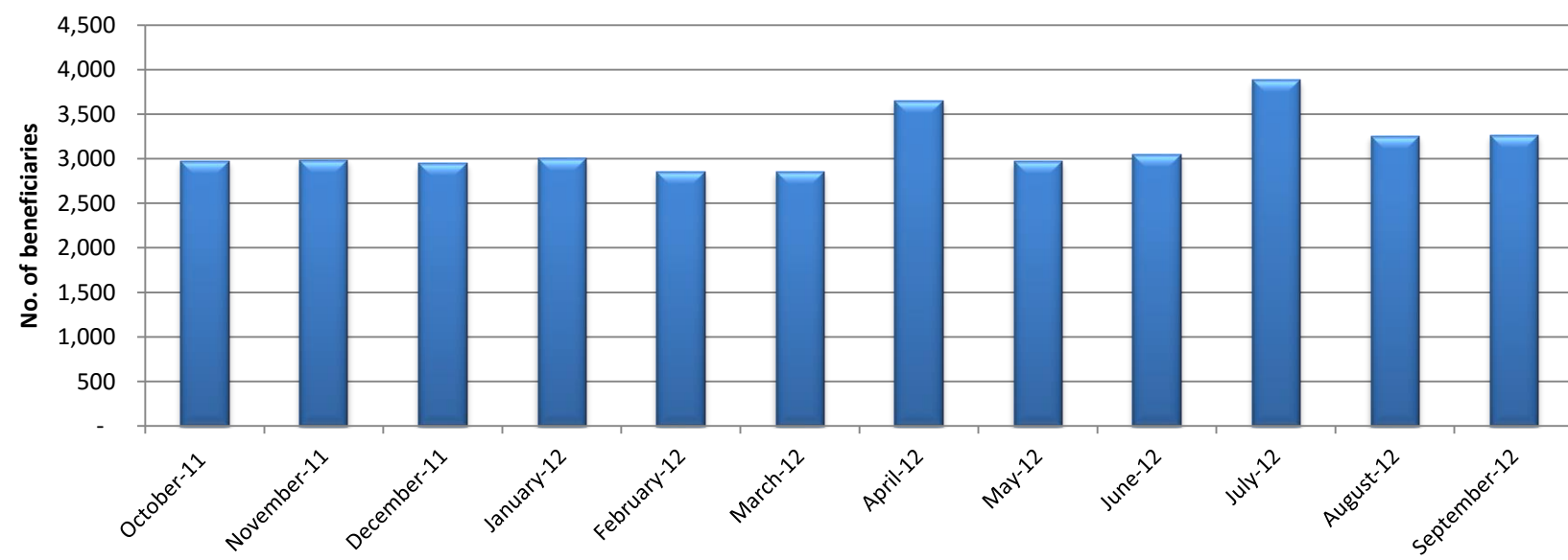
In the absence of a common Financial Switch in the past, ATMs of banks were operated on a stand-alone basis and customers could withdraw cash only from ATMs belonging to the card issuing bank. However, BFS now facilitates interoperability of ATMs of all commercial banks. With the implementation of BFS, customers can avail ATM facility of any bank as per the convenience. Introduction of BFS not only improves payment systems, it also encourages people to use banking facility thereby promoting Financial Inclusion.

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Value of transactions

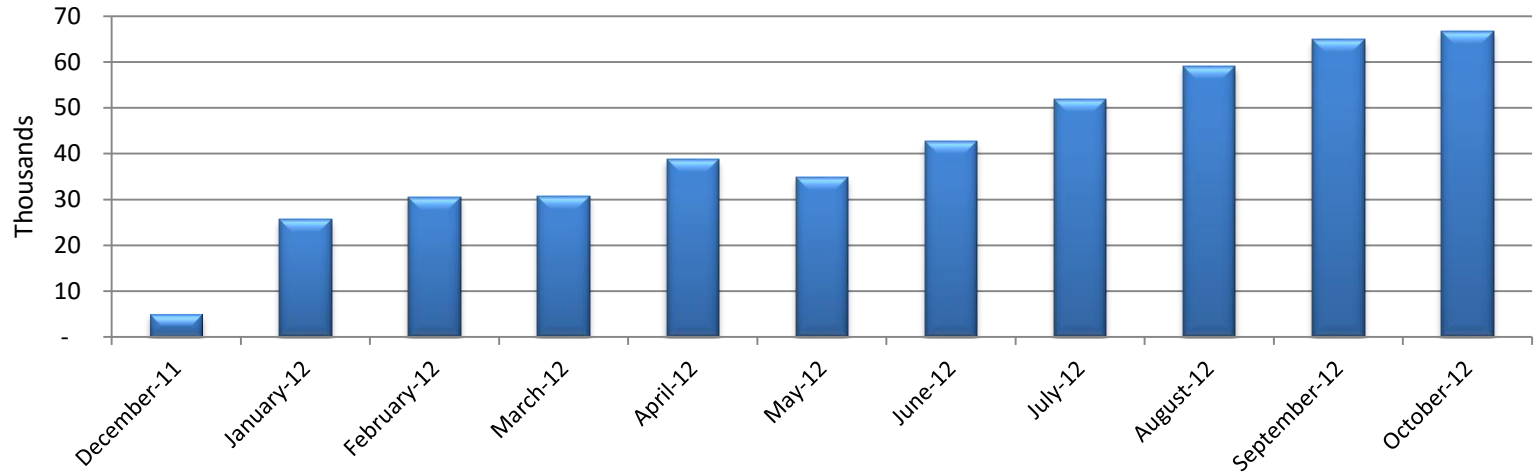


Number of beneficiaries

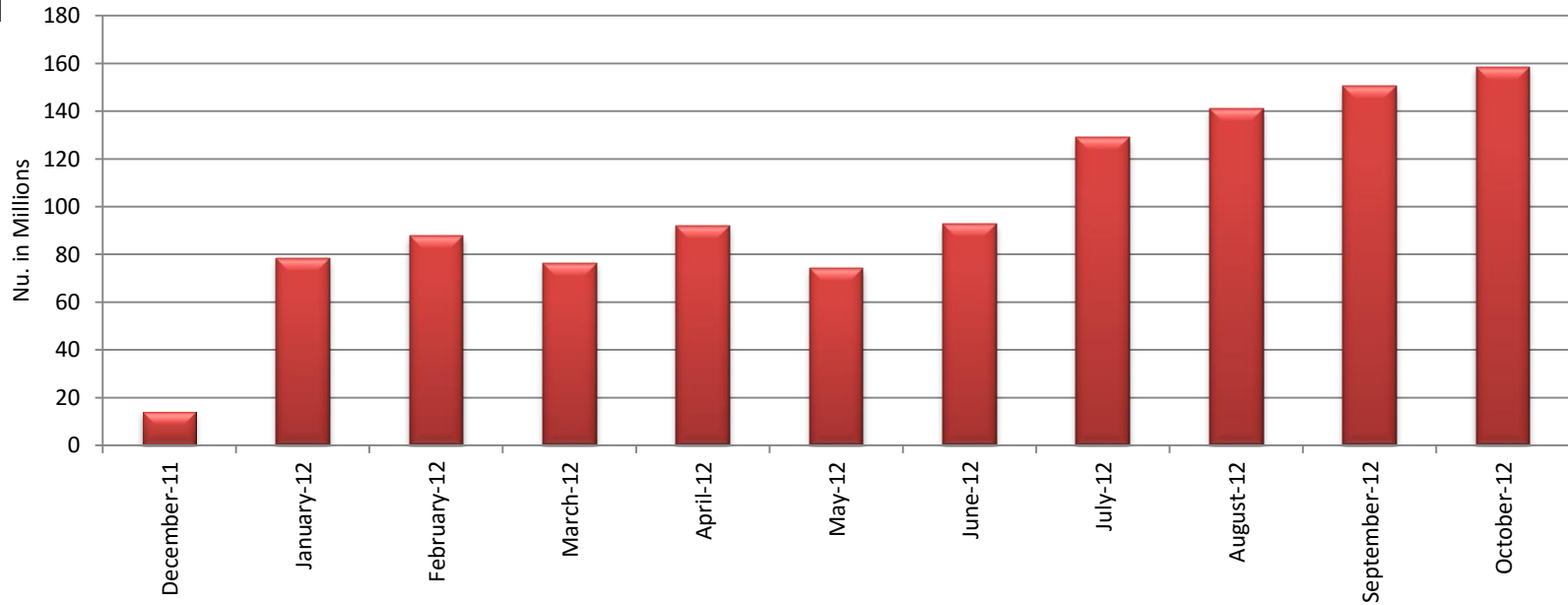


ATM

Number of Transactions

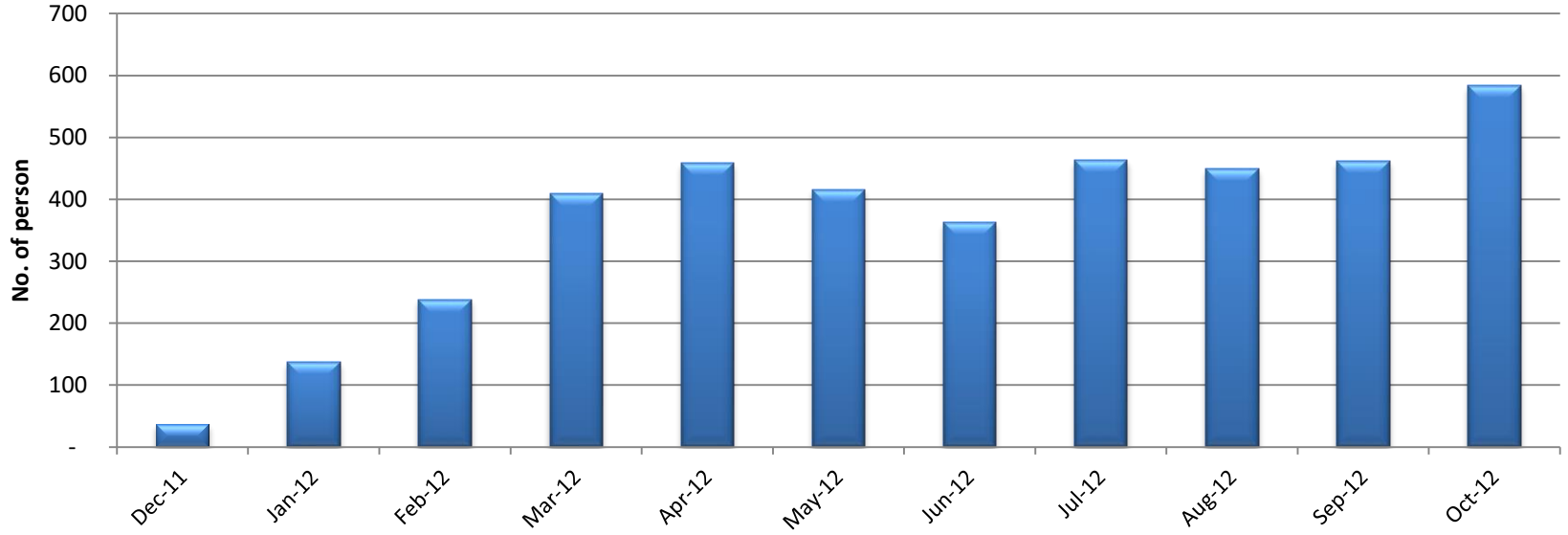


Value of Transactions

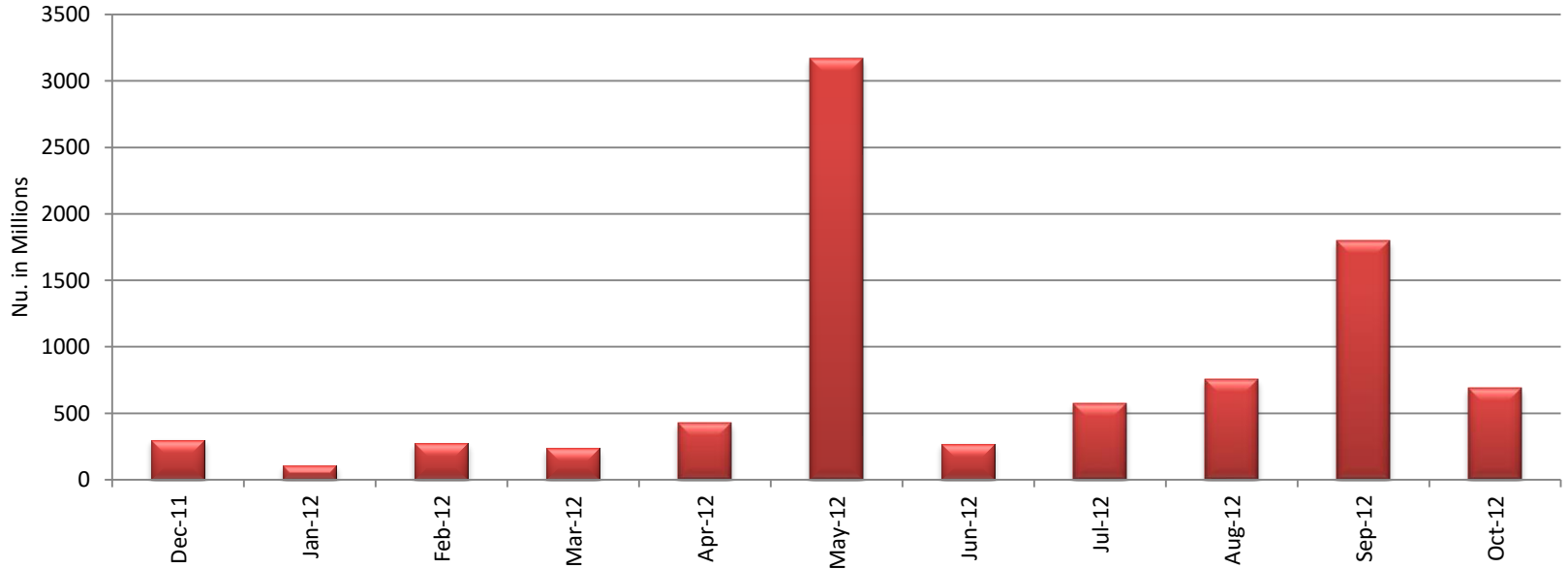


NET

Number of Transactions



Value of Transactions



THANK YOU