



Employees' Provident Fund Organisation
(Ministry of Labour & Employment, Govt. Of India)

Head Office, Bhavishya Nidhi Bhawan,
14-Bhikaiji Cama Place, New Delhi-110066

29 APR 2010

No. Bkg/1(25)NEFT/Electronic Data Transfer/ 2087

Date: 28-4-2010

**Implementation of National Electronic Fund Transfer (NEFT) for
payment to EPF Beneficiaries.**

The existing arrangement for payment to EPFO beneficiaries is paper based wherein payments are released through individual account payee cheques or money orders. It is primarily a manual system involving considerable time lag between authorization of claim and actual receipt of payment. This delay mainly occurs on account of:-

- i) Lag of many days between authorization of claim and printing of cheques.
- ii) Time taken for signing of cheques due to large volumes.
- iii) Long time taken for physical handing over of cheques and forwarding letter to Speed Post Center.
- iv) Very long time taken by Speed Post Centers.
- v) Time taken in clearing of cheques.

This delays leads to generation of huge number of grievances which is a clear indicator of low level of customer satisfaction. To overcome these in-efficiencies and to curtail the time lag between authorization of claim and actual receipt of payment, modifications have been carried out in Unix based legacy system to avail the electronic route of payment.

Ninety Five banks with over 67,000 branches are now connected to National Electronic Fund Transfer (NEFT) network. Payment to these NEFT networked branches are effected six times a day through a system driven by Reserve Bank of India. FAQ on NEFT is enclosed for ready reference and detailed procedural guidelines may be accessed at <http://rbidocs.rbi.org.in/rdocs/content/pdfs/65253.pdf>. Payments to State Bank of India (SBI) branches are also being effected through electronic route on Core Banking Solution (CBS) platform. Day by day a large number of bank branches are getting connected to NEFT network and only Cooperative and Rural Banks are now out of the NEFT Grid. Gradually these banks will also be brought on the network but till such time payments to these banks can be effected through cheque only.

It gives us pleasure to launch e-payment in EPFO which will enable us to get the benefits credited to members accounts within 1-2 days of claim authorization, leading to substantial reduction in grievances and higher customer satisfaction.

The required software patch for implementation of e-payment has been prepared and uploaded on EPFO website with necessary loading instructions and operation manual. You are requested to thoroughly study these instructions and implement same in letter and spirit. This software patch will enable e-payment in legacy system and a separate software patch enabling e-payment in Linux based new software will be released shortly. Ninety One offices, operating on legacy software will thus have three modes of payment:

1. e-payment (CBS and NEFT).
2. Cheques for Non-Networked bank branches.
3. Money Orders for payments upto Rs.2000/- whenever desired by beneficiaries.

E-payment modalities will take up CBS or NEFT route based on the member's bank branch. All SBI payments will be effected through CBS and payments to networked branches will be made through NEFT. The software has been tested at RO, Gurgaon successfully. The e-payment through NEFT and CBS will now be default option for disbursement and other two options may be on-board for sometime as "fall-back" option; to be used only if payment cannot be made electronically. The service charges for this service has been specified by RBI as under:

- a) Inward transactions at distribution bank branches for credit to beneficiaries accounts : Free
 b) Outward transactions at origination bank branches (Charges for the remittances):-

For transactions upto Rs.1 lakh : Charges not exceeding Rs.5
 For transactions of Rs.1 lakh and above : Charges not exceeding Rs.25

In order to ensure effective implementation of e-payments, following activities have be carried out meticulously:-

S. No.	Activity	Responsibility
1.	Take up implementation of e-payment with Link Branch and ensure that no operational issues remain unresolved locally.	OIC
2.	Liaison with CGM/GM, SBI for smooth implementation of e-payment including technical support at Link Branch, if required.	ACC(Zones)
3.	- Wide publicity through press release, direct mailer to employer informing mandatory submission of attested copy of first page of Pass Book to avail NEFT -Display boards for mandatory submission of attested copy of first page of Pass Book to avail NEFT -Mandatory submission of attested copy of first page of member's pass book carrying details of his name and account number.(To be collected with claim form)	ACC/RPFC RPFC PRO(Field Office)
4.	Ensure collection of mobile number of the member (if available) to enable credit information through SMS.(Tool to be provided shortly)	PRO(Field Office)
5.	Reflect payment option in work sheet	DEO(EDP)
6.	Inclusion of IFSC Code in bank details for NEFT payments	DEO(EDP)
7.	Three level confirmation of member's name and account number duly initialed in worksheet as certificate of checking	Level 1- SSA Level 2- Section Supervisor Level 3- Accounts Officer
8.	Segregation of cheque payment, CBS, NEFT and MO Cases before scroll generation	SSA (Accounts)
9.	Generation of separate scrolls for above categories	DEO(EDP)
10.	Generation of combined summary sheet for CBS and NEFT payments	EDP
11.	Generation of single cheque for total amount of summary sheet after due verification. Payments to non-epayment and MO Cases will be carried out as per the existing procedure only	Cash Section/EDP
12.	Generation of separate text files and mandates(forwarding letter) for CBS and NEFT payments	EDP
13.	Transfer of text files and text file compare utility to non-rewritable CD by transferring data from Unix system to windows.	EDP
14.	Approval of text files on CD through compare utility and hard	APFC(Cash)

	copy authorization alongwith mandates. Data CD also to be signed on lable side after running compare utility.	
15.	Cheque Signing	APFC(Cash)
16.	Handing over of cheque, CD and Hard Copy of summary sheets and mandates to SBI, Link Branches	Cash Section
17.	Uploading data to RBI for NEFT payments	Link Branch
18.	Effecting CBS payments	Link Branch
19.	Obtain data uploading report containing UTR reference number from SBI	Cash Section
20.	MIS to EPFO on next day	Link Branch
21.	Maintenance of Register of daywise no. of transactions (below and above Rs.1 lakh separately) for payment of service charges.	Cash Section
22.	Confirmation of Credit of return cases to EPFO Account	Cash Section
23.	Intimation of returned cases to members	Cash Section
24.	Re-authorization after corrections	Cash Section
25.	Re-credit to ledger Account and reprocessing after receipt of members applications.	Accounts Section

It is experienced that at times Link Branch, SBI may not be conversant in implementing NEFT payments and may need support of their technical team. Consequently, it is imperative on the part of ACCs(Zone) to keep a close liaison with CGM/General Manager of concerned circles of SBI. Any technical or logistic support should be available to link branches, just a call away.

It is also noteworthy that considering large volumes, bank may not be in a position to check member name and account number which increases likelihood of wrong payments. Considering same, it is mandatory that three level check of comparing member name and account number from passbook copy should be done meticulously.

E-payment modality to subscribers will be implemented in all offices running Unix based legacy software with immediate effect. To avoid conflict between ECS and e-payment, offices effecting payment through ECS presently will completely switch over to e-payment. As a confirmation of having implemented e-payment modalities, RPFC-in-charge of the field formations should send copy of MIS from SBI to RPFC(Banking) latest by 10.05.2010 electronically at epfobanking@gmail.com. FA & CAO has been assigned to monitor the progress on daily basis.

In case of any difficulties in implementation of e-payment modalities, following officers may be contacted:

- | | |
|--|---------------------------|
| 1. Sh. R. K. Singh, RPFC(F & A), Head Office | 011-26172685, 9911311964 |
| 2. Sh. J. P. Chauhan, RPFC(Banking), Head Office | 011-26184408, 9971847209 |
| 3. Sh. Navendu Rai, RPFC(Vatwa), Gujarat | 0179-25460155, 9879114421 |
| 4. Sh. Dinesh Dharni, AD(IS), NDC, Delhi | 011-26177955, 9868107089 |

Let us put concerted effort to deliver quality service to our esteemed subscribers.


(S. Chatterjee)

Central P.F. Commissioner

To

All ACC(Zones)
All RPFCs(RO/SRO)

Copy to: RPFC(NDC) with request for uploading on website.

FAQ ON NEFT SYSTEM

Q.1. What is NEFT?

Ans : National Electronic Funds Transfer (NEFT) is a nation-wide system that facilitates individuals to electronically transfer funds from any bank branch to any other bank branch in the country.

Q.2. Are all bank branches in the country part of the NEFT funds transfer network?

Ans : For being part of the NEFT funds transfer network a bank branch has to be NEFT-enabled. As at end-November 2009 as many as 62,000 branches / offices of 94 banks in the country (out of around 75,000 bank branches) are NEFT-enabled. Steps are being taken to further widen the coverage both in terms of banks and branches.

Q.3. How can one know which bank branches are part of the NEFT network?

Ans : The list of bank branches participating in the NEFT system is available on the website of Reserve Bank of India at <http://www.rbi.org.in/scripts/neft.aspx>. Details will also be available with the banks / branches participating in the NEFT system.

Q.4. Who can transfer funds using NEFT?

Ans : Individuals, firms or corporates maintaining accounts with a bank branch can transfer funds using NEFT. Even such individuals, firms or corporates who do not have a bank account (walk in customers) can also deposit cash at the branch with instructions to transfer funds using NEFT. A separate Transaction Code (No. 50) has been allotted in the NEFT system to facilitate walk-in customers to deposit cash and transfer funds to a beneficiary. Such customers have to furnish full details including complete address, telephone number etc. NEFT, thus, facilitates originators or remitters to initiate funds transfer transactions even without the need for having a bank account.

Q.5. Who can receive funds through the NEFT system?

Ans : Individuals, firms or corporates maintaining accounts with a bank branch can receive funds through the NEFT system. It is, therefore, necessary for the beneficiary to have an account with the destination bank branch in the country.

The NEFT system also facilitates one-way cross-border transfer of funds from India to Nepal. This is known as the Indo-Nepal Remittance Facility Scheme. A remitter can transfer funds up to Indian Rupees 50,000/- from any of the NEFT-enabled branches in India to Nepal, irrespective of whether the beneficiary in Nepal maintains an account with a bank branch in Nepal or not. The beneficiary would receive funds in Nepalese Rupees. A separate Transaction Code (No. 51) has been allotted in the NEFT system to facilitate the transfer of funds from India to Nepal. Further details on the Indo-Nepal Remittance Facility Scheme are available on the website of Reserve Bank of India at <http://rbidocs.rbi.org.in/docs/content/pdfs/34489.pdf>.

Q.6. Is there any limit on the amount that could be transferred using NEFT?

Ans : No. There is no limit – either minimum or maximum – on the amount of funds that could be transferred using NEFT. However, for walk-in customers mentioned at Q.4 and Q.5 above, including these remitting funds under the Indo-Nepal Remittance Facility Scheme the maximum amount that could be transferred is Rs. 50,000.

Q.7. Whether the system is centre specific or has any geographical restriction?

Ans : No, there is no restriction of centres or of any geographical area inside the country. The NEFT system takes advantage of the centralised accounting system in banks. For the purpose, the account of a bank that is originating or receiving funds transfer instructions, is operated centrally at Mumbai. The branches participating in NEFT can, however, be located anywhere across the length and breadth of the country.

To facilitate operation of the Indo-Nepal Remittance Facility Scheme, the NEFT system also extends to branches of banks in Nepal (as detailed at Q.5 above).

Q.8. What are the operating hours of NEFT?

Ans : Presently, NEFT operates in batches from 9 a.m to 5 p.m. There are six settlements at 9 a.m, 11 a.m, 12 noon,

1 p.m, 3 p.m and 5 p.m on week days and three settlements at 9 a.m, 11 a.m and 12 noon on Saturdays.

Q.9. How does the NEFT system operate?

Step-1 : An individual / firm / corporate intending to originate or transfer funds through NEFT has to fill an application form giving details of the beneficiary (like, name of the beneficiary, name of the bank branch where the beneficiary has an account, IFSC of the beneficiary bank branch, account type and account number). The application form will be available at the originating bank branch. The originator authorises the branch to debit his account and remit the specified amount to the beneficiary. Customers enjoying net banking facility offered by their bankers can initiate the funds transfer request online. Some banks offer the NEFT facility even through the ATMs. Walk-in customers will, however, have to give their contact details (complete address and telephone no. etc.) to the branch. This will help the branch to refund the money to the customer in case credit could not be afforded to the beneficiary's bank account or the transaction is rejected / returned for any reason.

Step-2 : The originating bank branch prepares a message and sends the message to its pooling centre (also called the NEFT Service Centre).

Step-3 : The pooling centre forwards the message to the NEFT Clearing Centre (operated by National Clearing Cell, Reserve Bank of India, Mumbai) to be included for the next available batch.

Step-4 : The Clearing Centre sorts the funds transfer transactions destination bank-wise and prepares accounting entries to receive funds from (debit) the originating banks and give the funds to (credit) the destination banks. Thereafter, bank-wise remittance messages are forwarded to the destination banks through their pooling centre (NEFT Service Centre).

Step-5 : The destination banks receive the remittance messages received from the Clearing Centre and pass on the credit to the beneficiary accounts.

Q.10. What is IFSC?

Ans : IFSC or Indian Financial System Code is an alpha-numeric code that uniquely identifies a bank-branch participating in the NEFT system. This is a 11 digit code with the first 4 characters representing the bank, and the last 6 characters representing the branch. The 5th character is a 0 (zero). IFSC is used by the NEFT system to route the messages to the destination banks / branches.

Q.11. How can the IFSC of a bank-branch be found?

Ans : Bank-wise list of IFSCs is available with all the bank-branches participating in NEFT. List of bank-branches participating in NEFT and their IFSCs is available on the website of Reserve Bank of India at <http://www.rbi.org.in/scripts/neft.aspx>. All banks have also been advised to print the IFSC of the branch on cheques issued by branches to their customers. For net banking customers many banks have also enabled online search / pop-up of the IFSC of the destination bank branch.

Q.12. What are the processing or service charges for NEFT transactions?

Ans : Reserve Bank of India has waived the processing or service charges for member banks till March 31, 2010. Accordingly, member banks participating in NEFT need not pay any processing or service charges to Reserve Bank of India. Further, processing or service charges to be levied by the member banks from their customers have also been rationalised by Reserve Bank of India as under: —

a) Inward transactions at destination bank branches (for credit to beneficiary accounts)

— Free, no charges to be levied from beneficiaries

b) Outward transactions at originating bank branches (charges for the remitter)

- For transactions up to Rs. 1 lakh – Charges not exceeding Rs. 5.
- For transactions of Rs. 1 lakh and above – Charges not exceeding Rs. 25.

Note: Charges applicable for transferring funds from India to Nepal using the NEFT system (under the Indo-Nepal Remittance Facility Scheme), are as under –

- a) Originating bank branch in India – Maximum Rs. 5 per transaction.
- b) State Bank of India in India – Rs. 20 per transaction if the beneficiary maintains an account with Nepal SBI Ltd. (NSBL).
- c) State Bank of India shares this amount equally with NSBL. NSBL would not charge any additional amount for crediting the account of the beneficiary.
- d) In case the beneficiary does not maintain an account with NSBL, an additional amount would be charged @ Rs. 50 for remittances up to Rs. 5,000 and Rs. 75 for remittances above Rs. 5,000.

The charges would, thus, be a minimum of Rs. 25 or a maximum of Rs. 100 depending on the value of transaction and the manner in which credit is afforded to the beneficiary.

Originating bank branches have been advised to recover the entire charges from the remitter as per the structure detailed above and pass on the appropriate amount to SBI after retaining their share (of Rs. 5).

Q.13. When can the beneficiary expect to get the credit to his bank account?

Ans : The beneficiary can expect to get credit for the first four batches on week days (i.e., transactions from 9 a.m to 1 p.m from Monday to Friday) and the first two batches on Saturdays (i.e., transactions from 9 to 11 a.m) on the same day. For transactions settled in the last two batches on week days (i.e., transactions settled in the 3 and 5 p.m batches) and the last batch on Saturdays (i.e., transactions handled in the 12 noon batch) beneficiaries can expect to get credit either on the same day or on the next working day morning (depending on the type of facility enjoyed by the beneficiary with his bank).

The timelines for remittances to Nepal using the NEFT system (under the Indo-Nepal Remittance Facility Scheme) are separate at <http://www.rbi.org.in/Scripts/Content.aspx?id=134119>.

Q.14. Who should be contacted in case of non-credit or delay in credit to the beneficiary account?

Ans : In case of non-credit or delay in credit to the beneficiary account, the NEFT Customer Facilitation Centre (CFC) of the respective bank can be contacted (the originator can contact his bank's CFC; the beneficiary may contact the CFC of his bank). Details of NEFT Customer Facilitation Centres of banks are available on the websites of the respective banks. The details are also available on the website of Reserve Bank of India at <http://www.rbi.org.in/scripts/neft.aspx>.

If the issue is not resolved satisfactorily, the NEFT Help Desk (or Customer Facilitation Centre of Reserve Bank of India) at National Clearing Cell, Reserve Bank of India, Mumbai may be contacted through e-mail or by addressing correspondence to the General Manager, Reserve Bank of India, National Clearing Centre, First Floor, Free Press House, Nariman-Point, Mumbai – 400 021.

Q.15. What will happen if credit is not afforded to the account of the beneficiary?

Ans : If it is not possible to afford credit to the account of the beneficiary for whatever reason, funds are returned to the remitter (originating customer).

Q.16. Can NEFT be used to transfer funds from / to NRI or NRE accounts?

Ans : Yes. NEFT can be used to transfer funds from or to a Non-Resident Indian (NRI) or Non-Resident External (NRE) accounts in the country. This, however, is subject to applicability of provisions of the Foreign Exchange Management Act, 2000 (FEMA).

Q.17. Can inward foreign remittances be received through NEFT?

Ans : No. The NEFT system can be used only for remitting Indian Rupees between the participating bank branches in the country.

Q.18. Can remittances abroad be sent using NEFT?

Ans : No. However, a facility is available to send outward remittances to Nepal under the Indo-Nepal Remittance Facility Scheme. Details of this scheme are available on the website of Reserve Bank of India at <http://rbidocs.rbi.org.in/rdocs/content/pdfs/84489.pdf>.

Q.19. What are the other transactions that could be initiated using NEFT?

Ans : The NEFT system can be used to pay credit card dues to the card issuing banks. A separate Transaction Code (No. 52) has been allotted in the NEFT system to facilitate the payment of credit card dues to member banks. It is necessary to quote the IFSC of the beneficiary card issuing bank to initiate the bill payment transactions using NEFT.

Q.20. Can a transaction be originated to receive funds from another account?

Ans : No. NEFT is a credit-push system i.e., transactions can be originated only to transfer funds to a beneficiary.

Q.21. Would the originator receive an acknowledgement once the funds are transferred to the account of the beneficiary?

Ans : No, this facility is not available at present. Efforts are on to give an alert / message to the customer once credit is afforded to the account of the beneficiary.**

Q.22. Is there a way for the originator to track a transaction in NEFT?

Ans : Yes, the originating customer can track the NEFT transaction through the originating bank branch. It is possible for the originating bank branch to keep track and be aware of the status of the NEFT transaction at all times.

Q.23. What are the pre-requisites for originating a NEFT transaction?

Ans : Following are the pre-requisites for putting through a funds transfer transaction using NEFT –

- Originating and destination bank branches should be part of the NEFT network
- Beneficiary details such as beneficiary name, account number and account type
- Name and IFSC of the beneficiary bank branch. For net banking customers, some banks provide the facility to automatically pop-up the IFSC once name of the destination bank and branch is highlighted / chosen / indicated / keyed in.

Q.24. What are the other features of NEFT?

Ans : Launched in October 2005, NEFT is an electronic payment system that uses a secure mode of transferring funds from one bank branch to another bank branch. NEFT uses the Public Key Infrastructure (PKI) technology to ensure end-to-end security and rides on the INdian Financial NETWORK (INFINET) to connect the bank branches for electronic transfer of funds. The bank participation, branch coverage and transaction volume has been continuously increasing, which is reflective of the acceptance and popularity of the NEFT system. For further details about the NEFT system, the NEFT Procedural Guidelines – available on the website of Reserve Bank of India at <http://www.rbi.org.in/scripts/neft.aspx> – may be referred.

** Vide letter No.RBI/2009-10/305 dated 05.02.2010(Copy enclosed), RBI has introduced positive confirmation to customer by SMS or e-mail for all transactions.



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in

RBI/2009-10/305

DPSS CO EPPD No.168 / 04.03.01 / 2009-2010

February 5, 2010

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

Madam / Dear Sir,

National Electronic Funds Transfer (NEFT) System – Refinement of process-flow and enhancement of features

The National Electronic Funds Transfer (NEFT) system has been successfully handling significant volumes, ever since its launch in November 2005. More than 6 million transactions were processed by the system during the month of January 2010 alone. The coverage has also increased substantially with the participation of over 63,000 bank branches spread across the length and breadth of the country.

2. NEFT uses the Public Key Infrastructure (PKI) technology to assure end-to-end security and the Indian Financial Network (INFINET) to connect bank branches for electronic transfer of funds. In line with the system capabilities and user expectations, a number of initiatives have been taken in the recent past to extend operating hours, increase the number of batches and handle more transaction types. Incidentally, NEFT has no amount restrictions and accepts cash up to Rs. 50,000 for originating transactions.

3. With a view to further strengthen the NEFT system in terms of availability, convenience, efficiency and speed, the following refinements to process-flow and enhancements to operational features are being introduced –

(i) **Tightening of Return Window** – Presently, the NEFT procedural guidelines mandate banks to return NEFT transactions in the very next available batch. The NEFT system has, however, been designed to allow destination banks to return transactions on a T+1 basis. The traffic analysis has revealed that a major chunk of returns are effected by banks either in the last batch of the day or in the first batch of the next day, indicating that the transactions are processed by the destination batches only at the end of the day instead of batch-wise. In order to streamline the system and complete the processing cycle on a near-real-time basis, the concept of return within two hours of completion of a batch is being introduced. The B+2 return discipline would require banks to afford credit to beneficiary accounts immediately upon completion of a batch or else return the transactions within two hours of completion of the batch settlement, if credits are unable to be afforded for any reason. Required changes in the SFMS / NEFT software has been carried out. Necessary changes are also being made to the Procedural Guidelines for the purpose.

(ii) Increase in Operating Hours – NEFT is currently available from 9 am to 5 pm on week days and from 9 am to 12 noon on Saturdays. There have been constant requests from various individual and business segments to elongate the operating hours. After examining the feasibility and customer benefits, it has been decided to extend NEFT operating hours from 9 am to 7 pm on week days and from 9 am to 1 pm on Saturdays. Member banks need to effect changes at their end to initiate and / or receive NEFT transactions taking full advantage of the increased hours of operation.

(iii) Move to Hourly Settlements – On date, NEFT has six batches of settlement at 9 am, 11 am, 12 noon, 1 pm, 3 pm and 5 pm on week days and three batches of settlement at 9 am, 11 am and 12 noon on Saturdays. An analysis of daily data has shown that the volume of transactions processed in batches that have a gap of two hours between batches is double the volume of transactions processed in batches that have only an hour's gap between them. With a view to evenly space out transactions across batches, as also to make the system near-real-time, it has been decided to introduce the concept of hourly settlements. Accordingly, there would be eleven hourly settlements starting from 9 am to 7 pm on all week days and five hourly settlements from 9 am to 1 pm on Saturdays. Necessary changes have been carried out in the SFMS / NEFT software.

(iv) Implementation of Positive Confirmation – At present, the un-credited NEFT transactions are returned by destination banks and it is presumed that credit for all other transactions have been afforded to beneficiary accounts. In order to remove any ambiguity and to introduce the element of positive confirmation, the NEFT outward message format is being modified to contain two additional fields, wherein mobile number and / or e-mail address of the originating customer can be populated. A new message format is also being introduced to relay to the originating bank an acknowledgement containing the date and time of credit, immediately after the credit is afforded to beneficiary accounts. This message would flow from the destination bank / branch to the originating bank / branch. The originating banks after receiving the positive confirmation from the destination banks shall have to initiate a mobile SMS or generate an e-mail to the originator to convey the fate of the transaction. Detailed process flow for generating the positive confirmation is enclosed. SFMS / NEFT has been modified to add the required fields in the existing messages as also to handle the new messages.

4. The above modifications will be implemented in NEFT with effect from March 1, 2010. Member banks are advised to carry out appropriate changes to their CBS / system interfaces to handle the enhancements. In order to facilitate smooth migration, IDRBT-Hyderabad would release modified patches to be applied on SFMS / NEFT applications by February 15, 2010. For any additional information / clarifications, the NEFT team at your bank can contact officials of DPSS or IDRBT through email.

5. Please acknowledge receipt and confirm completion of necessary arrangements.

Yours faithfully,

-Sd-

(G Padmanabhan)
Chief General Manager

Encl. : Process flow for positive confirmation in NEFT