



Electronic Clearing Services (ECS)

Frequently Asked Questions

Q.1. What is Electronic Clearing Services (ECS)?

Ans: It is a mode of electronic funds transfer from one bank account to another bank account using the services of a Clearing House. This is normally for bulk transfers from one account to many accounts or vice-versa. This can be used both for making payments like distribution of dividend, interest, salary, pension etc. by institutions or for collection of amounts for purposes such as payments to utility companies like telephone, electricity, or charges such as house tax, water tax, etc. or for loan installments of financial institutions/banks or regular investments of persons.

Q.2. What are the types of ECS? In what way they are different from each other?

Ans: There are two types of ECS called ECS (Credit) and ECS (Debit).

ECS (Credit) is used for affording credit to a large number of beneficiaries by raising a single debit to an account, such as dividend, interest or salary payment.

ECS (Debit) is used for raising debits to a number of accounts of consumers/account holders for crediting a particular institution.

Working of ECS Credit System

Q.3. Who can initiate an ECS (Credit) transaction?

Ans: ECS payments can be initiated by any institution (called ECS user) who have to make bulk or repetitive payments to a number of beneficiaries. They can initiate the transactions after registering themselves with an approved clearing house. ECS users have also to obtain the consent as also the account particulars of the beneficiary for participating in the ECS clearings.

The ECS user's bank is called as the sponsor bank under the scheme and the ECS 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 ECS(Credit) mechanism for effecting payment.



Q.4. How does the ECS Credit system work?

Ans: The ECS users intending to effect payments have to submit the data in a specified format to one of the approved clearing houses. The list of the approved clearing houses or the list of centers where the ECS facility has been provided is available at www.rbi.org.in.

The clearing house would debit the account of the ECS user through the account of the sponsor bank on the appointed day and credit the accounts of the recipient banks, for affording onward credit to the accounts of the ultimate beneficiaries.

Q.5. How does a beneficiary participate in ECS (Credit) scheme?

Ans: The beneficiary has to furnish a mandate giving his consent to avail of the ECS facility. He should also communicate to the ECS user the details of his bank branch and account particulars. Such authorization form is called a mandate.

Q.6. What are the advantages to the ultimate beneficiary?

Ans:

- Trouble free – Eliminates the need to go to the collection centers/ banks by the customers and no need to stand in long 'Q's for payment.
- Peace of mind – Customers also need not track down payments by last dates.
- The debits would be monitored by the ECS users.

Q.7. At which of the centers ECS facility is available?

Ans: At present ECS facility is available at more than 68 centers and the full list is available at the web-site of RBI.

The beneficiaries need to maintain an account with one of the banks at these centers in order to avail of the benefit of ECS.

Q.8. What are the advantages to the banks?

Ans:

- Banks handling ECS get freed of paper handling.



- Paper handling also creates lot of pressure on banks as they have to encode the instruments, present them in clearing, monitor their return and follow up with the concerned bank and customers.
- In ECS banks simply get the mandate particulars relating to their customers. All they need to do is to match the account particulars like name, a/c number and debit the accounts.
- Wherever the details do not match, they have to return back, as per the procedure.

Q.9. How does the scheme benefit the ECS user – like corporate bodies/institutions?

Ans:

- The ECS user saves on administrative machinery for collecting the cheques, monitoring their realization and reconciliation.
- Better cash management.
- Avoids chances of frauds due to fraudulent access to the paper instruments and encashment.
- Realize the payments on a single date instead of fractured receipt of payments.

Q.10. Can the customer stipulate any maximum debit, purpose or validity period for the mandate?

Ans: Yes. It is left to the choice of the individual customer and the ECS user to finalize these aspects. The mandate can contain a maximum ceiling ; it can also specify the purpose as also a validity period.

Q.11. What is the current coverage of the scheme?

Ans: At present the scheme is in operation at 15 RBI centers (i.e. Centers where RBI manages the Clearing House operations) and at other centers where Public Sector Banks manage the clearing operations. The list of centers is available at the RBI web-site under the procedural guidelines.

Q.12. Can the mandate given once be withdrawn or stopped?

Ans: Yes. The mandate given is on par with a cheque issued by the customer. The only stipulation under the scheme is that the customer has to give prior notice to the ECS user, to ensure that they do not include the debits.



Q.13. Processing charges on individual transactions.

Ans: RBI has deregulated the service charges that could be levied by sponsor banks. RBI has waived the processing charges levied by RBI and other banks managing the clearing houses till March 2008.

Q. 14. Which are the institutions eligible to participate in the ECS Debit scheme?

Ans: Utility service providers such as telephone companies, electricity supplying companies, electricity boards, credit card collections, collection of loan installments by banks and financial institutions, and investment schemes of Mutual Funds etc.