



Central Depository Services (India) Limited

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COMMUNIQUE TO DEPOSITORY PARTICIPANTS

CDSL/OPS/DP/1746

October 20, 2009

UPDATION OF NEW BANK ACCOUNT NUMBERS

DPs are advised to refer to the RBI circular no RBI/2008-2009/509 /DPSS (CO) EPPD No. 2283 / 04.01.04 / 2008-2009 dated June 25, 2009 and RBI/2009-10/109 /DPSS (CO) EPPD No. 191/ 04.01.01 / 2009-2010 dated July 29, 2009. Copies of the same are attached herewith as Annexure 'A' and Annexure 'B'.

As mentioned in the above quoted circular, RBI has introduced National Electronic Clearing System (N-ECS) which aims at increasing efficiency and simplification of the ECS process. RBI has also directed the member banks to update their systems and information pertaining to the bank account numbers of their customers.

In view of the above, DPs are advised to inform their BOs to provide correct bank account details and update the same in CDAS system so that ECS transfers to such accounts are not rejected due to incorrect bank account details.

Queries regarding this communiqué may be addressed to **CDSL – Helpdesk** on (022) 2272-8642, 2272-8427, 2272-8624, 2272-8693, 2272-8625, 2272-8639, 2272-8663, 2272-1261 or 2272-2075. Emails may be sent to: helpdesk@cdslindia.com.

Sd/-

Ramkumar K.
Vice President – Operations



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

RBI/2008-09/509

DPSS (CO) EPPD No. **2283** / 04.01.04 / 2008-2009

June 25, 2009

The Chairman and Managing Director /
 Chief Executive Officer of all banks participating in NECS

Madam / Dear Sir,

National Electronic Clearing Service (NECS) – Optimal Usage and Expansion

As you are aware, National Electronic Clearing Service (NECS) was introduced during September 2008 for centralised processing of repetitive and bulk payment instructions. NECS facilitates sponsor banks to submit ECS files centrally at Mumbai, thus obviating the need to split files and then use local-ECS at various locations for data submission. By leveraging on the core-banking solutions of member banks for centralised posting of inward transactions, NECS offers all-India coverage. As on date, little over 26,000 branches of 114 banks are enabled to participate in NECS.

2. Presently, the Credit variant of NECS is available and over the last nine months of operation, the volume of transactions processed has witnessed a gradual increase. During the month of May 2009 alone, around 2 million transactions for value Rs. 30 billion were processed. Given the benefits offered by NECS, the need for local-ECS at various locations becomes redundant. Accordingly, local-ECS-Credit at Mumbai has been merged with NECS-Credit.

3. To optimally use the reach and potential of NECS, banks need to increase the number of branches enabled to participate in NECS. Ideally, all core-banking-enabled branches should be part of NECS. Since the branches participating in RTGS / NEFT number over 55,000, there is immediate scope for banks to double the number of branches offering NECS. This apart, banks also need to increase their level of participation by enthusing more users to tap the benefits offered by NECS.

4. To take forth the above, banks are advised to initiate action on the following points -

- a. Include, at a minimum, all the NEFT-enabled branches in NECS. Target should be to include all the core-banking-enabled branches in NECS.
- b. Educate their corporate customers and guide them in preparing a single NECS file, for credit to beneficiaries having accounts across the country with destination branches participating in NECS.
- c. A mechanism to electronically collect NECS files sponsored by different branches on behalf of their corporate customers, across the country.

- d. Efficient handling of inward NECS transactions. Banks should put in place proper interfaces for straight-through-processing of inward files received from the Clearing House.
 - e. Afford NECS credit to customer accounts without delay. Uncredited items, if any, should be reported back to the Clearing House within the prescribed time limit.
 - f. Avoid practices that delay and burden the system. Sponsor banks should ensure that user institutions do not include in the input files, transactions that have earlier been returned for reasons account-closed or no-such-account. Service branches also need to take due care while processing inward. There would be no justification for return of NECS-credits that would have otherwise been duly credited in local-ECS.
 - g. Strengthen infrastructure at the Service Branch in Mumbai not only in terms of adequacy of telephone lines, network, computers, etc., but also by way of making the branch core-banking-enabled, providing access to customer accounts at other core-banking-enabled branches and the like. To handle products that are national in character like (NECS and NEFT), the service branch needs also to be equipped with adequate manpower - both in terms of number and quality. Once Cen-ECS and local-ECS get subsumed in NECS, there would be automatic rationalisation of overall manpower requirements.
 - h. Be in readiness to participate in NECS-Debit, which requires a centralised mandate management system at banks' end. Banks should initiate steps to store and retrieve mandates electronically, with automated core-banking interface.
5. Please acknowledge receipt of this circular and keep us informed of the action initiated in this regard.

Yours faithfully

(G Padmanabhan)
Chief General Manager



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RESERVE BANK OF INDIA
www.rbi.org.in

RBI/2009-10/109

DPSS (CO) EPPD No. **191**/ 04.01.01 / 2009-2010

July 29, 2009

The Chairman and Managing Director / Chief Executive Officer
of all banks participating in ECS / National-ECS

Madam / Dear Sir,

Electronic Clearing Service (ECS) – Accuracy of Input Data and
Completeness of Account Number Information in ECS Mandates /Files

ECS was introduced during the early nineties as an efficient method for effecting bulk and repetitive transactions electronically. While ECS (Credit) handles interest, dividend payments, large-volume receipts like utility bills, insurance premia are facilitated by ECS (Debit). Presently, ECS is operational at 76 locations across the country, including the 15 centres run by RBI. Around 20 million transactions are processed every month reflective of increasing efficiency, as the need for issuing and handling paper instruments for such transactions is obviated. The benefits arising out of ECS operationalisation to the economy as a whole are significant.

2. ECS (Credit and Debit) operates on a T+1 cycle across all locations ('T' refers to the date on which ECS files are processed by the ECS centre. Credit or debit to beneficiary accounts at destination banks is on the next working day). To complete ECS transactions (including the time required for handling returns, if any) within the T+1 cycle, it is imperative that information contained in ECS files is complete, correct and current. Responsibility to ensure this is cast upon individual beneficiaries whose accounts are credited or debited, user institutions, sponsor banks and destination banks.

3. To leverage on Core-Banking Solutions (CBS) in banks for centralised processing of inward instructions and further efficiency in handling bulk transactions, National-ECS has been implemented at Mumbai. Banks have been advised, vide, our circular [DPSS \(CO\) EPPD No. 2283 / 04.01.04 / 2008-2009](#) dated June 25, 2009 on the steps to be taken for optimal usage and expansion of N-ECS. To adhere to the T+1 cycle in the decentralised local-ECS or to participate in centralised N-ECS, banks need to handle inward data in a straight-through manner with suitable interfaces to their CBS system. Since banks have changed the customer account-number convention post-migration to CBS, presence of old account numbers with 3 or 4 digits in inward ECS data has been causing delays in processing and high returns. For timely credit / debit to beneficiary accounts it is essential that ECS input files contain only the new account numbers; else, there could be delay in processing or transactions might be returned, thus causing a load on the system and making it inefficient.

4. In view thereof, action points which require immediate attention by the different stakeholders include -

(i) As User Institutions

- (a) ECS input files contain only new / changed account numbers of customers
- (b) Fresh mandates are called for from customers / beneficiaries, if necessary
- (c) Updates received from destination banks / sponsor banks are duly reflected in the customer records / ECS input files
- (d) Transactions that are repeatedly returned are not included in ECS input files

(ii) As Sponsor Banks

- (a) Input files received from user institutions are properly validated and transactions repeatedly returned are weeded out
- (b) ECS data submitted by them contain only the complete and relevant CBS-compatible account numbers
- (c) Information on updated account numbers received from destination banks is duly conveyed to user institutions

(iii) As Destination Banks

- (a) Furnish list of records with old account numbers along with corresponding new CBS account numbers to respective sponsor banks and user institutions
- (b) Filter old account numbers in inward ECS files branch-wise and user-wise. Branches to intimate customers to furnish new account numbers allotted to them after CBS implementation to respective user institutions
- (c) Collect new mandates from customers in cases where the existing mandate has the old account number / requires updation / replacement or otherwise
- (d) Prepare proper mandate handling policy including putting in place a mandate management system

(iv) As Beneficiaries / Customers

- (a) Mandates / Details with user institutions contain only new account numbers
- (b) Fill in fresh mandates and furnish them to user institutions, either proactively or if requested to do so.

5. Banks are requested to complete the above initiatives by December 31, 2009. ECS centres may take proactive steps to return without processing the ECS files which have had more than half the instructions either rejected or returned, unless they are convinced that sufficient care has been taken to weed out or update the relevant information. With effect from January 1, 2010, necessary validations will be built into the ECS / N-ECS process flow to ensure that instructions with old account numbers are rejected at the ECS centre-level itself.

6. Please do the needful and keep us informed of the action proposed to be initiated.

Yours faithfully

-Sd-

(G Padmanabhan)
Chief General Manager