



## RESERVE BANK OF INDIA

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September 1, 2010

**The Chairman and Managing Director / Chief Executive Officer  
of member banks participating in / NEFT / NECS / ECS**

Madam / Dear Sir,

**Uniformity in penal interest payable by banks for delays in  
credit / return of NEFT / NECS / ECS transactions**

As you are aware, the recent past has been witness to significant growth in retail electronic payment products - both in terms of reach and volume. NEFT is offered by close to 70,000 bank branches in the country and ECS is available at 89 centres. More than 9 million transactions in NEFT and 25 million transactions in NECS / ECS were processed during the month of July 2010 alone. While this augurs well for the migration of payment transactions to the electronic mode, it is imperative that customer service and efficiency parameters are effectively dealt with as well by the member banks.

In terms of the NEFT / NECS / ECS Procedural Guidelines as also the relevant circulars / instructions issued by us from time to time, member banks need to afford credits to beneficiary accounts or return transactions (uncredited for whatever reason) to the originating / sponsor bank within the prescribed timeline. Any delays in doing so attract penal provisions specified therein.

The penal provisions are not uniform across these retail electronic payment systems. While banks have to pay penal interest @ prevailing Bank Rate + two per cent in NECS (Paragraph 15.4 of Procedural Guidelines) and ECS-Credit (Paragraph 29 of Procedural Guidelines), the relevant provision is Bank Rate in NEFT (Paragraph 6.7 of Procedural Guidelines). In order to ensure standardisation of the benchmark rate used and bring in uniformity in penal provisions across the retail payment products, the following modifications are being made:

**NECS / ECS-Credit**

“.....Destination Bank would be held liable to pay penal interest at the current RBI LAF Repo Rate plus two per cent from the due date of credit till the date of actual credit for any delayed credit to the beneficiaries' account. Penal interest shall be credited to the Beneficiary's Account even if no claim is lodged.”

**NEFT**

Paragraph 6.7 - "In the event of any delay or loss on account of error, negligence or fraud on the part of an employee of the destination bank in the completion of funds transfer pursuant to receipt of payment instruction by the destination bank leading to delayed payment to the beneficiary, the destination bank shall pay compensation at current RBI LAF Repo Rate plus two per cent for the period of delay. In the event of delay in return of the funds transfer instruction for any reason whatsoever, the destination bank shall refund the amount together with interest at the current RBI LAF Repo Rate plus two per cent till the date of refund."

Paragraph 6.8 is also being substituted as under –

"During the NEFT operating hours, originating banks should endeavour to put through the requests for NEFT transactions received by them, either online or across the counters, preferably in the next available batch but, in any case, not exceeding two hours from the time of receipt of the requests. In the likelihood of any delay / possible delay in adhering to this requirement, the originators / customers should be informed of the delay / possible delay and the reasons for the same."

Member banks may take note of the above changes in the Procedural Guidelines. These changes are applicable with immediate effect.

Yours faithfully

(Sd)

**(G. Padmanabhan)**  
Chief General Manager