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# Credit Information Bureau of Sri Lanka expands its role by introducing a Secured Transaction Registry

**By Central Bank of Sri Lanka**

The Credit Information Bureau of Sri Lanka (CRIB) was established in 1990 with the key objective of improving the overall credit culture of the society and thereby increase the confidence of the banking and finance sector. In order to achieve this objective the CRIB is primarily involved in collecting, maintaining and providing timely and accurate credit information. Through the provision of credit information, CRIB assists lenders to make informed and better lending decisions whilst encouraging borrowers to have better financial planning and discipline. CRIB also provides credit counseling service to the public in order to educate borrowers on prudent use of funds and help borrowers who have already fallen into distress to reschedule their debt payments.

In August 2011, considering the need to facilitate the use of movable assets as collateral in exchange of loans, CRIB was entrusted with the responsibility of establishing and maintaining a Secured Transaction Registry (STR) for moveable assets. With this new addition, CRIB's role expanded beyond the traditional task of being the repository of customer credit information relating to credit application and repayment.

## Importance of Maintaining a STR

In Sri Lanka, limited access to credit has been a critical factor that hinders the growth of private sector firms, especially small and medium scale enterprises. Lending institutions, mainly banks and other formal financial sector institutions impose stringent collateral requirements such as real estate, when granting credit. Inability to provide such collaterals by business firms either result in credit applications being rejected or firms being reluctant to apply for loans from the formal financial sector institutions. Further, small and medium scale enterprises do not have better credit ratings or relationships with formal financial institutions, in order to obtain unsecured loans. This issue can be easily resolved if the financial institutions are willing to accept movable property as collateral, since the capital stock of most private sector firms consist of movable assets such as machinery, equipment, inventory and receivables. However, due to the information asymmetry which prevails in the credit market with regard to movable property, lending institutions are hesitant to grant credit by accepting movable assets as securities.

With a view of reducing information asymmetry in the credit market and establish a sound legal and institutional infrastructure to maximize the economic potential of movable property being pledged as collateral, CRIB was designated as the implementing agency for maintaining a STR (also known as the Moveable Assets Registry), in terms of the Secured Transactions Act No. 49 of 2009. This reform in financial infrastructure is expected to reduce credit risk through facilitating rapid repossession and recovery by the creditor while offering necessary protection to the debtor.

## Establishment of the STR

CRIB, in discharging the responsibility entrusted on it with regard to maintaining and supplying information on prior security interest of moveable property, has developed a software to file information on secured interests. Such information is stored electronically at a centralized database. Basic information pertaining to secured transactions, namely the identity of the debtor and the lender, contact details of the lender, description of the collateral and the amount of the loan, is registered in the STR.

Online access is provided for registration of secured transactions and obtaining searching services with regard to registered transactions. In developing the registration system, CRIB has considered the need of having simple registration requirements in order to minimize errors and to encourage usage of the registry by lending institutions as well as the borrowers.

CRIB
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CREDIT INFORMATION BUREAU OF SRI LANKA

Prior to the establishment of the STR, a registration system for motor vehicles and a registry of assets of corporate entities were operating in Sri Lanka. CRIB has decided that these registries should continue in the medium term and integration of these registries with the STR will be considered in the longrun.


## Major Economic Benefits

The modernization of secured transaction systems in Sri Lanka and setting up of a centralized STR, provided a solution for under-utilization of credit secured on moveable assets. Lending institutions, no more need to heavily depend on immovable asset collaterals when granting credit, as the developments in secured transaction systems have minimized the risk and transaction cost involved with movable asset collaterals. As a consequence, it is expected that credit flow to small and medium scale enterprises and strategic sectors such as the agriculture sector will improve over time. Thus, this initiative in improving secured transaction systems will ultimately result in promoting economic activities through facilitating efficient resource allocation. Also improvements in access to credit will help the country to be more competitive in attracting foreign direct investments.


Further, through obtaining accurate and timely information on prior security interests of moveable assets, lending institutions are able to make informed lending decisions and thereby maintain lower rates of non-performing loans. However, in order to reap these benefits, it is imperative to create awareness among stakeholders regarding the concepts of secured transactions and movable asset registry, since there weren't any such registries operating in Sri Lanka for the purpose of providing information on security interests.

# *Recent PSS Developments in India*

**By Reserve Bank of India**

## Domestic Money Transfer scheme

A large number of people, particularly the migrant population, do not have access to formal banking channels for want of proof of identity/address. Consequently, they face difficulties in using the authorised channels for transferring funds. Reserve Bank of India (RBI) has recently issued guidelines on domestic money transfer (DMT). Till recently only banks were permitted to initiate money transfers in the country subject to adherence of KYC/AML guidelines, for facilitating fund transfers of small value, subject to monthly ceilings and monitoring. The DMT relaxations are expected to increase the reach of money transfer facilities to the unbanked/under-banked population specially the migrant population and give impetus to the process of financial inclusion.

## The relaxation measures include:

- Liberalised arrangements for cash pay-out to beneficiaries not having a bank account through use of ATMs or Business Correspondent (BC) as delivery channel and enhancement of transaction cap from existing limit of Rs.5,000 to Rs.10,000 subject to overall monthly cap of Rs.25,000 per beneficiary.
- Similarly, walk-in customers (not having bank account) can now be allowed to transfer funds to a bank account of a beneficiary through ATMs, BCs etc. up to a maximum amount of Rs.5,000 per transaction with a monthly cap of Rs.25,000.
- Given the wide reach of a variety of cards in use today and the potential for growth, card-to-card fund transfers

have now been permitted in a manner which ensures that the underlying characteristics of the card from which the transfer is initiated are retained.

## Indo-Nepal Remittance System – Measures to enhance usage

The Indo-Nepal remittance scheme was introduced in May 2008 by RBI, jointly with Nepal Rastra Bank, to provide an avenue to migrant workers of Nepalese origin working in India to remit funds at regular intervals in a safe and cost efficient manner to their families in Nepal. Though there is a huge potential for such remittances through the banking channel in view of the large number of migrant population of Nepalese origin in various parts of India, the scheme was not being used effectively as observed from the limited number of transactions effected each month. One of the reasons is the lack of awareness amongst the target group of customers as well as the dealing staff within banks.

Banks in India have now been advised to ensure the following with immediate effect:

(i) Create awareness amongst the branch officials about the Scheme so as to enable them to guide the target customers, many of whom could be illiterate and explain the features of the Scheme and guide them in filling up the remittance form.

(ii) Advise their branches, especially those situated in areas with sizeable migrant Nepalese population to organise periodic workshops and awareness campaigns regarding the Scheme.

(iii) Solicit the help of Nepalese workers' associations for wider dissemination of information about the Scheme.

## Securing Card Present Transactions

The RBI had previously mandated the implementation of second factor authentication for card not present transactions. A need was now felt to address the security and risk mitigation measures for Card present transactions, which also constitute a major portion of the transactions carried out by cards, such as their use at ATMs and POS. To examine the various options for this, a Working Group was set-up with representation from Public/Private/Foreign banks, card companies, National Payments Corporation of India (NPCI) and RBI to suggest an additional factor of authentication for securing all card present transactions. The Group submitted its report in June 2011. The major recommendations of the Group are:

(a) Strengthening the technology and payment infrastructure, like implementation of Unique Key Per Terminal (UKPT) and Terminal Line Encryption (TLE) etc. within 18-24 months.

(b) Introducing an additional factor of authentication for all debit card transactions within 24 months for domestic transactions.

(c) Watching the progress made in the roll out of AADHAAR – UID so as to consider the biometric finger print capture in lieu of PIN at the ATM and POS - for 18 months.

(d) Based on the above, a decision to be taken to introduce EMV Chip and PIN for credit cards and debit cards by 5 and 7 years respectively for all domestic transactions.

(e) EMV Chip Card and PIN to be issued in lieu of Magstripe cards when at least one purchase is evidenced at an overseas location.

The recommendations of the group have been accepted by the RBI and a roadmap for implementation has been prescribed. Some of the important measures prescribed are: (i) enablement of all POS terminals to accept debit card transactions with PIN (by June 30, 2013), and (ii) EMV Chip Card and PIN to be issued to customers who have evidenced at least one purchase using their debit/credit card in a foreign location (June 30, 2013). The position of Aadhaar-based biometric authentication as a second factor of authentication for card present transactions would be reviewed towards the end of December 2012, to assess the need for a complete switch over to EMV Chip and PIN Technology for card based transactions.

## Access criteria for payment systems

The access criteria for payment systems have been revised and they have come into effect from October 1, 2011.

The revised guidelines have two sets of access criteria viz. one for centralised payment systems viz., Real Time Gross Settlement Systems (RTGS), National Electronic Funds Transfer System (NEFT) and National Electronic Clearing Service (NECS) and the other for decentralised payment systems viz., MICR clearing and Electronic Clearing Service (ECS). The revised access criteria for both centralised and decentralised payment systems are (i) Minimum CRAR of 9%; (ii) Net NPAs below 5% (as per the latest audited balance sheet); and (iii) Recommendation of the regulatory department concerned. Centralised payment systems have an additional criteria of a minimum net-worth of Rs.25 crore.

## Introduction of service charges for electronic payment systems

### (i) Real Time Gross Settlement Systems (RTGS)

The Real Time Gross Settlement (RTGS) system was introduced in March 2004 and was being offered free of charge to its members till now. Effective from October 1, 2011, Reserve Bank has started levying service charges for all outward transactions of members in the RTGS system. The charges are aimed at recovering the operational costs and to bring in further efficiency in the operations and the liquidity flows in the RTGS system. The RTGS charges have three components:

- Monthly membership fees (not permitted to be passed on to the customers);
- Volume based transaction fee (not permitted to be passed on to the customers);
- Time Varying tariff dependent on the time of settlement at RBI – banks if they so desire can pass on these charges to their customers;

With the introduction of these charges, the maximum customer charges inclusive of time varying tariff would be as under:

- For transactions between Rs.2 to Rs.5 lakhs: the customer charge will increase from existing Rs.25 to Rs.30/-
- For transaction above Rs.5 lakhs: the customer charge will increase from existing Rs.50 to Rs.55/-

Inward transactions of the members will continue to be free as hitherto.

With the introduction of this charge structure, the Indian RTGS system becomes compliant with the Core Principle related to efficiency.

**(ii) Retail Electronic Payment Systems –NEFT / NECS / RECS / ECS**

The RBI has been waiving processing charges for retail electronic payment products (NEFT, NECS, RECS and ECS) since the year 2006 in order to promote the usage of these systems. The usage of these products has increased considerably. While the originating banks are levying charges on their customers, there has been no compensation paid to the processing centers and destination banks.

On a review and after consultation with stakeholders, it has now been decided to permit Clearing Houses / processing centers to levy charges on the originating banks as under:

- 25 paise (exclusive of service tax) for every outward transaction;
- 25 paise (exclusive of service tax) for every return transaction;

As regards the compensation to destination banks, it has been decided that originating banks would pay to destination banks as under:

- 25 paise (exclusive of service tax) for every credit transaction;
- 50 paise (exclusive of service tax) for every debit transaction;

## Policy Guidelines for issuance and operation of Prepaid Payment Instruments in India – relaxation

The RBI had issued guidelines on issuance and operations of pre-paid payment instruments in India in April 2009. These guidelines are reviewed on an on-going basis and suitable instructions / relaxations are carried out.

The new relaxation now permit banks to issue prepaid payment instruments to corporates for onward issuance to their employees, subject to the following conditions:-

a. Prepaid payment instruments can be issued only to corporate entities listed in any of the stock exchanges in India;

b. Verification of the identity of the employee shall be the responsibility of the concerned corporate. The bank should put in place proper systems to capture and maintain details of the employees to whom the cards are issued by the corporate along with copies of photograph and identity proof of such employees. The corporate is also required to make available details of bank accounts (if any) of the employees to the bank;

c. Banks may ensure that the list of authorized signatories approved by the Board of the corporate entity is taken on record and requests from such authorized persons are only accepted for the purpose of loading/activating the prepaid payment instruments;

d. These prepaid payment instruments shall be loaded only by debit to the bank account, which are subject to full KYC, maintained by the corporate with the same bank. Reloading of these instruments shall also be carried out only by debit to this account;

e. The maximum value outstanding on individual prepaid payment instruments at any point of time shall not exceed Rs.50,000;

f. Banks shall facilitate transfer of funds from such prepaid payment instruments to a regular bank account of the concerned employee, if requested for;

g. The banks shall be responsible for all customer service aspects related to these instruments.

# Enabling Mobile Financial Services in Bangladesh

**By Bangladesh Bank**

Use of mobile phone has become an indispensable part of Bangladesh's everyday-life. According to Bangladesh Telecom Regulatory Commission, the number of active subscribers has reached 79.677 million at the end of August 2011. Using mobile phones for everyday communication by almost half of the country's population created an unprecedented opportunity to deliver basic financial services to the financially excluded population in the country.

Apart from very few people at the urban areas, this large target group comprised of the people of lowest income levels who do not have bank accounts. Conversely, it is a reality that despite tremendous growth of the Bangladeshi banking industry, commercial banks have not been able to include vast segment of the population, especially the underprivileged sections and rural people into the fold of basic banking services.

Considering the rapid growth of mobile phone users along with country-wide coverage of Mobile Network Operators (MNOs), Bangladesh Bank, the Central Bank of Bangladesh felt the potential of introducing mobile financial services in Bangladesh for extending banking services to the unbanked/banked population. Notable progress has been made in the pursuit of this opportunity as Banks and MNO's have collaborated to create innovative and commercially viable business models.

A big push towards enabling the Mobile Financial Services in Bangladesh is the "Guidelines on Mobile Financial Services (MFS) for the Banks" issued by the Bangladesh Bank in September, 2011 restricting it to the bank-led model. This move will help banks bring a vast number of unbanked people under the umbrella of the banking services utilizing the mobile network operators (MNOs) coverage. Users will be able to complete basic payments and remittances via the mobile phone, and have easier access to savings, credit and other viable banking products.

The bank-led model shall offer an alternative to conventional branch-based banking to the unbanked population through appointed agents facilitated by the MNOs or solution providers. Customers account, termed "mobile account", will rest with the bank and will be accessible through the accountholders mobile devices. The account will be a non-cheque limited purpose one. Banks will be the custodian of individual customers' deposits and shall have to pay interest/profit on the deposits lying with the customers' mobile accounts.

Banks may link their mobile financial services with those of other banks for the convenience of the users. Almost all services from disbursement of inward remittances to cash in and out, person to business payments, business to person payments, person to government payments, government to person payments and person to person payments have been permitted. Customers are also allowed to effect some other payments such as microfinance, overdrawn facility, insurance premium payments and deposit schemes. Cross-border outward remittances are subject to central bank's approval. Setting transaction limit and charges for the mobile financial services is Bangladesh Bank's responsibility which is subject to revision from time to time.

Banks shall have to select the cash points and agents. The cash points or agents can be a bank branch or an outlet of a mobile phone operator. Those who have countrywide branch network such as non-government organizations, the MNOs or the postal department may act as partner/agent. It is the bank's responsibility to identify, contract, educate, equip and monitor activities of the agents regularly.

A new scope for expanding Mobile Financial Services has been emerged with the newly established Union Information and Services Centres (UISC) operating at all 4,501 Union Parishads (UP, lowest tier of local government) of the country. They utilize information and communication technologies to bring livelihood information and government as well as private services to the doorsteps of rural citizens saving them time, cost and hassle. Public and private commercial banks (e.g. Janata Bank Ltd., Mercantile Bank Ltd., Trust Bank Ltd., and Dutch Bangla Bank Ltd.) are already in pipeline to officer Mobile Financial Services through these UISCs. This will speed up financial transactions at all corners of the country, ensuring inclusion of those without access to banking services.

Anti-money laundering and terrorist financing are the two major areas of risks in mobile banking. Commercial banks and its partners shall have to comply with the prevailing anti-money laundering/combating the financing of terrorism related laws, regulations and guidelines issued by the Bangladesh Bank.

Besides, commercial banks shall be responsible for mitigating all kinds of risks such as liquidity risk, operational risks, fraud risks, including money laundering and terrorist financing risks. Only technical risks should be covered by the solution provider.

The cash points/agents/partners will be responsible for authenticity of the KYC of all the customers. No KYC or account opening form is required for the existing bank customers but new account holder shall have to furnish a specially designed KYC form formulated by the Anti-money Laundering Department. Commercial banks will bear the ultimate liability for maintaining proper and updated KYC.

The banks will bear all the liabilities that arise from improper action on the part of their subsidiaries/cash points/agents/ partners.

Transaction records of the mobile financial services must be retained for six years from the origination date of the entry and is available upon request from customer or the regulators in any form.

It is very important to raise awareness and educate the intended service providers and recipients. Banks shall have to take appropriate measures to raise awareness of the service recipients and educate their customers and employees for using Mobile Financial Services.

Already 5 (Trust Bank Ltd., Eastern Bank Ltd., Dhaka Bank Ltd., AB Bank Ltd., and Southeast Bank Limited) of 13 banks who got approval are offering mobile financial services and more banks will be added to the wave by the end of this year.

Beside the banks, Bangladesh Post Office (BPO) introduced the service - 'post e-pay', in September 5, 2011 with 57 branches which will gradually be launched in all the 9,800 branches of the post office in phases with the help of the mobile operators' countrywide network. Clients have to register themselves with the post office to get the service.

Bangladesh Bank has also permitted M-Commerce in Bangladesh. Mobile network operators have been given permission to sell railway tickets and tickets of cricket matches organized by the Bangladesh Cricket Board (BCB) using mobile technology. Approximately 425,000 utility (water, gas and electricity) bill payments are transacted using the m-commerce. Additionally, Approximately 12000 train tickets are sold and 15000 match tickets are sold via m-commerce. Recently internet connection subscribers of different Internet Service Providers (ISPs) are paying their subscription fees via MNOs outlets.

Although commercial banks are gradually approaching to offer more innovative mobile financial services, inward foreign remittances disbursement has been the main focus till date. This service is facilitating faster and more secured transfer of money from the remitter to the beneficiaries than all existing means of foreign remittance. It will also bring more transparency to the remittance business because once the money is delivered to the beneficiary; an SMS will be generated automatically informing all concerned that the money has been safely delivered to the right person. It is expected that the service will boost up more inward remittance through the official channel.

While 55% of the Bangladeshi adult population is considered financially included, largely due to microfinance solutions, only 16% is fully banked. Mobile financial services can serve as a solution for addressing 76% of those who are not currently banked. Introduction of Mobile Financial Services will give these poor people access to financial services and provide them with much greater resilience to economic shocks, increase capacity to stabilize their income resulting in greater macroeconomic stability.

There is strong evidence that financial inclusion i.e. the delivery of affordable banking services to the population, is strongly associated with the attainment of a nation's crucial economic and social goals. Providing financial services draws credit into the banking system, leading eventually to GDP growth. It increases the formation of domestic capital, spurring entrepreneurship. And it develops the depth of a nation's private sector, which in turn builds new jobs. These financial developments reduce a nation's overall income inequality, increase income growth and accelerate poverty alleviation.

Utility bill payment and inward foreign remittance disbursement using mobile financial services are already widely accepted in Bangladesh, but other types of MFS, including savings, credit, remittance, and insurance products, are just in the starting phase. Bangladesh, thus, has the potential for great influence by MFS, with a large population in need of secure, convenient, and affordable banking services, eventually contributing to the economic growth of Bangladesh.

# Recent Developments in Payments & Settlements Systems in Nepal

**By Nepal Rastra Bank**

Efficient, reliable and secure payment and settlement systems play a pivotal role in enhancing economic activities, improving efficiency in financial markets and increasing financial inclusion. Having recognized the need to reform and modernize the existing payment systems taking advantage of the rapid advancement of technology and communication methods, and innovative payment instruments, Nepal Rastra Bank (NRB) took several initiatives to modernize the payment systems of the country in the recent past.

With a view to enhance the efficiency, volume and security of transactions, NRB granted authority to establish "Nepal Clearing House Ltd" (NCHL), an autonomous organization for Electronic Cheque Truncation System. With the establishment of NCHL, the existing manual clearing of cheques of banks and financial institutions through NRB's Clearing House will be discontinued from December, 2011. NCHL will use state-of-the-art technology for cheque clearing under the name of NCHL-ECC system and will primarily provide cheque clearing services to the banks and financial institutions. After the establishment of the ECC, NRB will facilitate nation-wide electronic processing of cheques which will be later extended to establishment of a national payments gateway to facilitate an electronic payment system for all financial transactions in the country.

Another significant development in this area is the establishment of a Central Depository and Clearing Settlement (CDCS) system by Nepal Stock Exchange (NEPSE) in August, 2011. The adoption of scripless securities settlement system (SSS) is in the pipeline. NRB is also in the process of formulating strategies for implementation of a Real Time Gross Settlement System (RTGS).

Recognizing the importance to facilitate reforms in payments and settlements, NRB has proposed to set up a separate Payments and Settlements Division in the Bank. This Division will ensure smooth operations of the payment and settlement systems, undertake supervision and oversight activities and issue necessary regulations and guidelines.

Recent development in NRB is "Installation Of Modern G L Software" which is in final stage. After installation, updated information and data about all the banks & financial institutions will be available online so that transaction of domestic & international payment and settlement will be faster than before. It will also help to maintain agency balance for smooth international transaction. This new software will be very helpful for faster transaction and control forgery in direct or indirect way which would ultimately contribute to fast, effective, efficient, reliable, accessible, secured and sound payment and settlement system in banking sector of Nepal.

NRB has also initiated action to improve the regulatory and legal framework for payment system's development and operations. The draft amendment on AML/CFT has been approved by the Government as suggested by Financial Activities Task Force (FATF). In addition to this, proposed draft amendment on Banks and Financial Institutions Act has been submitted to the Government. Policy on merger and acquisition has also been introduced for financial institutions for securing safe and smooth payment system operations.

# Payment Systems Initiatives to boost Home Remittances

**By State Bank of Pakistan**

Pakistan has witnessed an impressive growth in remittances received from Pakistanis living abroad recording a historic USD 11.2 billion of home remittances in FY11 , registering a growth of 25 percent over FY10. Introduction of technology based payment solutions ensuring swift delivery of funds in beneficiaries' accounts played a critical role in achieving this growth.

The main impediments in the growth of home remittances in Pakistan were the significant delays in funds transfer systems and inconvenience to the beneficiary to visit a bank to receive the funds. These impediments and analysis of Remittance System of Pakistan led to formulation of a comprehensive strategy to enhance the flow of home remittances by offering technology based solutions. In order to implement this strategy State Bank of Pakistan, Ministry of Overseas Pakistanis and Ministry of Finance launched a joint initiative called Pakistan Remittance Initiative (PRI) with an objective of facilitating faster, cheaper, convenient and efficient flow of home remittances by Pakistanis living abroad.

One of the key components of the formulated strategy was to enhance the country's payment system infrastructure to offer the services of quick funds transfer and to overcome the inconvenience of visiting a bank every time to receive the funds by the home remittance beneficiaries. Another step in this direction was to allow banks to issue remittance card in April 2011, offering beneficiaries ease of withdrawing their funds 24x7 from any ATM across the country. The cardholder need to visit the Bank only one time for due diligence process, afterwards, remittance received from abroad is automatically transferred to the card as and when arrived, which can be immediately withdrawn from a wide network of ATM spread all over the country. This product worked multipronged, as it not only brought a wide array of people under main stream banking, but also replaced the Cash over the Counter (CoC) Payments. CoC has remained a popular mode of collecting remittances in Pakistan, since the customer gets instant cash through this channel.

Another important innovation in this direction was to allow banks to use Pakistan Real Time Interbank Settlement Mechanism (PRISM-RTGS) to transfer and settle home remittance funds involving multiple banks. This facility enabled banks to use RTGS to instantly transfer funds to the beneficiary's account in another Bank. This in turn significantly reduced the remittance transfer time which encouraged a large number of remitters to use banking channel due to swift delivery and convenience.

# RMA ready to implement NEFT in Bhutan

**By Royal Monetary Authority of Bhutan**

Having successfully implemented NECS Credit and the NECS Debit a year ago, the Royal Monetary Authority of Bhutan (RMA) is now ready to offer NEFT facility to the public. This robust and highly secured payment system is scheduled to be made available to the public from November 2011. RMA has implemented these three payment systems, namely, NECS Credit, NECS Debit and the NEFT under Electronic Funds Transfer and Clearing System (EFTCS) Project with technical assistance from the Reserve Bank of India.

The National Electronic Funds Transfer (NEFT) system is a nationwide funds transfer system that facilitates transfer of funds between Banks and bank branches, individuals and institutions. In other words, under NEFT, funds can normally be transferred between two parties.

## Benefits of NEFT:

- Nation-wide funds transfer system that facilitates transfer of funds from one bank to another bank.
- Even walk-in customer without a bank account can deposit cash up to a specified limit and transfer funds.
- Settlement on an hourly basis thereby facilitating receipts of funds within an hour of transfer.
- Secured system wherein Digital Signatures are used.
- Any amount of funds can be transferred.
- Payer and the payee can receive SMS confirmations upon completion of transaction.
- Inconveniences and delays associated with cash and other paper based transfer of funds shall be avoided.
- Receipts/payments of funds shall be faster.
- Administrative cost associated with the conventional methods of payments will be reduced to a great extent.
- Chances of loss of instrument and its fraudulent encashment is avoided.
- Promotes cashless banking.
- Promotes Financial Inclusion.
- Improves efficiency and provides better financial services to the general public.

## NEFT Process Flow:

**Step-1:**

The remitter/customer wishing to transfer money visits his bank and fills in the NEFT Application form giving particulars of the beneficiary such as the beneficiary's name, bank address, account number, amount to be transferred, mobile number of the beneficiary etc. and authorizes his bank to remit the specified amount to the beneficiary by raising a debit to the remitter's account.


**Step-2:**

The remitting branch of the bank prepares funds transfer message and sends it to its Service Branch.

**Step-3:**

The Service Branch of the bank forwards the message to the NEFT Centre, Payment and Settlement Systems Department (PSSD), RMA for processing the transfer of funds.

**Step-4:**

The NEFT Centre, PSSD, RMA sorts out the transactions bank-wise, nets the transactions, and forwards the bank-wise reports for crediting funds to the beneficiaries. It also debits/ credits the accounts of respective banks with the net value and forwards the settlement report.

**Step-5:**

The receiving branch of the beneficiary bank credits the beneficiary's account upon receipt of the details from the NEFT Centre, PSSD, RMA.

**Step-6:**

The remitter of the funds shall receive SMS confirmation about the credit of the account of the beneficiary, from the remitting bank.

The NEFT system has the provision to process transactions eleven times a day. Initially, transactions shall be processed five times a day. The frequency of processing shall be increased as and when required.

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