RBI/2009-10/109

DPSS (CO) EPPD No. **191**/ 04.01.01 / 2009-2010   July 29, 2009

The Chairman and Managing Director / Chief Executive Officer
of all banks participating in ECS / National-ECS

Madam / Dear Sir,

Electronic Clearing Service (ECS) – Accuracy of Input Data and
Completeness of Account Number Information in ECS Mandates /Files

ECS was introduced during the early nineties as an efficient method for effecting bulk and repetitive transactions electronically. While ECS (Credit) handles interest, dividend payments, large-volume receipts like utility bills, insurance premia are facilitated by ECS (Debit). Presently, ECS is operational at 76 locations across the country, including the 15 centres run by RBI. Around 20 million transactions are processed every month reflective of increasing efficiency, as the need for issuing and handling paper instruments for such transactions is obviated. The benefits arising out of ECS operationalisation to the economy as a whole are significant.

2. ECS (Credit and Debit) operates on a T+1 cycle across all locations ('T' refers to the date on which ECS files are processed by the ECS centre. Credit or debit to beneficiary accounts at destination banks is on the next working day). To complete ECS transactions (including the time required for handling returns, if any) within the T+1 cycle, it is imperative that information contained in ECS files is complete, correct and current. Responsibility to ensure this is cast upon individual beneficiaries whose accounts are credited or debited, user institutions, sponsor banks and destination banks.

3. To leverage on Core-Banking Solutions (CBS) in banks for centralised processing of inward instructions and further efficiency in handling bulk transactions, National-ECS has been implemented at Mumbai. Banks have been advised, vide, our circular DPSS (CO) EPPD No. 2283 / 04.01.04 / 2008-2009 dated June 25, 2009 on the steps to be taken for optimal usage and expansion of N-ECS. To adhere to the T+1 cycle in the decentralised local-ECS or to participate in centralised N-ECS, banks need to handle inward data in a straight-through manner with suitable interfaces to their CBS system. Since banks have changed the customer account-number convention post-migration to CBS, presence of old account numbers with 3 or 4 digits in inward ECS data has been causing delays in processing and high returns. For timely credit / debit to beneficiary accounts it is essential that ECS input files contain only the new account numbers; else, there could be delay in processing or transactions might be returned, thus causing a load on the system and making it inefficient.

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4. In view thereof, action points which require immediate attention by the different stakeholders include -

(i) <u>As User Institutions</u>

    (a) ECS input files contain only new / changed account numbers of customers
    (b) Fresh mandates are called for from customers / beneficiaries, if necessary
    (c) Updates received from destination banks / sponsor banks are duly reflected in the customer records / ECS input files
    (d) Transactions that are repeatedly returned are not included in ECS input files

(ii) <u>As Sponsor Banks</u>

    (a) Input files received from user institutions are properly validated and transactions repeatedly returned are weeded out
    (b) ECS data submitted by them contain only the complete and relevant CBS-compatible account numbers
    (c) Information on updated account numbers received from destination banks is duly conveyed to user institutions

(iii) <u>As Destination Banks</u>

    (a) Furnish list of records with old account numbers along with corresponding new CBS account numbers to respective sponsor banks and user institutions
    (b) Filter old account numbers in inward ECS files branch-wise and user-wise. Branches to intimate customers to furnish new account numbers allotted to them after CBS implementation to respective user institutions
    (c) Collect new mandates from customers in cases where the existing mandate has the old account number / requires updation / replacement or otherwise
    (d) Prepare proper mandate handling policy including putting in place a mandate management system

(iv) <u>As Beneficiaries / Customers</u>

    (a) Mandates / Details with user institutions contain only new account numbers
    (b) Fill in fresh mandates and furnish them to user institutions, either proactively or if requested to do so.

5. Banks are requested to complete the above initiatives by December 31, 2009. ECS centres may take proactive steps to return without processing the ECS files which have had more than half the instructions either rejected or returned, unless they are convinced that sufficient care has been taken to weed out or update the relevant information. With effect from January 1, 2010, necessary validations will be built into the ECS / N-ECS process flow to ensure that instructions with old account numbers are rejected at the ECS centre-level itself.

6. Please do the needful and keep us informed of the action proposed to be initiated.

Yours faithfully

   -Sd-

(G Padmanabhan)
Chief General Manager