

National Electronic Funds Transfer System Procedural Guidelines

Version 1.1



**Reserve Bank of India
Department of Payment & Settlement Systems
Central Office, Mumbai**

Version Control

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1.0	February 15, 2024	Updated incorporating all existing instructions.
1.1	October 25, 2024	(a) Access criteria and application process updated. (b) New paras introduced: a. Review of membership b. Sub-membership c. Cyber security guidelines for NEFT

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NATIONAL ELECTRONIC FUNDS TRANSFER (NEFT) SYSTEM

1. Introduction

The Reserve Bank of India (hereinafter referred to as “RBI” or “the Bank”) operates an electronic funds transfer system called "National Electronic Funds Transfer" System (hereinafter referred to as "NEFT System" or "NEFT" or “System”, as appropriate). NEFT system is live from November 21, 2005. A set of procedures to be followed by various stakeholders to the system are detailed in this document.

2. Objective

The objective of the NEFT System is to provide an efficient, safe, secure, economical, reliable and expeditious electronic funds transfer system throughout India on a 24x7x365 basis.

3. Definitions

In these Procedural Guidelines, unless the context otherwise requires:

- (a) **"Acceptance"** means execution of payment instruction.
- (b) **"Bank"** means a banking company as defined in Section 5 of the Banking Regulation Act, 1949, and includes the State Bank of India constituted by the State Bank of India Act, 1955, a corresponding new bank under Section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and a corresponding new bank constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980, a co-operative bank as defined in Section 56 of Part V of the Banking Regulation Act, 1949 (AACS) and such other banks as may be specified from time to time.
- (c) **"Batch"** means a group of payment instructions processed at discrete intervals of time.
- (d) **"Beneficiary"** means the person designated as such, and to whose account payment is directed to be made in a payment instruction.

(e) **"Beneficiary / Destination Participant"** means participant / branch of a participant, identified in a payment instruction which is maintaining the account of the beneficiary.

(f) **"Centralised Payment System"** means and includes Real Time Gross Settlement (RTGS) System, National Electronic Funds Transfer (NEFT) System and any other system as may be decided by RBI from time to time.

(g) **"Credit"** means credit received by the NEFT participant through the NEFT System, which has to be ultimately credited to the account of the beneficiary customer at the concerned branch of the beneficiary participant, after due verification thereof.

(h) **"Execution"** of a payment instruction in relation to a sending participant means the transmission or sending of the payment instruction by it to the NEFT Service Centre; in relation to a Service Centre it means transmission of the consolidated payment instruction in the encrypted NEFT SFMS message to the NEFT Processing Centre.

(i) **"Funds Transfer"** means the series of transactions beginning with the issue of originator's payment instruction to the sending participant and completed by acceptance of payment instruction by the beneficiary's participant for the purpose of making payment to the beneficiary of the instruction.

(j) **"IFSC"** means Indian Financial System Code used to identify a participant / branch of a participant in the NEFT SFMS message.

(k) **"Intra-Day Liquidity (IDL) Facility"** means the liquidity support provided by RBI to the eligible participants during the business day against eligible collateral.

(l) **"NEFT Processing Centre"** means any office designated by the Nodal Department for receiving, processing and sending the NEFT SFMS message and the debiting and crediting of accounts of the participants for settlement of payment obligations or one or more of these functions. The Mumbai Regional Office, RBI, Mumbai has been designated as the NEFT Processing Centre for purposes of the NEFT System.

- (m) **"NEFT SFMS Message"** means an electronic Structured Financial Messaging Solution (SFMS) message containing NEFT payment instructions for funds transfer, processed and consolidated in the manner specified for transmission of payment instructions from NEFT Service Centre to the NEFT Processing Centre.
- (n) **"NEFT Service Centre"** means an office or branch of a participant designated by that participant to be responsible for processing, sending or receiving NEFT SFMS message on behalf of that participant and to do all other functions entrusted to a NEFT Service Centre by or under these guidelines. NEFT Service Centre is referred to as "Sending NEFT Service Centre" when it originates an NEFT SFMS message for funds transfer. NEFT Service Centre is referred to as "Receiving NEFT Service Centre" when it receives a NEFT SFMS message from the NEFT Processing Centre.
- (o) **"NEFT System"** means the National Electronic Funds Transfer System established under these guidelines for carrying out inter-participant funds transfers within India (and from India to Nepal), and providing for settlement of payment obligations arising out of such funds transfers, among the participants.
- (p) **"Nodal Department"** means the Department of Payment and Settlement Systems (DPSS), Central Office (CO), RBI; NEFT Processing Centre and DPSS, Mumbai Regional Office of RBI which are responsible for implementation, administration and supervision of the NEFT System.
- (q) **"Notified"** means communicated electronically or in writing.
- (r) **"Originator / Sender"** means the person who issues a payment instruction to the sending participant.
- (s) **"Participant"** means an eligible entity admitted for participating in the NEFT System pursuant to Paragraph 6 (i) of these Guidelines and whose Letter of Admission has not been cancelled.
- (t) **"Payment Instruction"** means an unconditional instruction issued by an originator in writing or transmitted electronically to a sending participant to effect

a funds transfer for a certain sum of money expressed in Indian Rupees, to the designated account of a designated beneficiary by debiting correspondingly an account of the originator or through remittance of cash.

(u) **"Reserve Bank of India"** means the Reserve Bank of India or RBI established under the Reserve Bank of India Act, 1934 (2 of 1934).

(v) **"Security Procedure"** means the set of procedural guidelines at Paragraphs under the Sections of these Guidelines for the purpose of :

(i) verifying that a payment instruction, a communication authorising a payment instruction or a NEFT Data File is authorised by the person from whom it purports to be authorised; and

(ii) detecting error in the transmission or the content of a payment instruction, a communication or a NEFT SFMS message.

(w) **"Sending / Originating Participant"** means participant / the branch of a participant, which receives payment instruction from its customer or any other person for transfer of funds to the account with another participant participating in NEFT. When the originator is a participating institution, reference to sending participant shall be construed as referring to the NEFT Service Centre.

(x) **"Settlement Account"** means an account maintained by a participant for the purpose of settlement of payment obligations under the NEFT System.

(y) **"SFMS Message"** means an electronic Structured Financial Messaging Solution (SFMS) message containing a batch of payment instructions for funds transfer, processed and consolidated in the manner specified for transmission of payment instructions and communication related thereto.

(z) **"Valid Reasons of Non-payment"** are the reasons due to which the beneficiary participant fails to or cannot make payment to the beneficiary. Some illustrative reasons are:

(i) Beneficiary not having an account with the beneficiary participant.

- (ii) Account number indicated in the payment instruction not matching with the number as recorded at the beneficiary participant.
- (iii) Beneficiary account closed / in-operative.
- (iv) Dislocation of work due to circumstances beyond the control of the beneficiary participant such as earthquake, fire, etc., at the place where the beneficiary's account details are maintained, etc.
- (v) Beneficiary name mismatch i.e. beneficiary name in payment instruction differ with the details available at beneficiary participant.
- (vi) Any other valid reason preventing passage of the credit – such as a court order restraining operations on the beneficiary's account. The reason shall be explicitly indicated.

4. Management of NEFT

NEFT is owned and operated by RBI under overall administrative control of the Regional Director, Reserve Bank of India, Mumbai Regional Office, Shahid Bhagat Singh Marg, Fort, Mumbai 400001.

Standing Committee on Centralised Payment Systems has been constituted for management of RTGS and NEFT system to provide a structured forum for continuous dialogue with the members. Its role is to provide inputs to RBI for improvement and smooth functioning of RTGS/NEFT.

A. Governance: Constitution of Standing Committee

- I. The composition of the committee shall be as under:
 - a. President – The Regional Director, Mumbai Regional Office (MRO), RBI, Mumbai.
 - b. Representatives from Department of Payment and Settlement Systems (DPSS), CO, RBI, Mumbai; Department of Information Technology (DIT), CO, RBI, Mumbai and Department of Government and Bank Accounts (DGBA), CO, RBI, Mumbai.

- c. Two Representatives from other stakeholder RBI departments on rotation
 - Internal Debt Management Department (IDMD), CO, RBI, Mumbai;
 - Consumer Education and Protection Department (CEPD), CO, RBI, Mumbai;
 - Financial Markets Operations Department (FMOD), CO, RBI, Mumbai;
 - Department of Regulation (DoR), CO, RBI, Mumbai;
 - Department of Supervision (DoS), CO, RBI, Mumbai;
 - Foreign Exchange Department (FED), CO, RBI, Mumbai;
 - Monetary Policy Department (MPD), CO, RBI, Mumbai and
 - Legal Department (LD), RBI, Mumbai.

- d. Representatives from Member Institutions (officer of Deputy General Manager or equivalent level and above):
 - (i) Nationalised Banks – State Bank of India (SBI) and one other

 - (ii) One Private Bank

 - (iii) One Foreign Bank

 - (iv) Two from other bank categories - Co-operative Banks / Payment Banks / Small Finance Banks / Regional Rural Banks.

 - (v) One Primary Dealer

 - (vi) Clearing Houses - Clearing Corporation of India Limited (CCIL), National Payments Corporation of India (NPCI) and one Securities and Exchange Board of India (SEBI) approved participant.

 - (vii) One Authorised non-bank Payment System Operator (PSO).

- II. The secretarial assistance to the Standing Committee shall be provided by DPSS, MRO, RBI, Mumbai.

- III. The President, representatives from DPSS CO, DIT CO, DGBA, SBI, NPCI and CCIL shall be permanent members. Other members shall be replaced on a rotation basis every two years.

- IV. The committee may constitute ad-hoc sub-committees to consider specific aspects, as and when required.

B. Meetings of the committee

- a. The committee may meet on a need basis, but at least once every half-year.
- b. The quorum for meeting may comprise of the President, members listed in 4.A.I(b), not less than one member listed in 4.A.I(c), and not less than three members listed in 4.A.I(d).

C. Functions of the Standing Committee

The functions of the Standing Committee shall include the following in relation to the NEFT system:

- a. Gathering feedback from industry, examining suggestions and recommending policy improvements to DPSS, CO, RBI, Mumbai.
- b. Coordinating steps taken by stakeholders in alignment with regulations issued by RBI and Centralised Payment Systems (CPS) related goalposts laid down in the RBI Payments Vision documents.
- c. Monitoring various operational and security aspects viz. business continuity management (BCM), cyber resilience of participants' systems, information security, availability of sufficient funds for settlement, 24x7 availability of systems, etc.
- d. Matters relating to customer protection and enhancement of customer experience in NEFT.
- e. Any such issues, as it may deem fit and proper for the smooth, satisfactory and proper functioning of NEFT.

5. Coverage

These procedural guidelines shall apply to all NEFT enabled participants (including their branches) in the system as notified by RBI from time to time on its official website at the link <http://www.rbi.org.in/Scripts/neft.aspx>.

6. Membership

(i) Admission:

- (a) Membership of NEFT system shall be open to all scheduled/licensed banks and authorized non-bank PPI issuers. The Bank at its discretion may permit other entities to become members of NEFT.
- (b) Cooperative societies and unlicensed banks cannot become member of NEFT.
- (c) NEFT membership shall not be granted independently. The entity desirous of becoming NEFT member should either be a RTGS member or should seek approval for both RTGS and NEFT at the time of applying for approval for membership of Centralised Payment Systems. The application form for approval for membership of Centralised Payment Systems is placed at Annex 9 of RTGS System Regulations.
- (d) An eligible entity desirous of participating in the NEFT System as a participant may submit to the Regional Director, Reserve Bank of India, Mumbai Regional Office (MRO), Shahid Bhagat Singh Marg, Fort, Mumbai – 400 001, duly authenticated application, containing full particulars in the form specified at Annexure I (Form: NEFT-IA). Every application shall be accompanied by an undertaking in the specified form to abide by the NEFT Procedural Guidelines in the event of admission.
- (e) Letter of Admission to the NEFT system as specified in Annexure II (Form: NEFT-IB) will be issued by MRO, RBI, Mumbai.
- (f) Before going live in NEFT, the entity shall submit an Information System Audit Report of its NEFT related systems conducted by a CERT-IN empaneled IS auditor. The applicant shall also obtain a certificate from the auditor confirming compliance with baseline cyber security guidelines for NEFT placed at Annexure IV. Entities need to be in compliance with the base line cyber security guidelines at the time of going live and on an ongoing basis.
- (g) List of participants will be displayed on website of Reserve Bank of India under the link <http://www.rbi.org.in/Scripts/neft.aspx>.

(ii) Review of Membership

- (a) Continued participation of an entity in the NEFT shall be dependent on its continuous adherence to the requirements of access criteria, meeting the cyber security guidelines for NEFT and supervisory comfort. The RBI may place restrictions on a particular member on its participation in these payment systems, penalise, suspend, revoke the membership of an entity if its participation in payment system is found to be detrimental to the smooth functioning of the payment system in any manner.
- (b) To ensure continued adherence to access criteria and cyber security guidelines, members will be required to submit an annual compliance statement to RBI. The annual statement shall include audit report of its NEFT related systems conducted by a CERT-In empaneled IS auditor.
- (c) Apart from annual review, membership may also be reviewed based on other triggers, which may include but not limited to:
 - a) Non-adherence to access criteria and cyber security guidelines for NEFT at any time;
 - b) Failure to manage its liquidity position in payment systems;
 - c) Cyber security risks and related incidents;
 - d) Supervisory concerns on continued participation in payment systems;
 - e) Non-adherence to applicable guidelines of the payment systems; and
 - f) Any other changes making entity ineligible for membership.
- (d) Based on the severity of the deviations / risks observed in the review, the member shall be classified into one of the following categories and appropriate action may be taken. The actions given are suggestive. RBI may take any action it considers appropriate. If the entity does not correct the deviation / act on the risk within the time permitted, action as per the next higher category may be initiated.

Category	Description	Action
A	Low deviation / Risk	1. Advisory to be issued to the member
B	Moderate deviation / Risk	1. Seeking explanation from the member 2. Providing appropriate time to fix the issues
C	High deviation / Risk	1. Seeking explanation from the member 2. Placing time or/and transaction type restrictions ¹ 3. Mandating earmarking securities for IDL for eligible entities 4. Advising IS audit for IT systems
D	Very high deviation / risk	1. Revoking membership of NEFT

(iii) **Suspension:**

- (a) If a participant has defaulted in meeting its settlement obligations or paying any charges or fees or complying with any procedural guideline provisions or for any reasons specified at paragraph 6 (ii), the Letter of Admission issued to it is liable to be kept under suspension for such period as may be specified in the order of suspension.
- (b) Every order of suspension shall be notified immediately to all the participants including the participant against which the order of suspension is passed.
- (c) An order of suspension may be reviewed and may be revoked at any time by the RBI upon representation received from the concerned participant or on its own. Every revocation shall be notified immediately to all participants.

¹ Depending on the risk, restrictions may be placed on members from originating or receiving RTGS / NEFT transactions during certain times (time restrictions) like from 8:00 pm to 8:00 am or / and certain types of transactions (transaction type restrictions) like outgoing transactions.

- (d) A participant shall not, while any order of suspension is in force against it, be entitled to send or receive any NEFT message or otherwise to effect any funds transfer in the NEFT System.
- (e) Provided that a suspension shall not affect the NEFT related obligations of the suspended participant, whether incurred before or after the suspension.
- (iv) **Withdrawal from Participation:**
- (a) Any participant may, by giving a notice of one month to the Regional Director, Reserve Bank of India, Mumbai Regional Office, Mumbai withdraw from participating in NEFT System.
- (b) No notice under these guidelines shall be effective unless it is given in writing and before the expiry of one month from the date of receipt of notice by the Regional Director, Reserve Bank of India, Mumbai Regional Office, Shahid Bhagat Singh Marg, Fort, Mumbai – 400 001.
- (c) Notwithstanding its withdrawal, a participant shall discharge all its payment obligations arising out of fund transfers attributable to it, whether effected before or after the withdrawal became effective.
- (d) The withdrawal of any participant shall be notified to all the participants by the Regional Director, Reserve Bank of India, Mumbai Regional Office, Shahid Bhagat Singh Marg, Fort, Mumbai - 400 001.
- (v) **Cancellation of Letter of Admission:**

Letter of admission issued to a participant may be cancelled by RBI on it being satisfied that such participant has –

- (a) defaulted in complying with any Regulations / Procedural Guidelines / admission terms and conditions / instructions issued from time to time.
- (b) been placed under an order of moratorium or an order prohibiting acceptance of fresh deposits or an order of winding up or in respect of which a provisional liquidator has been appointed.

- (c) Certificate of Authorisation / Approval granted by RBI or other financial regulators has been cancelled / revoked.
- (d) Been barred, for whatever reason, from either sending or receiving transactions or both under the NEFT system by regulatory / supervisory / NEFT nodal department of RBI.
- (e) stopped or suspended payment of its debts.
- (f) failed to get the order of suspension passed against it under Regulation 8(e) of the Uniform Regulations and Rules for Bankers' Clearing Houses (URRBCH) revoked within a period of three months from the date of order of suspension.
- (g) has conducted its transactions in the NEFT System in a manner prejudicial / detrimental to the interest, integrity or efficiency of the System.

No order of cancellation shall be passed without first giving an opportunity of hearing to the participant concerned.

Every order of cancellation shall be notified to the respective participant and also to all other participants in the NEFT System.

Notwithstanding the order of cancellation of Letter of Admission passed against it, such participant shall discharge all its payment obligations arising out of the funds transfers effected in the NEFT System.

7. Sub-Membership in NEFT

- (i) Direct members can extend NEFT facility to licensed banks which have the technological capabilities but are not participating in NEFT on account of either not meeting the access criteria or because of cost considerations. The direct member is a sponsor bank and the licensed bank accessing NEFT through a direct member bank (sponsor bank) is a sub-member. Non-bank PSPs cannot act as sponsor member or participate as a sub-member in the NEFT.
- (ii) The sponsor banks would be responsible for sending / receiving the transactions / messages on behalf of their sub-member(s).

- (iii) The obligations and duties in respect of customer transactions viz., timely credit and return are applicable to the sub-members also.
- (iv) There are no restrictions on the number of sub-members a sponsor bank can sponsor. Aspects relating to operational feasibility, risk mitigation, fund settlement, collaterals etc., are the responsibility of sponsor bank.
- (v) The sponsor bank should put in place a risk management framework and a system of continuous monitoring of the risk management practices of sub-member(s) they sponsor. The risk management framework should be approved by the Board of the sponsor bank.
- (vi) The settlement of transactions by / on the sub-members would take place in the settlement accounts of the sponsor banks maintained with the Bank. The sponsor bank under this arrangement shall assume complete responsibility for the settlement of all transactions pertaining to their sub-members.
- (vii) The sponsor bank at all times should ensure that its sub-member/s adhere to and abide by the rules, regulations, operational requirements, instructions, orders, decisions etc., of NEFT, as laid down by the Reserve Bank from time to time.
- (viii) Redressal of all customer complaints / grievance would be the responsibility of the sponsor bank. To aid in this process, the sponsor bank should ensure that the sub-member/s have put in place a transparent and robust mechanism to resolve customer complaints in a quick and efficient manner, as laid down in the procedural guidelines, business rules and regulations of NEFT.
- (ix) All disputes between the sponsor bank and the sub-member/s shall be handled bilaterally amongst them.
- (x) The sponsor bank shall bring to the immediate notice of the Bank:
 - a. any involvement of its sub-member/s in any suspicious transactions, frauds, etc.;
 - b. any of its sub-member/s resorting to unfair practices relating to their participation in NEFT;

- c. any of its sub-member/s not adhering to the rules, regulations, operational requirements, instructions etc., of NEFT ;

(xi) The sponsor bank is not required to take prior approval of the Bank for sponsoring sub-member/s to NEFT. However, as and when a sponsor bank admits a sub-member, the sponsor bank is required to immediately inform the Regional Director, Reserve Bank of India, Department of Payment & Settlement Systems, Mumbai Regional Office, Mumbai, regarding the details of the sub-member/s, IFSC allotted to the branch / branches of the sub-member/s, date of commencement of sub-membership etc. Further, every direct member bank shall submit to the Bank a list of its sub-members, as on March 31 every year. The list is to be submitted to The Regional Director, Reserve Bank of India, Department of Payment & Settlement Systems, Mumbai Regional Office.

(xii) The sponsor bank should immediately inform the Bank of the cessation of sponsorship arrangement between the sponsor bank and sub-member/s.

(xiii) The charges for customer transactions of sub-member/s cannot exceed the maximum charges prescribed by the Bank from time to time.

(xiv) A sub-member shall directly report any fraud in Central Payments Fraud Information Registry (CPFIR).

8. Cyber Security Guidelines for NEFT

(i) All members of NEFT are expected to be in compliance with the base line cyber security guidelines provided at Annexure IV at the time of going live and on an ongoing basis.

(ii) All members shall get conducted audit of their NEFT related systems by a CERT-In empaneled IS auditor once a year and submit the report to the Bank.

(iii) The auditors conducting audits, need to follow applicable IS audit standards to provide reasonable assurance to RBI about the status of compliance to these guidelines. The IS audit report shall be accompanied with the IS audit standards followed by the auditor along with detailed IS audit procedures employed. The report

shall also be accompanied with artifacts and evidence collected in respect of each item to substantiate its observations.

(iv) The audit report and compliance certificate are to be submitted to the Regional Director, Reserve Bank of India, Mumbai Regional Office in the manner and as per timelines specified from time to time. These reports will form the basis for deciding on the grant of membership or continued participation of the existing member in NEFT.

(v) Sponsor banks shall also specify minimum cyber security requirements for its sub-members and ensure that they are met.

(vi) Apart from these guidelines, all members shall comply with the applicable Cyber Security Framework and related regulatory requirements prescribed by RBI/ NABARD/ applicable regulatory body.

9. Process Flow

The parties to a funds transfer under this NEFT System are the sending participant, the sending Service Centre, the NEFT Processing Centre, the receiving Service Centre and the beneficiary participant.

(i) Availability of NEFT System

NEFT is available round the clock, i.e. 24*7*365, including holidays, from December 16, 2019 onwards. There are 48 half-hourly batches in NEFT every day. The settlement of first batch will commence after 00:30 hours and the last batch will end at 00:00 hours. Member banks are advised to ensure availability of all necessary infrastructural requirements at their end for providing seamless NEFT 24x7 facility to their customers.

(ii) Request for NEFT by a Participant Customer / Any Person

(a) A participant customer (i.e. sender or originator) desirous of remitting funds under the system shall initiate fund transfer request electronically through various electronic modes i.e. internet / mobile banking offered by the sending / originating participant. Alternatively, a customer may also submit an "NEFT Application Form" (to be designed by the participant) authorising the sending

participant to debit the customer's account and transfer funds to the beneficiary as specified in the Model NEFT Application Form (Annexure III). The application could be submitted either in physical form or electronically.

- (b) The payment instruction given by the sender / originator shall be in compliance with the provisions contained in Paragraph 9 (Rights and Obligations) of these guidelines. Participants shall ensure that the senders / originators are made aware of the rights and obligations of participants in NEFT system contained in Paragraph 11.
- (c) A transaction within the NEFT system will be said to have been initiated when the sending participant accepts a payment instruction issued by the sender.
- (d) If in a single payment instruction, the sender directs payments to several beneficiaries, each payment direction shall be treated as a separate payment instruction.
- (e) A participant may reject a customer's request for funds transfer when, in the opinion of the sending branch –
- the customer has not placed funds at the disposal of the sending participant; or funds placed is not adequate to cover the sum to be remitted and the service charge; or
 - the beneficiary details given in the NEFT Application Form are not adequate to identify beneficiary by the beneficiary participant. The essential elements of beneficiary's identification are:
- | | |
|---|---|
| Beneficiary's Name | : |
| Beneficiary's Branch Name | : |
| Beneficiary's Participant Name | : |
| Beneficiary's Account Type | : |
| Beneficiary's Account No. | : |
| Beneficiary's Branch IFSC | : |
| Beneficiary's LEI Number (where applicable) | : |
- (f) The participants shall prominently display at its premises / on its website for the benefit of customers providing information, inter-alia, availability of NEFT

system on 24x7x365 basis, charges for NEFT system, dispute resolution mechanism, etc.

- (g) In order to facilitate cash remittances through NEFT up to ₹ 50,000/- for customers who are not having account with the originating participant, the originating participants are required to collect the full details of remitters, including complete address and telephone number, etc., in order to comply with the Wire Transfer Guidelines. These details need to be keyed in the Sender's details field provided in NEFT outward debit message with transaction code 50 for identification. A Special Account may need to be opened for this purpose at the originating branches to route the cash transactions and that Special Account Number should be given while originating a Cash Transaction. This account would also facilitate the handling of returned NEFT transactions. The returns would automatically be credited to the Special Account in a Straight through Processing (STP) environment. Banks should maintain data pertaining to NEFT transactions by walk-in customers (those not having an account with the bank).
- (h) In order to facilitate workers' remittances from India to Nepal for bank customers and persons not having bank accounts in India, Indo Nepal Remittance Facility Scheme has been introduced. An originator under the system shall indicate the IFSC of the Payment Systems Group, State Bank of India (SBIN0004430) as the Beneficiary Branch's IFSC No. in field no. 5569 with account number 2399468044302 and transaction type / code as 51 to identify the remittances meant for Nepal. At Nepal end, the remittances would be distributed through the branches of Nepal SBI Bank Ltd. (NSBL) or their money transfer agent, Prabhu Money Transfer Ltd., by picking up the beneficiary information from the inward message. Funds settlement will take place through the rupee account of the NSBL maintained with SBI, Mumbai Main Branch. The Procedural Guidelines for Indo-Nepal Remittance Facility Scheme available on the website of RBI may be referred for further details.
- (i) In case of payments towards Credit Card dues, customers would be required to furnish the 16 digit Credit Card Number as the Beneficiary's account number, the beneficiary's account type as 52 and the beneficiary bank's IFSC will be the

IFSC of the branch responsible for handling these card bill payments. The card issuing banks may designate a branch for accepting such payments and communicate the IFSC of the designated branch to their credit card customers.

- (j) NEFT transactions after usual banking hours of banks are expected to be automated transactions initiated using 'Straight Through Processing (STP)' modes by the banks.

(iii) Data Entry at the Sending Participant

The sending participant shall prepare the SFMS message as and when the applications for funds transfer is received and arrange to send the message to NEFT Service Centre till the cut off time for the batch.

(iv) Processing / Data Upload at Sending NEFT Service Centre

The sending NEFT Service Centre shall accept the messages received from branches / customers through internet / mobile banking / ATMs / any other channel, if these are complete / in order or reject the same if the messages are incomplete / not confirming to the parameters specified.

(v) Transmission / Submission of NEFT Message to the NEFT Processing Centre

The sending Service Centre shall transmit the NEFT SFMS message to the NEFT Processing Centre by using the communication network designated by RBI.

(vi) Processing and Transmission of NEFT Message to the Beneficiary Participant

All NEFT credit messages received from originating participants will be released to the destination participants immediately on receipt. Transactions will be bundled into messages (maximum 10 transactions in one message). There will be a continuous flow of messages to participants till the time of corresponding batch settlement. At the end of the batch, the NEFT Processing Centre shall arrive at the fund settlement, send the fund file to CBS of RBI for settlement and after settlement is over, an End-of-batch (EOB) message will be released from the NEFT Processing Centre to the participants.

Destination / beneficiary banks have to release the final credit to the beneficiary customer only after receiving EOB message from NEFT Processing Centre, even though they would have received the credit messages earlier. Participants which have no transactions will get a batch wise 'nil' transactions report and a summary report at the end of the day indicating all inward transactions received by them during the day. Credit messages for the next batch will be released from the NEFT Processing Centre only after the EOB message of the current batch is released for all the banks.

NEFT messages generated for destination participant will be transmitted to the NEFT Service Centre of each beneficiary participant using SFMS.

(vii) **Data Validation at the Receiving NEFT Service Centre**

On receipt of the NEFT message, the receiving NEFT Service Centre shall process these files and forward them to the beneficiary branches using SFMS. Alternatively, the receiving NEFT Service Centre may use the Straight Through Processing (STP) interface available in SFMS and upload these NEFT messages to their internal banking solution directly, to afford the credits to the beneficiary accounts centrally.

(viii) **Payment to Beneficiary**

The beneficiary branches would make payment to the beneficiaries within two hours of batch settlement time by crediting the specified account of the beneficiary or otherwise placing funds at the disposal of the beneficiary. The time limit for processing of transactions and credit to the beneficiary account shall be advised by RBI from time to time.

(ix) **Revocation of Payment Instruction**

A payment instruction issued for execution shall become irrevocable when it is executed by the sending participant. Any revocation, after the payment instruction is executed by the sending participant shall not be binding on any other party in the NEFT system.

(x) **Acknowledgement / Positive Confirmation by the Beneficiary Participant and Return in Case of Non-Credit**

NEFT presently functions with a Batch+2 hours (B+2) return cycle. The B+2 return discipline would require participants to afford credit to the beneficiaries' account immediately upon completion of a batch else return the transactions within two hours of completion of the batch settlement, if it is not possible to afford credits to the beneficiaries, for any reason. Therefore, an inward credit message which is not returned within two hours from the time at which the payment instructions are processed at NEFT Centre (B+2) is treated to have been completed and credit afforded to the beneficiary's account by the beneficiary branch. It is, therefore, vital that uneffected credits are re-transmitted back as return NEFT transactions in the immediate next batch itself.

In addition to this, in order to facilitate the originator of NEFT to receive a confirmation of credit being afforded to beneficiary's account, the originator may indicate his / her mobile number or email-id in his / her NEFT application while initiating the transaction. After successfully crediting the beneficiary's account, the beneficiary participant will send a Credit Acknowledgement message indicating "credited to customers' account" to the originating participant through NEFT Service Centre. The originating participant after receiving the positive confirmation message from the beneficiary participant, shall initiate a mobile SMS or generate an e-mail to the originator to convey the fate of the transaction.

(xi) **Sender to be Advised in Case of Returns**

If the beneficiary specified in the sender's payment instruction fails to get payment through the NEFT system for some valid reasons, the sender shall be informed immediately after the sending participant gets the returned NEFT. The sending participant shall also arrange to make payment to the sender by crediting the account of the sender or otherwise placing funds at the disposal of the sender. The originating participant shall provide the description "NEFT-Return" (<Original UTR Number> <Intended Beneficiary Customer> <Reason for Return>) in the passbook / account statement of the originator whose NEFT transaction is returned.

In case of returns pertaining to the outward transactions initiated by a non- customer, the initiator to be advised immediately by referring to the contact details provided, earlier, and funds to be kept at his / her disposal.

(xii) **Beneficiary to be Advised of the Receipt of Funds**

After crediting the account of the beneficiary, the beneficiary participant shall advise the beneficiary of the funds received. The Account Statement / Pass Book entry or any online messaging system shall indicate briefly the source of funds as well. For this purpose, the mandatory field 6091 which contains the remitter's name shall be picked up for the source of credit and information contained shall be printed in the Account Statement / Pass Book. Participants originating transactions shall ensure proper and meaningful details are provided in this field. Description of field 6091 is

M	6091	Sending customer a/c name	50x	Sender's account name
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(xiii) **Holidays**

The NEFT system shall be available round the clock and throughout the year on 24x7x365 basis for funds transfer / receipt. There will be no holidays in NEFT system. Participants shall enable their systems for "Straight Through Processing (STP)" of NEFT transactions initiated / received. In case the NEFT system is not available for any reason, appropriate message will be passed on to the participants.

10. Inter-Participant Settlement

- (i) **Inter-Participant Funds Settlement at Reserve Bank:** Every participant shall open and maintain settlement account with RBI for settlement of payment obligations arising from the funds transfer executed under the NEFT system.
- (ii) **Finality of Settlement:** The settlement so arrived at through multilateral netting shall be final and irrevocable, in terms of section 23 of the "Payment and Settlement Systems Act, 2007" as soon as the same is determined in terms of the procedures notified by RBI.
- (iii) **Intra-Day Liquidity (IDL) facility:** The Intra-Day Liquidity (IDL) facility against collateral for meeting settlement obligation, is available to eligible participants,

participating in NEFT system. RBI reserves the rights of continuation / discontinuation of the IDL facility. IDL facility is not available for non-bank PSOs. The limit for IDL facility would be set by Reserve Bank of India from time to time. Outstanding drawing at the end of the day under IDL facility will be automatically converted into borrowing under the Marginal Standing Facility. The above MSF borrowing reversal will take place along with other LAF operations as is currently being done.

- (iv) **Settlement and Default Handling Procedure:** Aspects relating to finality of settlement and default handling in the event of failure-to-settle situations will be in accordance with the Directive on Settlement and Default Handling Procedures issued by RBI and as duly amended from time to time.

The continued eligibility of a participant to participate shall be reviewed in case of permanent default by a member participant. Default will be considered permanent if the process of recalculation provided as part of the default handling procedure is necessitated in respect of a participant on more than three occasions in a calendar month. The number of occasions shall be calculated separately for each multilateral and deferred net settlement system.

11. Rights and Obligations

- (i) **General Rights and Obligations of Sender / Originator and Participants**

Every participant shall maintain the security, integrity and efficiency of the System.

- (ii) **Rights and Obligations of the Sender / Originator**

- (a) Funds transfer instruction shall be issued by the sender / originator in a manner prescribed by the participant.
- (b) The format shall be complete and contain all requisite particulars. The sender or the originator shall be responsible for the accuracy of the particulars given in the payment instructions and special care should be taken while writing account number of the beneficiary, etc. This may entail originating participants advising customers enjoying online / internet banking facilities to input the beneficiaries' account number information more than once and customers submitting funds

transfer requests at branches to write down the beneficiaries' account number information twice in the application form.

- (c) Responsibility to provide correct inputs in the payment instructions, particularly the beneficiary account number information, rests with the remitter / originator. While the beneficiary's name shall be compulsorily mentioned in the instruction request, and carried as part of the funds transfer message, reliance will be only on the beneficiary's account number for the purpose of affording credit. This is applicable both for transaction requests emanating at branches and those originated through the online / internet delivery channel. The name field in the message format will, however, be a parameter to be used by the destination participant based on risk perception and / or use of post-credit checking or otherwise.
- (d) The sender / originator shall be bound by any payment instruction executed by the participant if the participant had executed the payment instruction in good faith and in compliance with the security procedure, provided that the sender / originator shall not be bound by any payment instruction executed by the participant, if he proves that the same was not issued by him and that it was caused either by negligence or a fraudulent act of any employee of the participant.
- (e) The sender / originator shall ensure availability of funds in his / her account or remit cash while issuing the payment instruction to his / her participant.
- (f) The payment instruction shall become irrevocable once it is executed by the participant. The participant is not bound by any notice of revocation unless it is not in compliance with the security procedure.
- (g) In the event of any delay or loss on account of error, negligence, or fraud on the part of an employee of the beneficiary participant in the completion of funds transfer pursuant to receipt of payment instruction by the beneficiary participant leading to delayed payment to the beneficiary, the beneficiary participant shall pay compensation (at current RBI LAF Repo Rate plus two percent) for the period of delay to the beneficiary. In the event of delay in return of funds transfer instruction for any reason whatsoever, the beneficiary

participant shall refund the amount together with interest (at current RBI LAF Repo Rate plus two percent) for the period of delay to the remitter. Payment of penal interest shall be made to remitter / beneficiary even if no claim is lodged to that effect.

- (h) The originating participants shall endeavor to put through the request for NEFT transactions received by them, either online or across the counters from senders / originators, preferably in the next available batch, but, in any case, not exceeding two hours from the time of receipt of requests. In the likelihood of any delay / possible delay in adhering to this requirement, the sender / originator shall be informed of the delay / possible delay and the reasons for the same. Once the customer account is debited, the transaction should be sent to be included in the next available settlement.
- (i) Customers can complain to the RBI's Integrated Ombudsman if the complaint is not resolved to his / her satisfaction within thirty days.
- (j) Participants are advised to educate all their staff / officials about the NEFT process in general and extension of the facility to walk-in customers and customer charges applicable on NEFT, in particular, as outlined in the Procedural Guidelines for NEFT and instructions issued by the Reserve Bank from time to time on NEFT.
- (k) Participants should ensure that positive confirmation of credit to beneficiary account is invariably sent for all inward transactions received by them. Similarly, participants originating the NEFT transactions may ensure that such positive confirmation is relayed to all remitting customers, including walk-in customers who provide their mobile number / e-mail id, in accordance with our guidelines on the matter. Intimation of failed / returned transactions should also be brought to the notice of the remitting customer and funds credited to the account immediately / returned to the remitted at the earliest.

(iii) Rights and Obligations of Sending / Originating Participant

- (a) The participant shall execute a payment instruction issued by the customer, after due verification with reference to the security procedure for its authenticity, unless
- the funds available in the account of the sender / originator is not adequate to comply with the payment instruction.
 - the payment instruction is incomplete or it is not issued in the prescribed form.
 - the payment instruction cannot be executed on account of court order / attachment, etc.
 - the participant has reason to believe that the payment instruction is issued to carry out an unlawful transaction.
 - the payment instruction cannot be executed under the NEFT System.
- (b) Banks should ensure NEFT applications forms with proper instructions are made available at all branches. Bank staff should provide customers with necessary assistance in filling out the details as required in the NEFT application form, including ensuring that beneficiary account details etc. are duly filled in.
- (c) Where the customer has provided both the IFS Code as well as branch details of the beneficiary branch, the bank should ensure that these details match. In case of any mismatch, the same may be brought to the notice of the customer for rectification before originating the transaction.
- (d) Where the customer is able to provide only one of the inputs related to beneficiary branch, i.e., either the IFS Code or the branch name, then the bank staff has to assist the customer in ascertaining the other information which should be duly filled in by the customer on the NEFT application form before originating the transaction.

- (e) The maker-checker / double scrutiny procedure being followed by the banks should cover details provided by the customer in the NEFT application form, including matching of IFSC number as above.
- (f) No payment instruction issued by the sender / originator shall be binding on the sending participant until the participant has accepted it. The onus of ensuring credits to the Non Resident External (NRE) account in compliance with the extant Foreign Exchange Management Act (FEMA) Regulations and the Wire Transfer Guidelines, rest with the sending participant. The sending participant shall therefore ensure that such remittances are eligible to be credited to NRE accounts in India under the said Act and guidelines. In such cases, the account type number 40 is to be used to enable the beneficiary participant to identify that the funds proposed to be credited to the beneficiaries' account represent foreign inward remittance / eligible to be remitted abroad.
- (g) The sending participant shall not execute a payment instruction without complying with the security procedure.
- (h) If the funds transfer is not complete before end of the particular NEFT batch timing as specified by the customer, the participant shall advise the customer.
- (i) Under the FCRA, 2010 (amended as on September 28, 2020), foreign contribution must be received only in the "FCRA account" of State Bank of India (SBI), New Delhi Main Branch (NDMB). The contributions to the FCRA account are received directly from foreign banks through SWIFT and from Indian intermediary banks through NEFT systems. In terms of extant requirements of Ministry of Home Affairs (MHA), Government of India, the donor details such as name, address, country of origin, amount, currency, and purpose of remittance are required to be captured in such transactions and SBI is required to report the same to MHA on daily basis. Participants are advised to capture the requisite details while forwarding the foreign donations through NEFT systems to SBI as given in Annexure V. Member banks are advised to incorporate necessary changes in their core banking / middleware solutions to capture the requisite details while forwarding the foreign donations through NEFT to SBI.

- (j) The Legal Entity Identifier (LEI) is a 20-digit number used to uniquely identify parties to financial transactions worldwide. The LEI system was introduced for all payment transactions of value ₹50 crore and above undertaken by entities (nonindividual) using NEFT. The sending participant should include remitter and beneficiary LEI information in NEFT payment messages for all customer and interbank payment transactions of value ₹50 crore and above undertaken by entities (non-individual) all the eligible payment transaction. For transactions, where either or both parties are non-individual/s, LEI will be required. It is not necessary for Governments or their Departments / Ministries to obtain LEI or mention LEI number for payment transactions in NEFT. However, Corporations / Undertakings, including those fully owned by the Government, shall need to obtain LEI. Accordingly, all single payment transactions of ₹50 crore and above of Government Undertakings and Corporations, through NEFT, shall include remitter and beneficiary LEI information. Details of the identified fields in the messaging structures of NEFT for inclusion of LEI information are given at Annexure VI. Any inward transaction with inappropriate or no LEI should not be rejected by beneficiary bank. Member banks should maintain records of all transactions of ₹50 crore and above through NEFT. No payment instruction shall be accepted for execution in the NEFT System, if the beneficiary participant is not a participant.
- (k) The sending participant shall be responsible for the accuracy of the transaction as furnished / originated by the sender.
- (l) The sending participant shall not be entitled to bind any other participants in the NEFT System with any "special circumstances" attached to a payment instruction accepted by it.
- (m) The sending participant shall maintain record of all payment instructions executed by it for a period of ten years in terms of instructions issued by RBI under the PSS Act, 2007 on the preservation of information / data / record pertaining to payment system applications.

- (n) The sending participant shall, upon completion of funds transfer of a payment instruction, furnish to the originator on request by him, a duly authenticated record of the transaction
- (o) The participants shall reconcile the transactions on a daily basis with reference to the settlements / settlement details made available by the NEFT centre and the participant account details by RBI, DBA, Mumbai.

(iv) **Obligations of the Sending NEFT Service Centre**

- (a) The sending NEFT Service Centre shall be responsible for the accuracy of the contents of the NEFT SFMS message and the authenticity of the payment instructions contained therein as received by the NEFT Centre, in compliance with the security procedure.
- (b) The sending NEFT Service Centre of a participant shall be responsible for settlement of all payment obligations in regard to payment instructions executed by the branches of the participant, compliance to the security procedure and adherence to the prescribed time schedules for such settlements.
- (c) The sending NEFT Service Centre shall ensure, before execution of any NEFT SFMS message that the balance in its settlement account is adequate to cover its settlement obligation and ensure that the ceiling, if any, specified for it is not exceeded and the requirement of collateral if specified by the Nodal Department is adequate for execution of the NEFT SFMS message originated by it.
- (d) The sending NEFT Service Centre shall generate, dispatch and maintain records of transaction in accordance with procedure specified.
- (e) The sending Service Centre shall set up a Customer Facilitation Centre (CFC). The CFC shall ensure that complaints received from customers are resolved promptly. It would be the responsibility of the participant to ensure that all the transactions originated have been reflected in their account as also the transaction details have been received for all credits received by them in their current account. Such a mechanism would ensure reconciliation of daily batch-

wise NEFT outward and inward transactions with that of the final settlement details. Mismatch, if any, shall be investigated and promptly followed up with the NEFT processing Centre. Contact details of CFCs is published on RBI website at the following link:
https://www.rbi.org.in/scripts/bs_viewcontent.aspx?ld=2070.

(v) **Obligations of NEFT Processing Centre**

The NEFT Processing Centre shall comply with the time schedule, process and sort the SFMS messages participant-wise and after debiting / crediting the settlement accounts with the corresponding value, transmit the NEFT SFMS messages to the respective receiving NEFT Service Centres. The NEFT Processing Centre shall generate, dispatch and maintain records of transactions.

The Processing Centre shall maintain record of all payment instructions processed by it for a period of ten years in terms of guidelines issued by RBI under the Payment and Settlement Systems Act on preservation of information / data / record pertaining to payment system applications.

(vi) **Obligations of the Receiving NEFT Service Centre**

- (a) The Receiving NEFT Service Centre shall be responsible for receiving NEFT SFMS message from the NEFT Processing Centre in accordance with procedure and time schedules specified.
- (b) The Receiving NEFT Service Centre shall process the NEFT SFMS message in compliance with the SFMS procedure and sort the payment instructions into branch-wise lots and transmit to the respective branches for execution in accordance with the time schedule. Alternatively, the Receiving NEFT Service Centre may use the Straight Through Processing (STP) interface available in SFMS and upload these NEFT messages to their internal banking solution directly, to afford the credits to the beneficiaries account centrally.
- (c) The Receiving NEFT Service Centre shall generate, dispatch and maintain records of transactions. It would be the responsibility of the participant to ensure that all the transactions originated have been reflected in their account as also

the transaction details have been received for all credits received by them in their current account. Such a mechanism would ensure reconciliation of daily batch-wise NEFT outward and inward transactions with that of the final settlement details. Mismatch, if any, shall be investigated and promptly followed up with the NEFT Processing Centre.

(vii) Rights and Obligation of Beneficiary Participant

(a) The beneficiary participant shall execute the payment instruction within two hours of batch settlement (B+2) unless it notices one or more of the following deficiencies:

- The beneficiary participant has no such account number as mentioned in the payment instructions.
- The beneficiary participant is bound by instructions of the beneficiary not to give or receive any credit to the account.
- No credit could be afforded to the beneficiary's account for any other reasons.

(b) The beneficiary participant may reject a payment instruction on one or more of the grounds mentioned above. The beneficiary participant shall return the funds and the reasons for the return as per the procedure specified in Paragraph 9 (x) of these guidelines to the sending participant. Return reason should be marked properly citing exact reasons. Returns outside the NEFT system should be avoided.

(c) The beneficiary participant is expected to afford credit to beneficiary account solely based on account number mentioned in the NEFT message as received from the NEFT Processing Centre.

(d) The beneficiary participant shall put in place internal mechanism for verification of beneficiary details based on risk perception, value of transfer, nature of transaction, post-credit checking, etc., as appropriate.

- (e) The beneficiary participant shall establish robust, quick and transparent grievance redressal mechanism to address complaints pertaining to wrong credits.
- (f) The beneficiary branches would make payment to the beneficiaries within two hours of batch settlement time by crediting the specified account of the beneficiary or otherwise placing funds at the disposal of the beneficiary. For any delay, beneficiary participant is liable to pay penalty (at the rate RBI LAF Repo rate plus two percent). Payment of penal interest shall be made to customer even if no claim is lodged by the customer to that effect.
- (g) Banks should ensure that in case of delayed credits or delayed returns, the penal interest as applicable is paid suo-moto to the customer without necessitating a request for the same by the customer. Banks resorting to back-dating or value-dating such delayed transactions are not excused from paying the penal interest for the delayed period and adoption of such practices will be viewed seriously.
- (h) The receiving participant shall maintain the record of all payment instructions received by it for a period of ten years in terms of guidelines issued by RBI under the Payment and Settlement Systems Act on preservation of information / data / record pertaining to payment system applications.
- (i) Banking Ombudsmen under the RBI's Integrated Ombudsman Scheme, 2021 will have jurisdiction in case the customers' complaints are not resolved within thirty days.

12. Service Charges

- i. The service charges to be levied by the originating participant would be in terms of the instructions issued from time to time under the framework of charges to be levied by the participants for offering various electronic products.
- ii. The extant charges applicable on NEFT transactions should be displayed at all branches / locations of the bank where NEFT transactions can be

conducted. A printed “charges card” in appropriate vernacular language should invariably be carried by agents / business correspondents of the banks.

- iii. Banks are advised to ensure that the charges levied on customers for inter-bank NEFT transactions at both branch locations and CSP/BC/agent locations are at par. Further, it should be ensured that the customers should not be forcibly diverted to BC/CSP/agent locations from the branches for conducting NEFT transactions.
- iv. The maximum charges which originating members can levy on its customers for other outward transactions, if they so desire, is given in Annexure VII.
- v. The participants shall not levy any processing charges from their savings bank account holders for funds transfer initiated using various online platforms offered by the participants (viz. internet banking and / or mobile apps of the participant).
- vi. The RBI does not levy any charges from participants for NEFT transactions. Participants shall pass on the benefits to their customers for undertaking transactions using NEFT system.
- vii. Interchange fee of 25 paise (exclusive of GST) is payable by the originating member to the destination member. The charges payable by the originating members to destination members (including GST applicable thereon), will be calculated and settled by Mumbai Regional Office (MRO) using the multilateral netting method on half yearly basis . However, the applicable tax will be calculated on gross obligations of the members. Necessary reports will be provided to the members by MRO. The participating members are not permitted to pass on the above charges to customers.
- viii. The beneficiary participant shall not levy any charges from their customers for passing on credit to the beneficiaries.

- ix. The RBI / Nodal Department of RBI shall reserve the right to periodically review the charges and prescribe changes, if any.

13. Dispute Resolution Mechanism

The mechanism for resolution of disputes will be in accordance with the Directive on Dispute Resolution Mechanism issued by RBI and as duly amended from time to time.

14. Amendment to Procedural Guidelines

The Procedural Guidelines can be amended only by RBI. RBI may also, by issuance of a circular, amend the procedure.

Form NEFT-1A

Annexure I

Ref. No.....

Date:

The Regional Director
Reserve Bank of India
Mumbai Regional Office
Shahid Bhagat Singh Marg
Fort, Mumbai – 400 001

Madam / Dear Sir,

Application for participation in NEFT System

We have received approval from Department of Payment and Settlement Systems, Central Office for participation in Centralised Payment Systems on and we have gone live on the RTGS system on We hereby request membership of NEFT System.

2. In the event of being admitted to the System, we would comply with the technical and operational requirements of the NEFT System and would meet the settlement obligations from our account/s maintained with Reserve Bank of India. We also agree to abide by the Procedural Guidelines for the NEFT System.

Place: (.....)

Signature with name, designation and seal of the applicant

Enclosures: As stated above

No. of Core Banking-enabled branches that can participate in NEFT:

Form NEFT-1B

Annexure II

**Reserve Bank of India
Mumbai Regional Office
Shahid Bhagat Singh Marg
Fort, Mumbai – 400 001**

NEFT System – Letter of Admission

Reference No.

Date:

To

.....

Madam / Dear Sir,

Please refer to your application no..... dated for participation in the NEFT System.

It is advised that you have been admitted for participation in the NEFT system with effect from

You are required to comply with the technical and operational requirements as indicated in the Procedural Guidelines for NEFT System and confirm your readiness latest by

(.....)

for Regional Director

-2-

Conditions for transfer of funds through NEFT

1. I / We understand that reliance will be only on the beneficiary account number for the purpose of affording credit and agree that it is my / our responsibility to provide correct beneficiary account number.
2. I / We have checked the funds transfer instructions / particulars given in the application and I / We shall be liable to compensate the participant for any loss arising on account of any error in payment order / amendment / cancellation thereto.
3. The transfer is effected for legitimate personal / business needs.
4. I / We shall ensure availability of funds properly applicable to the payment order before execution of the payment order by the participant and understand that if the participant executes the transfer order without properly applicable funds being available in my account, I / We shall be bound to pay to the participant the amount debited to my account together with charges including interest payable to the participant provided the transfer was effected as per my order.
5. I / We understand that in case the payee branch does not have NEFT facility, the funds will be credited back to my / our account as and when it is returned by the beneficiary participant.
6. I / We agree that in the event of any delay in the completion of the funds transfer or any loss on account of error in the execution of the funds transfer pursuant to my / our payment order, the participant's liability shall be limited to the extent of the amount involved in the funds transfer plus interest (at the RBI LAF Repo rate plus two percent) for any period of delay.
7. I / We also agree to abide with all the other terms and conditions contained in the model agreements / application forms or other terms / rules / regulations governing NEFT transactions as enumerated by RBI.

Date:

(Signature of the Applicant)

Annexure IV**Baseline Cyber Security Guidelines for NEFT****1. Inventory Management**

- Maintain an up-to-date inventory register of all information assets.
- Not to use outdated and unsupported hardware or software and monitor software's end-of-support (EOS) date and Annual Maintenance Contract (AMC) dates of IT hardware on an ongoing basis.

2. Prevent installation of unauthorized software: Put in place a mechanism to control installation of software/ applications on end-user PCs, laptops, workstations, servers, mobile devices, etc. In addition, put in place a mechanism to block/ prevent and identify installation and running of unauthorised software/ applications on such devices/ systems.

3. Network Security

- Use firewalls to protect the network perimeter
- Ensure perimeter security and block all unnecessary ports
- Ensure network segmentation to restrict lateral movement of attackers
- Disable Remote Desktop Protocol (RDP). Restricted access in case of exceptions, may be provided only on need basis through Multi Factor Authentication and with appropriate monitoring.
- Internet usage is strictly prohibited in SFMS/NEFT/RTGS infrastructure including the zone where these infrastructures are hosted.

4. Change and Patch Management : Ensure robust and documented change management process to assess, approve, implement and review changes made to any technology stack items associated with NEFT systems. Put in place systems and processes to identify, track, manage and monitor the status of patches to all concerned systems (servers, desktops, network devices, operating system and application software).

5. Access Management

- Implement strict user access controls based on principle of least privilege.
- Implement multi-factor authentication (MFA) for all critical applications, especially for privileged accounts.

6. Email Security: Implement secure mail and messaging systems that include measures to prevent email spoofing, identical mail domains, protection of attachments, malicious links, etc. Implement DMARC (Domain based Message Authentication, Reporting & Conformance).

7. Continuous surveillance: Implement mechanism to detect and remedy any unusual activities in critical systems, servers, databases, network devices and endpoints

8. Disaster recovery drills for critical systems should be conducted at least once in a half-year, preferably once a quarter.

9. Backup: Maintain regular and secure backup of critical data and systems, with tested recovery procedures in place.

10. If the entity is providing digital payment products and services to its customers, then ensure compliance to Master Direction on Digital Payment Security Controls related to Internet/ Mobile Banking (refer RBI Circular DoS.CO.CSITE.SEC. No.1852/ 31.01.015/ 2020-21 dated February 18, 2021), as updated from time to time.

11. Application Security Life Cycle (ASLC): Follow a 'secure by design' approach in the development of critical applications. Further, ensure that applications are inherently more secure by embedding security within their development lifecycle.

12. Log management: Put in place comprehensive log management procedures addressing aspects of identification of log sources, log generation, log

transmission and storage, log normalisation & parsing, log analysis, log disposal, log security and periodic review of log readiness.

13. Conduct Vulnerability Assessment (VA) and Penetration Testing (PT): For critical information systems and/ or those in the De-Militarized Zone (DMZ) having customer interface, VA to be conducted at least once in every six months and PT at least once in 12 months. The risks highlighted to be remediated within defined timelines based on criticality.
14. Cryptographic controls: The key length, algorithms, cipher suites and applicable protocols used in transmission channels, processing of data and authentication purpose shall be strong. Internationally accepted and published standards that are not deprecated/ demonstrated to be insecure/ vulnerable should be adopted, and the configurations involved in implementing such controls shall be compliant with extant laws and regulatory instructions.
15. Members to follow the latest IDRBT CA guidelines related to cryptographic devices and digital certificates. Entities should maintain and operationalize required policy in order to ensure that renewal of Digital Security Certificates (DSCs) are undertaken before expiry of ongoing certificates.
16. Transaction Monitoring: Implement mechanism for identifying suspicious transactional behaviour in respect of rules, preventive, detective types of controls, mechanism to alert the customers in case of failed authentication, time frame for the same, etc.
17. Security Operations Centre(SOC): Set up SOC as provided in Annex-2 of Circular DBS.CO/CSITE/BC 11/33.01.001/2015-16 dated June 02, 2016 on Cyber Security Framework in Banks, as applicable and also factor in DoS.CO/CSITE/BC.4083/31.01.052/2019-20 dated December 31, 2019 on Comprehensive Cyber Security Framework for Primary (Urban) Cooperative Banks (UCBs) – A Graded Approach , as applicable.
18. Adherence to rules & guidelines of INFINET, INFINET framework and SFMS, as updated from time to time.

Annexure V

FCRA related transaction code in NEFT System

A) FCRA Transaction Code in NEFT System:

Originating banks are required to select the following mandatory fields of NEFT system while remitting foreign donations to the FCRA account at SBI:

Field	Type	Code to be used
6305 (in N06 message)	NEFT	41

B) Format for providing Donor Details in 7495 and RmtInf fields of NEFT System:

Originating banks are required to pass on donor details in the following formats of 'Sender to remitter information' (field no. 7495) of NEFT:

System	Field / Tag	Code to be used	Transaction without Legal Entity Identifier (LEI) details	Transaction with LEI details
NEFT	6305 (in N06 message)	41	Field- 7495 line 1: Donor Address line 2: Donor Address line 3: Name of the Donor line 4: Purpose of the Remittance – Alphanumeric line 5: Country of the Donor – Alphabet line 6: Currency and Amount - Alphanumeric	Field- 7495 line 1: SL/20-digit sender LEI/ line 2: BL/20-digit beneficiary LEI/ line 3: Name of the Donor line 4: Purpose of the Remittance- Alphanumeric line 5: Country of the Donor- Alphabet line 6: Currency and Amount- Alphanumeric

Annexure VI**Capturing Legal Entity Identifier in NEFT Message**

In NEFT payment messages, the field 7495 is a free format optional field consisting of 6 lines with 35 characters each with alphanumeric options. The first two lines of this field shall be used for capturing sender and beneficiary customer LEI information, in that order, where applicable and available. When LEI information is captured, narration, remarks, etc., shall be part of last 4 lines of the field. The sender and beneficiary information shall be captured in following format:

7495: line 1 -> SL/20 digit sender LEI/

line 2 -> BL/20 digit beneficiary LEI/

Annexure VII**Customer Charges for NEFT Transactions**

The maximum charges that can be levied from customer by originating bank are as below:

Value of NEFT Transaction	Maximum customer charges (Exclusive of GST)
For transactions up to ₹ 10,000/-	₹ 2.50/-
For transactions above ₹ 10,000/- up to ₹1 lakh	₹ 5/-
For transactions above ₹ 1 lakh and up to ₹ 2 lakh	₹ 15/-
For transactions above ₹ 2 lakh	₹ 25/-