

November 23, 2005

To Chairman / Chief Executive Officers of all the Scheduled Commercial Banks  
(Other than Regional Rural Banks)

**Electronic Payment Products - Service Charges**

An extract of the Mid-term Review of Annual Policy for the year 2005-06 reads as under-

**“Para 103:** *One of the constraints in the growth of electronic payment systems has been the high rate of service charges being levied by banks. In this context, the Reserve Bank waived service charges on banks for both electronic clearing service (ECS) and electronic fund transfer (EFT) transactions up to March 31, 2006 with a view to promoting EFT and encouraging ECS. Furthermore, no service charge is being levied for RTGS transactions since its commencement and this waiver is also valid up to March 31, 2006. As electronic payment systems facilitate straight-through processing and are cost-effective in the long run, banks are encouraged to review service charges being levied on such transactions.”*

It may kindly be appreciated that the purpose of making a mention of this in the Mid-term Review was to emphasise the need for banks to quickly move towards electronic payment systems from paper based payment systems and to bring greater efficiency in transaction processing. Banks are, therefore, requested to develop appropriate delivery channels of electronic payment services using the RBI developed payment systems like RTGS, ECS, EFT, NEFT etc., as payment system infrastructure with no further delay. In line with the spirit of above para, the service charges may also be reviewed keeping in mind the need for promotion of electronic payment culture, which in due course, may work out cost effective for the banks and provide several spin-off benefits.

Kindly acknowledge receipt and advise us of the action taken.

Yours faithfully

Sd/-

**(A. P. Hota)**  
**Chief General Manager**