

# **Electronic Clearing Service (Debit) Procedural Guidelines**



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Department of Payment & Settlement Systems  
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## **SCHEME OF ELECTRONIC CLEARING SERVICE (DEBIT)**

### **1. Short Title of the Scheme**

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

### **2. Objective**

The objective is to provide an alternative method for effecting payment transactions in respect of the utility-bill-payments such as telephone bills, electricity bills, insurance premia, card payments and loan repayments, etc., which would obviate the need for issuing and handling paper instruments and thereby facilitate improved customer service by banks / companies / corporations / government departments, etc., collecting / receiving the payments.

### **3. Definitions**

**i) User** - Refers to the utility companies, insurance corporations / government departments or any other institution receiving / collecting payments (collection service providers) from a large number of customers / subscribers, under the scheme.

**ii) Sponsor Bank** - Refers to the bank which has agreed to act as the agent of the User company and will submit the data on electronic media or on the network, containing debit instructions prepared by the User to the National Clearing Cell (NCC) / NPCI / Clearing House(CH) / Clearing Agency (CA) along with an undertaking / mandate to the effect that the standing instruction mandates of the concerned customers / subscribers mentioned in the data have already been collected from the end users (consumers, etc.) and have been forwarded to the respective destination bank branches enabling them to debit the accounts of those customers for collecting and to credit the account of the sponsor bank with the sum mentioned therein. The mandate will also authorise RBI / Clearing Agency to debit sponsor bank's current account maintained with them to the tune of undebited returns.

**iii) Reserve Bank of India (RBI)** - Means the 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 the functional unit of the local Bankers' Clearing House or such other agency to be created /authorised by RBI which shall process the debit instructions received in data file from the Sponsor Bank and will generate relevant ECS Debit Clearing settlement reports for debit / credit of the current accounts maintained 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 under Payment and Settlement Systems Act 2007 to operate National Automated Clearing House (NACH)

**vi) Destination Account Holders** - Refers to the utility consumers / end users such as telephone and electricity users, insurance policy holders, debtors, etc., under the Scheme who/which opt for making payments to the User company directly by way of debit to their bank accounts as indicated by them in the individual/respective mandate/s submitted by them to the utility company and also to their bank / branch.

**vii) Destination Bank Branches** - Refers to the bank branches where the Destination Account Holders maintain their bank accounts from which utility payments are debited through ECS Debit Clearing.

**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 (Debit)** – Refers to a form of ECS(Debit) operated by NPCI.

#### **4. Coverage**

The Scheme shall cover transactions of the following characteristics:

- i) Repetitive payment collections like periodic (weekly / monthly / bimonthly / quarterly / half- yearly / yearly) payments of telephone bills / electricity bills / loan installments / insurance premia, EMIs of any loan, etc., by companies / corporations / government departments / banks and such other organisations defined as "User". It could also cover Collection Service Providers/intermediaries, providing collection services to utility companies, which shall obtain a specific mandate from the users / subscribers to raise a debit in the destination accounts at the request of such service organisations.
- ii) The transactions relating to collections by a single User from a large number of Destination Account Holders.
- iii) The debit transactions shall pertain to the Destination Bank Branches which fall under the jurisdiction of the Clearing House/Clearing Agency as present in Bank-Branch master of system.
- iv) The debit instructions from the User would be in electronic form and would form the basis for the Sponsor Bank to credit the User's account and the Destination Bank branches to debit the Destination Account Holder's accounts. However, it shall be the responsibility of the destination banks to ensure appropriate mandates from their customers authorizing them to debit their accounts exist on their records. If such mandates are not available on their record, they would not be entitled to get any legal protection and are not authorised to affect such debits to the customers' accounts.
- v) Individual debit authorisation may be as specified by the destination account holder; the individual mandate may or may not specify any amount or may cap the maximum debit that can be raised under the relative mandate, if he / she so desires, for meeting the concerned payment, based on past experience.
- vi) Such other payment transactions involving a single total-credit to a User's account with sponsor bank and multiple debits to a large number of beneficiaries' accounts at many bank branches (Collecting / Destination-banks).

## 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 schedule for various activities is adhered to.

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, 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 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 institution 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 institution 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.

Further, on receipt of withdrawal instructions from its customer, it is obligatory on the part of the User institution not to include the transaction pertaining to such customers in the ECS input file, provided the withdrawal instruction is received 5 days prior to the date of submission of ECS file to the NCC / NPCI / Clearing House / Clearing Agency. In case a debit record is presented despite such withdrawal / non-existence of mandate, the NCC / NPCI / Clearing House/ Clearing Agency may consider not entertaining the future processing of the files of that particular User institution.

#### **v) Responsibilities of the Destination Bank –**

- a) The ECS Debit schemes works on the strength of the mandate or the debit instructions given by the destination account holders to the User institution for effecting payment from their accounts. The mandates are required to be authenticated (primarily for signature verification of the bank's customer) by the respective destination bank within a period of seven days from the date of receipt of such requests. After authentication, the branch would retain a copy for its record, incorporate the mandate information in the bank's database and the customer would submit the other copy to the User institution. At the time of authenticating the mandates, the destination branches shall ensure the nomenclature of the accounts vis-à-vis those appearing in the mandates.
- b) The destination branches can debit their customers' account only on the basis of the mandates given to them. The account holder / customer is also entitled to withdraw the mandate / debit instruction from his / her banker without involvement

of the User institution. The withdrawal instructions of a customer in such cases would be treated equivalent to a 'stop payment' instruction in cheque clearing system. The destination bank branches would provide such withdrawal of mandate information to the Users, on request. Thereafter, the User institution shall stop including the relative transaction in the debit files, after receipt of such countermanding by the customer.

c) The destination account holder may also be given the facility of putting an upper limit for each individual transaction in the mandate, and / or a time limit for operations of a particular mandate (life of a mandate) by the User / destination banker.

d) The destination branch may also allot a unique identification number to the mandate, which could be referred to by the User in all the transactions. The number could interalia include a reference to the branch identity, the type of account and a reference to the customer's account, the purpose of the debit, etc. This would also serve the destination branch as a control reference tool to monitor the debits being received through the NCC / NPCI / Clearing House/ Clearing Agency.

**vi) Safeguards Against Unauthorised 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 is responsible for the data integrity.

**vii) 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 / identical 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 branch 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 debit would be applied is the destination sort code. 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 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 debit 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

**viii) Multiple Debits** - User Institutions shall take due care while making multiple debits to the same beneficiaries on the same day by giving additional relevant information to ensure that the beneficiaries are able to distinctly identify the purpose of debit.

**ix) Debit Records with no Ledger Number / Ledger Folio Number** - The debit records without Ledger Number / Ledger Folio Number of the account of the subscriber / payer 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".

**x) 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.

**xi) 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 (Debit) Scheme.

**xii) 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 available / deliver 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 debit to the beneficiaries' account on the appointed date so that the Destination Account Holder's accounts are debited on the settlement date mentioned in the report, without fail. On the day of settlement, the Sponsor Bank's account will be credited with the settlement bank with the amount indicated in the mandate and debit the accounts of the Destination Banks with amounts due from them.

**xiii) 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 debited and the amount for which Sponsor Bank would be credited. The Sponsor Bank in turn will arrange to provide this information to the User.

**xiv) Return of Undebited Items** - If a Destination Bank is not in a position to debit a particular transaction/s for any reasons, it shall submit the same on settlement day for the bank as a whole in a file to NCC / NPCI / Clearing House / Clearing Agency. The responsibility for ensuring accuracy in incorporating the information pertains to undebited items in the data lies with the Destination Banks.

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

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

- Combined List of Un-debited Items - a consolidated list of all un-debited 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 (debited and returned un-debited) 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 credited subsequently debited as un-debited items and the final amount credited for ECS debit 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 debit and subsequent credit based on the return information submitted to NCC / NPCI / Clearing House / Clearing Agency by the destination banks.

**xvi) Late Submission of Undebited Items** - If any Destination Bank fails to submit the file to the NCC / NPCI / Clearing House / Clearing Agency on settlement day, such 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 he / she deems fit.

**xvii) Settlement and Default Handling Procedure** - The settlement so arrived at by the NCC / NPCI / Clearing House / Clearing Agency under ECS (debit) 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.

**xviii) Preservation Period of Data** - The Sponsor Bank and the User shall preserve the Output Data for a minimum period of 10 years. 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.

**xix) Advice to the Destination Account Holders –**

It would be the responsibility of the User to advise the Destination Account Holders of the debit. The User would issue 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 debited to Destination Account Holders' accounts. Rejected items and Un-debited items shall be pursued separately by the User. The Destination Account Holders whose accounts could not be debited may also be advised by the User with reasons thereof.

If a User makes use of the ECS mechanism for receiving payments to the same set of beneficiaries every quarter / month or at more frequent intervals and there is no likelihood of any debit item being returned undebited, an advance one-time intimation can 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 receipts like the collection of loan EMI where the modifications in the data file are minimum and likelihood of returns is almost 'nil'.

**xx) Narration in the Pass Book / Pass Sheet / Account Statement** - The entry in the Statement of Account / Pass Book / Pass Sheet made by the destination banks should be clear enough to indicate that the transaction in question was through ECS 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 debits. 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.

**xxi) 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 making 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 make payment through ECS, Destination Account Holder shall furnish the particulars of his / her / their (i) Account Number, (ii) Name / Nomenclature, (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 the banker where the account is maintained. The form in which the information would be furnished by the Destination Account Holders would 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. To make sure the authenticity of the bank details furnished, the banker must certify the correctness; verify the customer's signature by putting his / her own signature in the mandate.

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.

**xxii) Minimum and Maximum Number of Transactions** - There would be no 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 and Sponsor Bank. The processing charges levied by the processing centres / Clearing House / Clearing Agency / NPCI are governed by the instructions issued by Reserve Bank of India or NPCI from time to time. 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.