



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

RBI/2008-09/509

DPSS (CO) EPPD No. **2283** / 04.01.04 / 2008-2009

June 25, 2009

The Chairman and Managing Director /
Chief Executive Officer of all banks participating in NECS

Madam / Dear Sir,

National Electronic Clearing Service (NECS) – Optimal Usage and Expansion

As you are aware, National Electronic Clearing Service (NECS) was introduced during September 2008 for centralised processing of repetitive and bulk payment instructions. NECS facilitates sponsor banks to submit ECS files centrally at Mumbai, thus obviating the need to split files and then use local-ECS at various locations for data submission. By leveraging on the core-banking solutions of member banks for centralised posting of inward transactions, NECS offers all-India coverage. As on date, little over 26,000 branches of 114 banks are enabled to participate in NECS.

2. Presently, the Credit variant of NECS is available and over the last nine months of operation, the volume of transactions processed has witnessed a gradual increase. During the month of May 2009 alone, around 2 million transactions for value Rs. 30 billion were processed. Given the benefits offered by NECS, the need for local-ECS at various locations becomes redundant. Accordingly, local-ECS-Credit at Mumbai has been merged with NECS-Credit.

3. To optimally use the reach and potential of NECS, banks need to increase the number of branches enabled to participate in NECS. Ideally, all core-banking-enabled branches should be part of NECS. Since the branches participating in RTGS / NEFT number over 55,000, there is immediate scope for banks to double the number of branches offering NECS. This apart, banks also need to increase their level of participation by enthusing more users to tap the benefits offered by NECS.

4. To take forth the above, banks are advised to initiate action on the following points -

- a. Include, at a minimum, all the NEFT-enabled branches in NECS. Target should be to include all the core-banking-enabled branches in NECS.
- b. Educate their corporate customers and guide them in preparing a single NECS file, for credit to beneficiaries having accounts across the country with destination branches participating in NECS.
- c. A mechanism to electronically collect NECS files sponsored by different branches on behalf of their corporate customers, across the country.

- d. Efficient handling of inward NECS transactions. Banks should put in place proper interfaces for straight-through-processing of inward files received from the Clearing House.
 - e. Afford NECS credit to customer accounts without delay. Uncredited items, if any, should be reported back to the Clearing House within the prescribed time limit.
 - f. Avoid practices that delay and burden the system. Sponsor banks should ensure that user institutions do not include in the input files, transactions that have earlier been returned for reasons account-closed or no-such-account. Service branches also need to take due care while processing inward. There would be no justification for return of NECS-credits that would have otherwise been duly credited in local-ECS.
 - g. Strengthen infrastructure at the Service Branch in Mumbai not only in terms of adequacy of telephone lines, network, computers, etc., but also by way of making the branch core-banking-enabled, providing access to customer accounts at other core-banking-enabled branches and the like. To handle products that are national in character like (NECS and NEFT), the service branch needs also to be equipped with adequate manpower - both in terms of number and quality. Once Cen-ECS and local-ECS get subsumed in NECS, there would be automatic rationalisation of overall manpower requirements.
 - h. Be in readiness to participate in NECS-Debit, which requires a centralised mandate management system at banks' end. Banks should initiate steps to store and retrieve mandates electronically, with automated core-banking interface.
5. Please acknowledge receipt of this circular and keep us informed of the action initiated in this regard.

Yours faithfully

(G Padmanabhan)
Chief General Manager