Special Electronic Funds Transfer Procedural Guidelines

SECTION - I : INTRODUCTION

Introduction

1.1 Reserve Bank of India is introducing a system called "The Reserve Bank of India Special Electronic Funds Transfer System" which may be referred to as "SEFT System" or "System" and shall include the set of procedural guidelines detailed hereunder, participating banks and institutions and the system of computer and communication network through which funds transfer operation would take place.

Objects

1.2 The objects of the RBI SEFT System are :

(1) to establish an Electronic Funds Transfer System to facilitate an efficient, secure, economical, reliable and expeditious system of funds transfer and clearing in the banking sector throughout India, and
(2) to relieve the stress on the existing paper based funds transfer and clearing system.

Coverage

1.3 Initially, the System would cover branches of banks as indicated by Reserve Bank of India. To facilitate quick transfer of SEFT messages, it is essential that only networked branches of banks are part of the systems. Banks' own networks could be used for inter-branch communication.

SECTION 2 : DEFINITIONS

2.1 In these Procedural Guidelines, unless the context otherwise requires:
(a) "Acceptance" means execution of payment order.
(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 Subsidiary Bank constituted under the State Bank of India (Subsidiary-Banks) Act, 1959, a Corresponding New Bank constituted under the Banking Companies (Acquisition and Transfer of Under-taking) Act, 1980, a co-operative bank, as defined in Section 56 of part V of the Banking Regulation Act, 1949 and such other banks as may be specified from time to time.

(c) "Beneficiary" means the person designated as such, and to whose account payment is directed to be made in a payment order.

(d) "Beneficiary bank" means the branch of the bank identified in a payment order in which the account of the beneficiary is to be credited.

(e) "SEFT" means Special Electronic Funds Transfer.

(f) "SEFT Centre" means any office designated by the Nodal Department in each of the centres to which EFT system is extended, for receiving, processing and sending the EFT data file and the debiting and crediting of accounts of the participating banks and institutions for settlement of payment obligations or one or more of these functions. National Clearing Centre, Mumbai is being designed as the EFT centre.

(g) "EFT Data File" means an electronic data file of a batch of payment orders for funds transfers, processed and consolidated in the manner specified for transmission of consolidated payment orders and communications concerning payment orders from EFT service branch to the EFT centre.

(h) "SEFT" Service Branch" means an office or branch of a bank or institution in a centre designated by that bank or institution to be responsible for processing, sending or receiving EFT data file of that bank or institution in that Centre and to do all other functions entrusted to an SEFT service branch by or under these Regulations. SEFT Service Branch is referred to as "Sending SEFT Service Branch" when it originates an EFT Data File for Funds Transfer. SEFT Service Branch is referred to as "Receiving SEFT Service Branch" when it receives EFT Data File from SEFT Centre.

(i) "SEFT" System" means the Special Electronic Funds Transfer System established by these Regulations for carrying out inter bank and intra-bank funds transfers within India, through EFT centres connected by a network, and providing for settlement of payment obligations arising out of such funds transfers, between participating banks or institutions.

(j) "Execution" of a payment order in relation to a sending bank means the transmission or sending of the payment order by it to the EFT Service Branch; in relation to a Service branch it means transmission of the consolidated payment order in the encrypted EFT data file to the SEFT centre.

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

(l) "Nodal Department" means the Department of Information Technology of Reserve Bank which is responsible for implementation, administration and supervision of the SEFT System.

(m) "Notified" means communicated electronically or in writing.

(n) "Originator" means the person who issues a payment order to the sending bank.

(o) "Participating Bank or Institution" means a bank or as the case may be an institution admitted for participating into the SEFT System pursuant to Paragraph 3 of these Guidelines and whose Letter of Admission has not been cancelled .

(p) "Payment Order" means an unconditional instruction issued by an originator in writing or transmitted electronically to a sending bank 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.

(q) "Public sector bank" means State Bank of India, constituted by the State Bank of India Act, 1955, subsidiary Banks constituted under the State Bank of India (Subsidiary Banks Act, 1959, the banks constituted under Section 3 of the Banking Companies (Acquisition an Transfer of undertaking) Act, 1970 and the Banks constituted under Section 3 of the Banking Companies (Acquisition and Transfer of Undertaking) Act, 1980.

(r) "Reserve Bank" means the Reserve Bank of India established under the Reserve Bank of India Act, 1934 (2 of 1934).

(s) "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 order, a communication canceling a payment order or an SEFT Data Fie is authorised by the person from whom it purports to be authorised; and
>
> (ii) for detecting error in the transmission or the content of a payment order, a communication or an EFT Data File.

(t) "Sending bank" means the branch of a bank, maintaining an account of and to which payment order is issued by the originator. When the originator is a participating institution, reference to sending bank shall be construed as referring to the SEFT centre.

(u) "Settlement Account" means an account maintained by a participating bank or institution for the purpose of settlement of payment obligations under SEFT Systems.

(v) "Valid Reasons of Non-payment" are the reasons listed as under due to which beneficiary bank fails to make payment to the beneficiary. Some illustrative reasons are :

> a) Beneficiary not having an account with the beneficiary bank
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> b) Account Number or account name indicated in the payment order not matching with the number or name as recorded at the beneficiary bank.
>
> c) dislocation of work due to circumstances beyond the control of the beneficiary bank such as earth quake, fire etc. at the place where the beneficiary's account details are maintained etc.

SECTION - 3 : PARTICIPANTS

Admission necessary for participation

3.1 No persons shall be entitled to effect a funds transfer in the SEFT System, unless the sending bank and the beneficiary bank is admitted for participation in the SEFT System.

Eligibility for admission as a participant

3.2 To be eligible to apply for admission, an applicant must

1) be a bank.

2) have attained and continues to comply with capital adequacy norms, if any, applicable to it.

3) is willing and able to comply with the technical operational requirements of SEFT System,

4) be approved by the Reserve Bank as eligible to maintain a settlement account with it.

Provided that, having regard to the pattern of ownership and such other relevant factors, all or any of the above conditions may be relaxed or dispensed with, if so decided by the Reserve Bank of India.

Procedure for Admission

3.3 Any bank or institution eligible to be admitted in the SEFT System may submit to the Nodal Department, duly authenticated application. containing full particulars in the form specified at Annexure-I (Form: SFT-IA). Every application shall be accompanied by an undertaking in the specified form to abide by the Procedural Guidelines in the event of admission.

3.4 The Nodal Department shall issue Letter of Admission as specified in Annexure-II (Form: SFT-IB) to every bank admitted into the SEFT System.

3.5 A directory of participating banks shall be prepared from time to time and would be available through the RBI website.

Suspension

3.6 If a participating bank has defaulted in meeting its settlement obligations or paying any charges or fees or complying with any procedural guidelines or for any reasons specified at paragraph 3.15, 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.

3.7 Every order of suspension shall be notified immediately to all the participating banks and institutions including a bank or institution against which the order of suspension is passed.

3.8 An order of suspension may be reviewed and may be revoked at any time by the Governor upon representation received from the concerned bank or on his own. Every revocation shall be notified immediately to all participating banks.

3.9 A participating bank shall not, while any order of suspension is in force against it, be entitled to send or receive any SEFT data file 2`or otherwise to effect any funds transfer in the SEFT System.

Provided that a suspension shall not affect the obligations of the suspended bank or institution, whether incurred before or after the suspension.

Withdrawal

3.10 Any participating bank or institution may, by giving a notice of one month, withdraw from the SEFT System.

3.11 No notice under this Regulation 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 Nodal Department.

3.12 Notwithstanding its withdrawal, a bank shall discharge all its payment obligations arising out of fund transfers attributable to it, whether effected before or after the withdrawal became effective.

3.14 The withdrawal of any participating bank shall be notified to all the participating banks.

Cancellation of Letter of Admission

3.15 A Letter of admission issued to any bank may be cancelled by the Reserve Bank on his being satisfied that such bank has -

i) defaulted in complying with any Regulations or procedural guidelines issued thereunder from time to time.

ii) 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.

iii) stopped or suspended payment of its debts.

iv) failed to get the order of suspension passed against it under Regulation 8 revoked within a period of three months from the date of order of suspension.

v) has conducted its transactions in the SEFT System in a manner prejudicial to the interest, integrity or efficiency of the System.

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

3.17 Every order of cancellation shall be notified to the respective bank and also to all other participating banks in the SEFT System.

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

SECTION - 4 : SEFT - P ROCESS FLOW

4.1 The parties to a funds transfer under this SEFT System are the sending bank, the sending service branch, the SEFT centre, the receiving service branch and the beneficiary branch.

Request for SEFT by bank customer

4.2 A bank customer (i.e. sender or originator) willing to avail of the remittance facilities offered by a sending bank shall submit an "SEFT Application Form" authorising the sending bank to debit the sender's account and transfer funds to the beneficiary specified in the SEFT Application Form.

4.3 Each participating bank/institution may design the format of 'SEFT Application Form". A model SEFT Application form is given at Annexure-III (Form: SFT-2A).

4.4 The sender's request for transfer of funds shall contain no condition other than date on which funds transfer process should be initiated.

4.5 The relationship between the customer (i.e. sender) and the sending bank will be governed by an Agreement to be executed between them. The Agreement shall govern every payment order issued by the customer during the period of validity of the Agreement. A Model Customer Agreement is given at Annexure-IV (Form-2B).

4.6 The value of each SEFT transactions shall be for whole rupees only. This stipulation may be clearly indicated on the SEFT Application Form.

4.7 The upper limit for individual SEFT transaction or payment order shall be fixed by the Nodal Department. Till further advice from the Nodal Department, the limit shall be Rs.2,00,00,000/- (Rupees two crores only).

4.8 A transaction within the SEFT system will be said to have been initiated when the sending bank accepts a payment order issued by the sender by issuing a "receipt" indicating the date of initiating funds transfer operation and the likely date on which the beneficiary bank may make payment to the beneficiary.

4.9 If in a single payment instruction, the sender directs payments to several beneficiaries, each payment direction shall be treated as a separate payment order.

4.10 A bank branch may reject a customer's request for funds transfer when, in the opinion of the remitting branch,

i) the customer has not placed funds at the disposal of the sending bank; or funds placed is not adequate to cover the sum to be remitted and the service charge; or
ii) the beneficiary details given in the SEFT Application form are not adequate to identify beneficiary by the beneficiary bank. The essential elements of beneficiary's identification are :

Beneficiary's Name	:]
Centre name	:]
Beneficiary Bank Name	:] could be codified also
Beneficiary branch Name	:]
Beneficiary's Account Type	:
Beneficiary's Account No.	:

4.11 the sending bank shall prominently display at its premises the cutoff time schedules up to which shall receive the SEFT Application Forms from its customers for different settlements.

SEFT Scroll

4.12 The sending bank would consolidate the applications received till the cutoff time and forward the SEFT data to the service branch via the network.

Data Entry at Sending SEFT Service Branch

4.13 The sending SEFT service branch shall prepare SEFT Data File by using the software package supplied by the Nodal Department. Control procedure should be developed by the sending bank to ensure accuracy in data entry with reference to the data elements furnished in SEFT file. After SEFT Data File is consolidated from various branches, the Service Branch should generate consolidated EFT file and transmit the same to the SEFT centre. There shall be only one service branch per each bank.

National Clearing Cell (NCC) to function as SEFT Centre

4.17 The National Clearing Cell (NCC), of the RBI at Mumbai will be the data processing "SEFT Centre".

Transmission/Submission of EFT Data File to the SEFT centre

4.18 The remitting service branch shall transmit the EFT Data File to the SEFT centre by using the communication network designated by Reserve Bank.
4.19 The data files would be transmitted to National Clearing Centre in such a manner that they reach well before the settlement zones to be notified by the Nodal Department. To begin

with three settlements would be conducted at 12.00 noon, 2.00 p.m. and 4.00 p.m. on week days and 12 noon and 2,00 p.m. on Saturdays.

Receiving NCC transmitting NCC Data File to the beneficiary banks

4.31 After consolidating all EFT Data File received from the participants the NCC shall process the data and generate the settlement of each beneficiary bank with at least one inward remittance transaction would have an NCC Data File.

4.32 NCC Data files generated for the banks will be available in the secure website and each bank needs to download the file immediately after the conclusion of each settlement zone.

Data validation at receiving SEFT Service Branch

4.35 On receipt of the NCC Data File, the receiving SEFT service branch shall first validate the file using the validation routine provided in the SEFT package. Apart from the validation with reference to the encryption key exchange with local NCC and checksum total for the entire file, the package would validate the individual records as well.

Payment to beneficiary by the beneficiary bank

4 The service branch should transmit the branch wise data immediately as receipt from National Clearing Centre.

4.41 The branches would make payment to the beneficiaries on the same day by crediting the specified account of the beneficiary or otherwise placing funds at the disposal of the beneficiary.

Revocation of Payment Order

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

Acknowledgement by the beneficiary bank

No acknowledgements are envisaged under SEFT Scheme. A message, which is not returned unaffected before the next settlement zone is treated to have been completed and credited afforded to the beneficiary's account by the beneficiary branch. It is therefore vital that unaffected credits are re-transmitted back as fresh EFT transactions at the next settlement itself.

Sender to be advised in case of refund

4.48 If the beneficiary specified in the sender's payment order fails to get payment through the SEFT system for some valid reasons, the sender shall be informed immediately after the sending bank gets the returned EFT. The sending bank 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.

Beneficiary bank to advise the Beneficiary of the payment

4.49 After crediting the account of the beneficiary, the beneficiary bank shall advise the beneficiary of the payments made. The Statement of account/Pass Book entry shall indicate briefly the source of funds as well.

4.50 The sender/originator shall be entitled to claim interest at the Bank Rate from the sending bank for the period of delay in the completion of funds transfer, and/or any other penalty which may be levied/decided by RBI

4.52 In case of holiday at beneficiary branch. They have to effect the credit as the same day or latest at commencement of business on the next working day.

SECTION-5 : INTER-BANK SETTLEMENT

Inter-bank Funds Settlement at Reserve Bank

5.1 Every participating bank and admitted institution shall open and maintain in every SEFT centre a settlement account for settlement of payment obligations arising under the funds transfer executed under the SEFT system.

SECTION-6: RIGHTS AND OBLIGATIONS

General rights and obligations of participating banks or institutions

6.1 Every participating bank or institution admitted in the SEFT System shall, subject to compliance with the procedural guidelines, be entitled to execute any payment order for Funds Transfer to a beneficiary of the payment order, issued or accepted by it.

6.2 Every participating bank or institution shall maintain the security, integrity and efficiency of the System.

Obligations of sending bank

6.3 The sending bank shall not execute a payment order without complying with the security procedure. No payment order shall be accepted for execution in the SEFT System if the beneficiary's bank / branch is not a participating bank or institution.

6.4 The sending bank shall be responsible for the accuracy of the name of the beneficiary, the nature and style of the account and account number of the beneficiary, the name of the beneficiary's bank and the authenticity of every payment order executed by it.

6.5 The sending bank shall bear the liability for loss if any caused to any participant in the SEFT System on account of the acceptance by it of any revocation of a payment order after it has executed it.

6.6 The sending bank shall not be entitled to bind any other participants in the SEFT System with any "special circumstances" attached to a payment order accepted by it.

6.7 The sending bank shall maintain duly authenticated record of all payment orders executed by it for a period for which bank records are required to be preserved under the applicable rules.

6.8 The sending bank shall, upon completion of funds transfer of a payment order, furnish to the originator on request by him, a duly authenticated record of the transaction.

Obligations of the sending SEFT Service Branch

6.9 The sending SEFT Service Branch shall be responsible for the accuracy of the contents of EFT data file and the authenticity of the payment orders contained therein as received by the SEFT Centre in compliance with the security procedures.

6.10 The sending SEFT Service Branch shall be responsible for settlement of all payment obligations in regard to payment orders executed by it.

6.11 The sending SEFT Service Branch shall be responsible for ensuring execution of the EFT data file complying with security procedures and time schedule.

6.12 The sending SEFT Service Branch shall ensure, before execution of any EFT Data File that the balance in its settlement account are 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 EFT data file executed by it.

6.13 The sending SEFT Service Branch shall generate, dispatch and maintain records of transaction in accordance with procedure specified.

Obligations of SEFT Centre

6.14 Receiving SEFT Centre shall be responsible for receiving and processing the Data Files complying with the security procedure and time schedule specified for the purpose.

6.15 The SEFT Centre shall in compliance with time schedule and security procedure, process and sort out the Data File bank-wise and after crediting the settlement accounts with the corresponding value, transmit the NCC Data Files to the respective receiving SEFT Service Branches.

6.16 The SEFT Centre shall generate, dispatch and maintain records of transactions, in accordance with the procedure specified.

Obligations of the Receiving SEFT Service Branch

6.17 Receiving SEFT Service Branch shall be responsible for receiving NCC Data File from the receiving SEFT Centre in compliance with the security procedure.

6.18 Receiving SEFT Service Branch shall process the NCC Data File in compliance with the security procedure and sort-out the payment orders into branch wise lots and transmit to the respective branches the payment orders for execution in accordance with the time schedule and in compliance with the security procedure.

6.19 Receiving SEFT Service Branch shall generate, dispatch and maintain records of transaction accordance with the procedure specified.

Rights and obligation of beneficiary bank

6.20 The beneficiary bank shall execute the payment order on the SEFT working day on which the payment order is received by it unless it notices one or more of the following deficiencies.

a) The beneficiary specified in the payment order has no account or the account of the beneficiary maintained by the beneficiary's bank does not tally with the account specified in the payment order

b) The beneficiary bank is prevented by instructions of the beneficiary not to give or receive any credit to the account.

c) The account designated in the payment order is closed.

6.21 The beneficiary bank may reject a payment order on one or more of the grounds mentioned in Clause (1) above. The beneficiary bank shall notify, in the manner specified, the sending bank of the rejection of the payment order along with the reasons thereof.

Processing charges :

A charge shall be levied by the SEFT centre for SEFT processing. The current rate is Rs.2/- per transaction.