Electronic Funds Transfer and Clearing System (EFTCS)

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Electronic Funds Transfer and Clearing System (EFTCS) Project undertaken by Royal Monetary Authority of Bhutan

The Royal Monetary Authority of Bhutan (RMA) with Technical Assistance from the Reserve Bank of India (RBI) has implemented the Electronic Funds Transfer and Clearing System (EFTCS) Project for strengthening the Payment Systems in Bhutan aimed at providing fast, secure and efficient payment services to the public.

The EFTCS Project shall facilitate the customers to transfer the funds amongst the commercial banks. The customers can now easily transfer the funds from an account maintained with Bank A to another account maintained with Bank B, Bank C or Bank D, which was not possible before launching of the EFTCS Project. In other words, one can transfer funds from one bank to other customer in any other bank.

Under the Electronic Funds Transfer and Clearing System, the transfer of money/funds from one account to the other account shall take place electronically. Necessary arrangements such as rules and regulations, documentation, authorization have been put in place to make the Payment System very safe and efficient. With the introduction of this electronic mode of transfer of funds, the inconveniences and delays associated with the current cash and other paper based transfer of funds such as cheques and drafts shall be minimized as the participants will be able to settle their transactions efficiently and faster. However, the cheques shall always continue to be a mode of payment.
Under the EFTCS Project, RMA has implemented the following three types of Payment Systems:

- National Electronic Funds Transfer System (NEFT)
- National Electronic Clearing System (NECS Debit)
- National Electronic Clearing System (NECS Credit)

Details on the above three types of Payment Systems:

**NEFT:**
National Electronic Funds Transfer (NEFT) system is a nation wide funds transfer system to facilitate transfer of funds from one bank branch to any other bank branch.

NEFT facilitates transfer of funds from one individual to other individual, one institution to other institution, one institution to one individual. In other words, under NEFT funds can be transferred only between two parties.

**NECS Debit:**
NECS (Debit) is used for raising multiple debits from a number of accounts of consumers/ account holders for crediting a particular institution.

NECS Debit shall be used for collecting receivables by an institution from many of its customers. In other words, funds under NECS Debit shall be collected from many customers to one user institution such as service providers of an Utility towards utility bills.
**NECS Credit:**
NECS (Credit) is used for affording credit to a large number of beneficiaries by raising a single debit to an account. In other words, funds under NECS Credit shall be paid to many customers by one institution such as dividend and salary payments.

**Benefits of the above three types of Payment Systems.**
Following are some of the benefits for using the EFTCS by Individuals (customers), User Institutions and the Banks:

- With the introduction of these electronic transfers of funds, the inconveniences and delays associated with the current cash and other paper based transfer of funds such as cheques and drafts shall be minimized.
- Transfer of funds from one branch of a bank to any branch of the other participating commercial banks in Bhutan shall be possible.
- Receipts/payments of funds shall be faster.
- Administrative cost associated with the conventional methods of payments shall be minimized to the greater effect.
- Very safe and secured methods of Payments.
- Last but not the least, it would improve the efficiency and provide better services to the general public.
National Electronic Funds Transfer

NEFT system is a nationwide funds transfer system to facilitate individual transfer of funds from one branch of a bank to any branch of the other participating commercial bank in Bhutan.

It is a mode of electronic funds transfer from one bank account to another bank account.

Example: Mr. A having account with Bhutan National Bank (BNB), Thimphu branch shall be able to transfer funds to Mr. B having account with any branch of the other participating bank i.e. Bank of Bhutan (BoB), Trashigang branch, T Bank, Thimphu branch, Druk PNB Bank Ltd, Phuentsholing branch, etc.

How does the NEFT system operate?

Step-1: The remitter/customer wishing to transfer money visits his Bank and fills in the NEFT Application form giving the particulars of the beneficiary such as the beneficiary’s name, Bank address, account number, amount to be transferred etc. and authorizes his bank to remit the specified amount to the beneficiary by raising a debit to the remitter’s account. Alternatively, this can be done by using internet banking services offered by some of the banks.

Step-2: The remitting branch of the bank prepares a Structured Financial Messaging Solution (SFMS) message and sends it to its Service Branch.

Step-3: The Service Branch of the bank forwards the message to the NEFT Centre, PSSD, RMA for processing the transfer of funds.
**Step-4:** The NEFT Centre, PSSD, RMA sorts the transactions bank-wise and forward the bank-wise reports for credit of funds to the beneficiaries. It also forwards a settlement report for debiting and crediting the respective banks.

**Step-5:** The receiving branch of the beneficiary bank shall effect the credit to the beneficiary’s account upon receipt of the details from the NEFT Centre, PSSD, RMA.

**Step-6:** The remitter of the funds shall be informed about the credit of the account of the beneficiary, by the participating banks.

**Is it necessary to have a bank account to transfer funds through NEFT?**
The customer desiring to transfer funds through NEFT should normally have account with the bank as NEFT is an account to account funds transfer system. However, to enable the walk-in customers to avail of this facility, NEFT transaction may be initiated by accepting cash (cash limit to be prescribed by RMA).

**Is it necessary for the beneficiary also to have account at the destination bank to receive the funds?**
The beneficiary should also have account at the Destination bank to receive the funds sent through NEFT as NEFT is an account to account funds transfer system.
What are the essential information that the remitting customer would have to furnish for the remitting funds?
The customer should fill up the Application Form available at his bank providing the following necessary details:

- Account number of the remitter from where the amount has to be transferred:
- Amount to be remitted:
- Name of the beneficiary:
- Account number of the beneficiary:
- Beneficiary bank name and address:

Who can avail NEFT facility?
Individuals as well as Institutions can transfer/receive funds through NEFT.

How long does it take for the beneficiary to receive the funds transferred through NEFT?
The beneficiary can get the credit on the same day or the next working day depending on the time of submission of remittance request from the remitter.

Any limit on the amount of funds that can be transferred through NEFT?
The customers can transfer any amount of funds through NEFT.
Does the customer need to pay Processing Charges/Service Charges for transfer of funds under NEFT?
RMA shall not currently be levying any processing charges for NEFT transactions for using its facilities at the NEFT Centre, RMA. To provide services to customers, the banks may charge a reasonable amount of service fee for outward transfer of funds under NEFT. However, the Destination bank shall not charge any service fee from the customers for inward receipt of funds under NEFT.

Whom should the remitter of funds contact, in case of non-credit or delay in credit to the beneficiary account?
The remitter of funds should contact his bank in case of non-receipt/delay in receipt of funds by the beneficiary. However, if the issue is not resolved satisfactorily within thirty (30) days, the NEFT Centre, PSSD, RMA may be contacted.

Can the customer receive/transfer funds outside Bhutan through NEFT?
The NEFT System can be used to transfer/receive funds within Bhutan only.

Would the beneficiary receive an acknowledgement of money credited into the account?
The receiving branch of the Destination bank shall provide the information of credit to the account of beneficiary through sms banking/bank statement.

Would the remitting customer get back the money if it is not credited to the beneficiary’s account?
The account of the remitting customer shall be credited if the funds could not somehow be credited to the account of beneficiary.
National Electronic Clearing System (Debit)

Under NECS Debit, the account of an institution shall be credited by debiting money from the accounts of many customers. In other words, NECS (Debit) is used for the raising multiple debits from a number of accounts of customers for crediting the account of a particular institution.

It is a scheme under which an account holder with a bank can authorize the user institution to recover an amount by raising a debit in his account.

The user institution has to collect an authorization from the customers for raising such debits. These authorizations have to be endorsed by the bank maintaining the account of the customers. Types of transactions planned to be covered during the initial stage of implementation of NECS (Debit) include payment of utilities bills (telephone bill, electricity bill and water bill).

However, in the future, efforts will be made to include additional transactions under NECS Debit such as loan repayments, payment of insurance premiums, monthly rental charges for cable television, fees for school/college/training institutions etc.

Example: Payment of Utility Bills.

The Utility Companies like Bhutan Telecom, Bhutan Power Corporation, City Corporation etc. shall collect the monthly amounts of bills payable to them by their customers directly by debiting the accounts of the individual customers maintained with different commercial banks such as BoB, BNB, T Bank, Druk PNB Bank.
**How does the NECS (Debit) work?**

**Step 1:** The User institution has to fill the registration form to register itself with the NECS Centre, PSSD, RMA for using the NECS facility.

**Step 2:** The customer of the user institution intending to use the NECS facility has to fill the form authorizing the user institution to debit his account for paying the bills. These authorizations have to be endorsed by the bank maintaining the customer’s account.

**Step 3:** The user institution has to submit electronic data in a specified format to its Sponsor bank.

**Step-4:** The Sponsor bank validates the records received from user institution and forwards the same to Service Branch of its bank for execution of the NECS transactions.

**Step-5:** The Service Branch of the bank forwards the message to the NECS Centre, PSSD, RMA for processing of the transactions.

**Step-6:** The NECS Centre, PSSD, RMA sorts the transactions bank-wise and processes the transfer of funds by forwarding bank-wise reports for raising the debit to the account of the customers. It also forwards the settlement reports to the Banking Department, RMA for effecting the transfer of funds into the accounts of participating commercial banks.

**Step-7:** The receiving branch of the Destination bank shall effect the debit to the customer’s account upon receipt of the details from the NECS Centre, PSSD, RMA.
Step-8: The receiving branch of Destination bank shall provide the information about the un-debited items to the RMA through their service branch.

- *All the accounting entries shall be passed on settlement date.*

**Does the customer need to pay Processing Charges/Service Charges for availing NECS facilities?**

The RMA shall not currently be levying any processing charges for NECS transactions for using its facilities at the NECS Centre, RMA to provide services to customers.

Further, the customers should not be charged any service fees by the banks for receipt of funds such as salaries, dividend etc. through NECS Credit and for paying bills such as utility bills, school fees, loan repayments etc. through NECS debit.

**Can the authorization given once be withdrawn or stopped?**

The customer can withdraw the authorization given to the user institution. However, the customer has to notify user institution 15 days prior to the settlement date.

**Which types of institutions can participate in the NECS Debit?**

Utility service providers such as telephone companies, electricity supplying companies, credit card collections, collection of loan installments by banks and financial institutions, etc.
National Electronic Clearing System (Credit)

Under NECS Credit, the accounts of individuals maintained with commercial banks shall be credited with amounts receivable by them from the company/organization on account of dividends, salaries, pensions etc. In other words, NECS (Credit) is used for affording credit to a large number of beneficiaries by raising a single debit to an account of the concerned company/organization.

Types of transactions planned to be covered during the initial stage of implementation of NECS (Credit) include payments of salaries and dividends.

However, in the future, efforts will be made to include additional transactions under NECS Credit such as pension payments, disbursement of bonus, income tax refund by government, refund of Initial Public Offer for subscription of shares etc.

**Example: Payment of salaries.**

Currently, employees as well as the employer organization have to maintain accounts with the same bank for the disbursement of monthly salaries. However, under the NECS Credit, it is no longer necessary for the employees and the employer organization to maintain their accounts with the same Bank.

Monthly salaries can now be directly credited to the employees accounts maintained with any commercial bank, be it BoB, BNB, T Bank or Druk PNB Bank by debiting the account of concerned organization.

**Example: Payment of dividends.**

With the introduction of this scheme, companies like Penden Cement Authority Ltd., Kuensel Corporation etc. desiring to pay dividend to its shareholders need not send cheques to their shareholder as currently practiced. Rather, the amount of dividend payable to the shareholders shall be directly credited into their accounts maintained with any commercial banks.
How does the NECS (Credit) work?

**Step-1:** The User institution has to fill the registration form to register itself with the NECS Centre, PSSD, RMA for using the NECS facility.

**Step-2:** The customer of the user institution intending to use the NECS facility has to fill the form authorizing the user institution to credit his account for receiving salary, dividend etc.

**Step-3:** The user institution has to submit electronic data in a specified format to its Sponsor bank.

**Step-4:** The Sponsor bank validates the records received from user institution and forwards the same to Service Branch of its bank for execution of the NECS transactions.

**Step-5:** The Service Branch of the bank forwards the message to the NECS Centre, PSSD, RMA for processing of the transactions.

**Step-6:** The NECS Centre, PSSD, RMA sorts the transactions bank-wise and processes the transfer of funds by forwarding bank-wise reports for payment of funds to the beneficiaries. It also forwards the settlement reports to the Banking Department, RMA for effecting the transfer of funds into the accounts of participating commercial banks.
**Step-7:** The receiving branch of the Destination bank shall effect the credit to the beneficiary’s account upon receipt of the details from the NECS Centre, PSSD, RMA.

**Step-8:** The receiving branch of the Destination bank shall provide the information of credit to the account of beneficiary.

**Does the customer need to pay Processing Charges/Service Charges for availing NECS facilities?**

The RMA shall not currently be levying any processing charges for NECS transactions for using its facilities at the NECS Centre, RMA to provide services to customers.

Further, the customers should not be charged any service fees by the banks for receipt of funds such as salaries, dividend etc. through NECS Credit and for paying bills such as utility bills, school fees, loan repayments etc. through NECS debit.

**Which types of institutions can participate in the NECS Credit?**

NECS payments can be initiated by any institutions (called NECS user) who have to make bulk or repetitive payments to a number of beneficiaries. NECS users have also to obtain the consent as also the account particulars of the beneficiary for participating the NECS clearing.

The NECS user’s bank is called as the sponsor bank under the scheme and the NECS beneficiary account holder is called the
destination account holder. The destination account holder’s bank or the beneficiary’s bank is called the destination bank.

The beneficiaries of the regular or repetitive payments can also request the paying institution to make use of the NECS (Credit) mechanism for effecting payment.