

Electronic Clearing Service (Credit) Procedural Guidelines



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SCHEME OF ELECTRONIC CLEARING SERVICE (CREDIT)

1. Short Title of the Scheme

The Scheme shall be called 'Electronic Clearing Service (Credit) Clearing' and hereinafter will be referred to as ECS (Credit).

2. Objective

The objective is to provide an alternative method of effecting bulk and repetitive payment transactions which would obviate the need for issuing and handling paper instruments and thereby improve payment efficiency and also facilitate better customer service by banks / companies / corporations / Government departments effecting the payments.

3. Definitions

i) User - Refers to the companies / corporations / Government departments or any other institutions effecting bulk payments to a large number of beneficiaries, under the scheme.

ii) Sponsor Bank -Refers to the bank which acts as the agent of the User to submit the input data containing payment instructions prepared by the User to the National Clearing Cell (NCC) / NPCI/ Clearing House (CH) /Clearing Agency and gives a mandate to RBI / NPCI/ Clearing House / Clearing Agency designated by RBI to debit its account on behalf of the User.

iii) Reserve Bank of India (RBI)- Refers to RBI established under the Reserve Bank of India Act, 1934 (2 of 1934).

iv) National Clearing Cell (NCC) / Clearing House (CH) /Clearing Agency(CA)
- Is a functional unit of the local Bankers' Clearing House or such other agency created/authorised by RBI for processing the payment instructions received on

electronic media from the Sponsor Banks and generate relevant clearing reports for settlement of accounts of banks at RBI / Settlement Bank. The institutional arrangements made by RBI shall be final.

v) National Payments Corporation of India (NPCI): An entity authorised by Reserve Bank of India to operate National Automated Clearing House (NACH) under Payment and Settlement Systems Act 2007 as long as the authorisation is not revoked by Reserve Bank of India

vi) Destination Account Holder- Refers to beneficiaries under the Scheme who opt for receiving payments from the User by way of direct credit to their bank accounts.

vii) Destination Bank Branches-Refers to bank branches where Destination Account Holders maintain their bank accounts to which ECS payments are credited.

viii) Electronic Media-Refers to any media / tool to carry data in electronic form such as CD / pen drive, etc., or the data put through a network on the web-site hosted by the NCC / Clearing House / NPCI / Clearing Agency or any other arrangement provided by the NCC / NPCI / Clearing House / Clearing Agency.

ix) NACH(Credit) – Refers to a form of ECS(Credit) operated by NPCI.

4. Coverage

The scheme shall cover transactions of the following characteristics:

i) Bulk payment transactions like periodic (weekly / monthly / quarterly / half-yearly / yearly) payments of interest / salary / pension / commission / dividend / refund / subsidies etc. by companies / corporations / government departments and such other organisations defined as “User”.

ii) Transactions that need to move from a single User source to a large number of Destination Account Holders.

iii) Credit transactions pertaining to various Destination Bank Branches in the country. The credit instructions from the User to the Destination Account Holders would be in an electronic form that can be processed on computers and would form the basis for the Sponsor Bank to debit the User's account and the Destination Bank/branches to credit the beneficiaries' accounts. Such information could also be uploaded to the specified web-site by the sponsor bank.

iv) Individual credit items without any ceiling on the amount as to minimum or maximum or as specified by the User and such other payment transactions involving a single debit to a User's account at one bank and multiple credits to a large number of beneficiaries at many banks to be specified by NCC / NPCI / Clearing House /Clearing Agency after ascertaining the level of infrastructure available at the member banks.

v) Transfer funds to Non-Resident External (NRE) accounts. However, NRE accounts of beneficiaries, if any, shall be included in the input data only after ensuring that such funds are eligible to be credited to the NRE accounts in India under the existing Foreign Exchange Management Act (FEMA) Provisions and the Regulations framed thereunder, as also under the Wire Transfer Guidelines. User Institutions and Sponsor Banks have to certify to the effect and the onus of ensuring that credits to NRE accounts comply with extant FEMA Regulations and Wire Transfer Guidelines rests with the User Institution / Sponsor Bank and any violation in this regard will be dealt accordingly.

5. Procedural Details

i) Institutional Arrangements -The NCC / NPCI / Clearing House / Clearing Agency would be responsible for processing the input data submitted by the Sponsor Bank on behalf of its User and supply of relevant clearing reports to the Sponsor Bank, Destination Banks and Deposit Accounts Department of RBI /

Settlement Bank of Clearing House / Clearing Agency for accounting of the Clearing Settlements. It would monitor the performance of all the constituents in ECS Clearing to ensure that the time schedules for various activities are adhered to.

NCC /NPCI/ Clearing House / Clearing Agency will have a Steering Committee to aid and advise it on operational issues. The Committee shall be constituted by the NCC /NPCI/ Clearing House /Clearing Agency and its term shall be one/two year/s and the Committee shall meet at least once in a quarter.

RBI / Settlement Bank of Clearing House / Clearing Agency designated by RBI shall provide the settlement service by way of crediting / debiting the accounts of Destination Banks / Sponsor Bank in the books of the Settlement Bank on the basis of settlement figures advised by the NCC / NPCI / Clearing House / Clearing Agency. Normally such settlements, in centres where there are RBI offices with banking department shall take place in the books of RBI. The settlement rules for clearing pertaining to minimum balance and withdrawal of favorable balance in clearing as explained in the Uniform Regulations and Rules for Bankers' Clearing Houses (URRBCH) would also be applicable to the settlements under ECS.

ii) Registration of User Institution with the NCC / NPCI / Clearing House / Clearing Agency-Institutions which would like to avail of the ECS facility shall get themselves registered with the NCC / NPCI / Clearing House /Clearing Agency. The application will be submitted by the User to their Sponsor Bank. The Sponsor Bank would forward the application form to the NCC / NPCI / Clearing House / Clearing Agency with their recommendations for registration and allotment of User Number. The User Number allotted by NCC / NPCI / Clearing House / Clearing Agency will be communicated to the User through the Sponsor Bank. The Users registered at one centre and allotted a user number may use the same user number at all other centers of NCC / NPCI / Clearing House / Clearing Agency operating ECS.

iii) Input Preparation -Input file shall be as per the record layout and format specified by RBI / NPCI / Clearing House / Clearing Agency from time to time.

iv) User's Responsibility to Ensure Accuracy of Input Data -The User would ensure the accuracy of the input data with reference to the information received from Destination Account Holders. The input data shall contain only the correct account number details of customers. Users would also ensure that the updates received from the destination banks / sponsor banks are incorporated in the input file and note to delete the transactions that are repeatedly returned under various reason codes.

Sponsor Bank may obtain an undertaking from the User in this regard before forwarding the input data to NCC / NPCI / Clearing House / Clearing Agency.

v) Safeguards against Unauthorized Change of Data in Transit - NCC / NPCI / Clearing House / Clearing Agency would be receiving the input data from the Sponsor Bank. To prevent possible attempts of fraudulent change of data in transit, the NCC / NPCI / Clearing House / Clearing Agency will receive the data in a secured way, if necessary, duly encrypted. Files carrying the payment instructions could also be uploaded to the specified web-server or transferred through the specified network, by the sponsor bank, if such a facility exists at the NCC / NPCI / Clearing House / Clearing Agency. The Sponsor Bank shall not make any changes to the input data received from the User without obtaining consent from the User and also responsible for data integrity.

vi) Validation of Input Files–

(a) All files received duly secured would be subjected to validation at NCC / NPCI / Clearing House / Clearing Agency to determine whether the file can be accepted or not. It shall be checked with reference to the User name, User number, Sponsor Bank Branch sort code and other defined parameters.

- (b) User details (Sponsor Bank Code, User number and User name) shall be uniform on all data records in the file. The purpose of repeating the User information on all data records is to make each data record self-contained and ensure seamless straight through processing (STP) at the destination bank.
- (c) The destination account details would have two parts - the destination bank MICR sort code and the destination / beneficiary's account number. The MICR code number of the branch of the bank where the individual account holders i.e. beneficiaries maintain their accounts and to which the credit would be applied is the destination sort code. The ECS validation routine checks whether the code indicated in the data record is a valid sort code eligible to participate in the respective system.
- (d) The account number particulars are an essential field in the data record. Records with no information in the account number field would be rejected. The validation routine, done at the NCC / NPCI / Clearing House / Clearing Agency, however, does not validate the accuracy of the destination beneficiary's account number. Therefore, it would be the responsibility of the User to ensure the accuracy of the beneficiary's account number.
- (e) There will be no upper limit for individual credit record. The particulars of the User defined upper limit shall be indicated by the Sponsor Bank in its mandate as an additional parameter for validation.
- (f) The decision for rejection of a file / record would depend on the following-
1. Defects in the data (based on validation parameters)
 2. The total value indicated in the header record exceeding the value given in the Sponsor Bank's mandate to RBI / NPCI / Clearing House / Clearing Agency to debit its account
 3. Invalid Sponsor Bank sort code, or incorrect User number and User name details in the Credit Contra record
 4. Absent or invalid destination sort code
 5. Absence of account number or account name

vii) Multiple Credits -User shall take due care while making multiple credits to the same beneficiaries on the same day by giving additional relevant information to ensure that the beneficiaries are able to distinctly identify the source of credit.

viii) Credit Records with no Ledger Number/Ledger Folio Number-The credit records without the ledger number / ledger folio number of the account of the beneficiaries at the Destination Bank branches would not be rejected, because at some branches, the account numbers can uniquely identify the accounts irrespective of whether the Ledger number/Ledger Folio number is given or not. In the clearing reports for Destination Bank branches, these accounts would, however, be shown against the 'Miscellaneous Ledger'.

ix) Data Validation Report (DVR)-

When an input file passes in the File Acceptance / validation checks, NCC / NPCI / Clearing House / Clearing Agency will provide an advice of acceptance or otherwise to the Sponsor Bank. The DVR would indicate the details of errors encountered during validation process and total number and value of records accepted from the file.

x) Request for Withdrawal / Modification of Input Data-Once the DVR is confirmed by the Sponsor Bank and the settlement process begins at NCC / NPCI / Clearing House / Clearing Agency, withdrawal / modification of file / record would not be permitted except when, in the opinion of RBI / NPCI / Clearing House / Clearing Agency, the transaction cannot be settled on the due date by the banks.

The credit / debit afforded to the member banks through multilateral net settlement systems on the settlement date is final and irrevocable in terms of section 10(2) of the Payment and Settlement Systems Act, 2007. The procedure advised by RBI in the Settlement and Default Handling Directive (Para xvii) will be applicable to the ECS (Credit) Scheme.

xi) Clearing Settlement and Output Data for Destination Banks-During the processing, the NCC/ NPCI / Clearing House / Clearing Agency would generate the output data file and reports and make the same available / deliver the same to the Destination Bank in electronic form, through the web-server / network subject to all safeguards relating to accuracy and authenticity.

The Destination Banks would be responsible for the loss / misuse of the above mentioned data after they receive the same from the NCC / NPCI / Clearing House / Clearing Agency. The Destination Banks may make their internal arrangements immediately on receipt of the data to afford credit to the beneficiaries' account on the appointed date so that the Destination Account Holder's accounts are credited on the settlement date mentioned in the report, without fail. On the day of settlement, the Sponsor Bank's account with the settlement bank will be debited with the amount indicated in the mandate the accounts of the Destination Banks have credited with amounts due to them.

Destination Bank is liable to pay penal interest (calculated based on prevailing **RBI LAF Repo rate plus two percent**) from the due date of credit till the date of actual credit for any delayed credit to the beneficiaries' accounts. Penal interest, if any, shall be credited to the Destination Account Holder's account even if no claim is lodged to the effect by the Destination Account Holder.

xii) Settlement Report to Sponsor Bank - On processing day, Sponsor Bank will also be supplied by the NCC / NPCI / Clearing House / Clearing Agency with copies of the User-wise Sponsor Bank Settlement Report which would indicate the volume and value of transactions for which Destination Banks would be credited and the amount for which Sponsor Bank would be debited. The Sponsor Bank in turn will arrange to provide this information to the user institutions.

xiii) Return of Uncredited Items - If a Destination Bank is not in a position to credit a particular transaction/s for any reason/s, it shall submit the same on settlement day for the bank as a whole in a file to NCC / NPCI / CH / Clearing

Agency. The responsibility for ensuring accuracy in incorporating the above information in the data lies with the Destination Banks pertains to uncredited items.

xiv) Clearing Settlement and Supply of Output Data and Reports to Banks - NCC / NPCI / Clearing House / Clearing Agency shall work out Return Clearing settlement on the settlement day whereby the Destination Banks' accounts would be debited based on the return data submitted pertaining to the value date and the Sponsor Banks' account would be credited.

On the settlement day, the NCC/ NPCI / Clearing House / Clearing Agency shall provide various reports such as -

- Combined List of Un-credited Items - a consolidated list of all un-credited items reported by all Destination Bank to be given to Sponsor Bank.
- User Final Status file - an output file in electronic form containing the details of all transactions (credited and returned un-credited) to be made available to the Sponsor Bank for verifying the correctness of the clearing data and for passing on to the User for necessary action.
- Sponsor Bank Final Settlement Report - a report showing the amount originally debited subsequently credited as un-credited items and the final amount debited for ECS Credit Clearing would be made available to the Sponsor Bank for passing on to the Users.
- Destination Bank Final Report - Destination Bank-wise summary report showing branch-wise initial credit and subsequent debit based on the return information submitted to NCC / NPCI / Clearing House / Clearing Agency by the destination banks.

xv) Late Submission of Uncredited Items - If any Destination Bank fails to submit the file of uncredited items to the NCC / NPCI / Clearing House / Clearing Agency on settlement day, the return items will need to be settled outside the ECS framework. The delay of the Destination Bank to submit the return can be liable for penal action. The President of the NCC / Clearing House / Clearing

Agency may take such action / decide penalty against the destination bank as deemed fit,

xvi) Settlement and Default Handling Procedure - The settlement so arrived at by the NCC / NPCI / Clearing House / Clearing Agency under ECS Clearing 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. The settlement and default handling procedure will be in accordance with the Directive on Settlement and Default Handling Procedure issued by RBI and as duly amended from time to time.

The continued eligibility of the member/sponsor bank to participate in clearing operations shall be reviewed by the President of the Clearing House / Clearing Agency / NPCI in case of permanent default by the member/sponsor bank.

xvii) Preservation Period of Data- The Sponsor Bank and the User shall preserve the Output Data for a minimum period of 10years. A copy of the Output Data would be preserved at NCC / NPCI / Clearing House / Clearing Agency also for 10 years. All related data at NCC / NPCI / Clearing House / Clearing Agency shall be maintained for 10 years.

xviii) Advice to the Destination Account Holders - It would be the responsibility of the User to advise the Destination Account Holders of the credit. The User would issue / send Payment Advices to the Destination Account Holders indicating the particulars of payment and the date on which payment has taken place as per their extant practice. Care need be taken by the User to ensure that Payment Advices are sent only for these items which could finally be credited to Destination Account Holders' accounts. Rejected items and Un-credited items shall be pursued separately by the User. The Destination Account Holders whose accounts could not be credited may also be advised by the User with reasons thereof and payments arranged through alternate means.

If a User makes use of the ECS mechanism for making payments to the same set of beneficiaries every quarter / month or at more frequent intervals and there is no likelihood of any credit item being returned un-credited, an advance one-time intimation can also be issued on yearly basis indicating the date on which ECS settlement would take place. This would replace issuance of payment advice on every occasion. This procedure is most suitable for monthly / quarterly interest payments of companies / corporations where the modifications in the data file are minimum and likelihood of returns is almost 'nil' or negligible.

xix) Narration in Pass Book/ Pass Sheet / Account Statement - The entry in the Statement of Account / Pass Book / Pass Sheet made by the destination bank should be clear enough to indicate that the transaction in question was through ECS/NACH with such other additional information as provided by the User. The relevant information may be picked up from the appropriate field from the destination bank input file. In addition to this, banks are free to provide any additional information as they deem necessary or useful. In order to provide useful feedback to the destination account holders, the User may standardise the information that may be captured in this field, so that the details recorded by the destination branches in the pass books would reveal the correct picture of the credits. The Destination Bank would not be liable to issue separate advice to the Account Holders. If a Sponsor Bank / User wish to send the payment advices through the Destination Bank Branches, a separate arrangement outside the ECS framework would have to be worked out.

xx) Destination Account Holder's Right to Information on ECS -When the User invites option from the Destination Account Holders, the User shall inform the Destination Account Holders, in a readily understandable written statement that the proposed mode of receiving the payment is purely voluntary notwithstanding the regulation/direction of the Government / RBI / Statutory Orders / Ordinance / Rules to make / receive the payment mandatorily through electronic platform.

While exercising the option to receive payment through ECS, Destination Account Holder shall furnish the particulars of his / her / them (i) Account Number, (ii) Account Holder Name, (iii) Account Type (i.e. S.B. Account or Current Account) and (iv) Bank and branch names with the MICR sort-codes. The sort-code (i.e. city-bank-branch code) information would be available by seeing the MICR code line of the cheque book issued by banker where the account is maintained. The form on which the information would be furnished by the Destination Account Holders should be clear and free of ambiguities. The particulars at Sl.Nos.(i) to (iv) mentioned above may be got certified by the beneficiary from the bank branch where the account is maintained. In lieu of the bank certificate as stated above, the beneficiary can also enclose with mandate, a photocopy of the cancelled cheque or front page of his/her bank pass book for verification of account particulars by the User.

Information furnished by a beneficiary to the User shall not be utilised by the User for purposes other than transfer of funds through ECS without the consent of the beneficiaries. This shall be indicated by the User while inviting options from the beneficiaries.

xxi) Minimum and Maximum Number of Transactions - There would not be any stipulation on the minimum number of transactions to be put through.

6. Service Charges -

The service charges to be levied by the Sponsor Bank would be decided mutually by the User Institution and Sponsor Bank. The processing charges levied by the processing centres / Clearing House / NPCI / Clearing Agency are governed by the instructions issued by Reserve Bank of India / NPCI from time to time for ECS . Destination Banks would not claim service charge for passing on the credit to the Destination Account Holders' accounts.

7. 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.

8. Processing Cycle and Time Lines –

The processing cycle and various cut off times may be different in each system and may be modified by respective systems from time to time.

9. Report and File formats–

The various reports and file formats referred in this Procedural Guidelines are as defined by the respective systems and may vary from system to system. These file and report formats may be amended / changed / modified by the respective systems whenever required by RBI / NPCI / Clearing Agency.

10. Amendment to Procedural Guidelines–

The Procedural Guidelines can be amended only by RBI. The NCC / NPCI / Clearing House / Clearing Agency may forward their suggestions for amendment. RBI may amend the procedure guidelines by issuance of necessary instructions.