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NEFT System goes live

The National Electronic Funds Transfer (NEFT) started live operations from Today. The objective of the NEFT system is to establish an Electronic Funds Transfer system to facilitate an efficient, secure, economical, reliable and expeditious system of funds transfer between banks in the banking sector using Structured Financial Messaging Solution (SFMS) backbone.

For the time being there will be a single settlement per day at 12.00 noon. To begin with 8 banks will be participating in the live run. Subsequently other banks will join the System in a phased manner. Depending on their full technical and other preparedness, eligible participants will join the System at regular interval. It is expected that all the banks participating in Special Electronic Funds Transfer (SEFT) will be joining NEFT by December 2005. In the initial phase NEFT will replace the SEFT System. It is envisaged that in future NEFT will replace the EFT System and NEFT will be the major clearing system for all retail payments.

It may be recalled that as a part of payment system reforms, the Reserve Bank of India had initiated several measures to reduce risks, especially settlement and systemic risks, in payment systems. NEFT is an initiative in that direction.

In the NEFT System remittance transactions move electronically from end to end using Public Key Infrastructure (PKI)-based security procedure compared to EFT system where transmission of remittance transactions is not necessarily electronic from end to end. Therefore, NEFT covers only the networked branches anywhere in the country while EFT system covers all branches at 15 identified centres. The Reserve Bank of India plans to migrate fully to NEFT System when optimum number of branches at the 15 centres get NEFT-enabled.

The eight banks participating in the first phase are : Canara Bank, Bank of Baroda, Punjab National Bank, Dena Bank, ABN AMRO Bank, HSBC, ICICI Bank and HDFC Bank.

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