

August 14, 2009

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

Madam/Dear Sir,

**Use of RTGS/NEFT/NECS/ECS for Credit to NRE Accounts –  
Compliance with FEMA Regulations and Wire Transfer Guidelines**

As you are aware, FEMA Regulations specify the nature of credits that are permitted to NRE accounts which, inter-alia, include foreign inward remittances, transfers from other NRE accounts, funds received from a local source (representing interest / dividend / maturity proceeds of investments) that are eligible to be remitted abroad, etc. Further, the Wire Transfer Guidelines issued by DBOD, RBI, vide, [DBOD.AML.BC.No. 77 / 14.01.001 / 2006-07](#) dated April 13, 2007 necessitates member banks to provide certain minimum information in the message formats while originating electronic payment instructions.

Changes were made in the message formats for RTGS (field tag 7495 in R-41) and NEFT (field 7002 under transaction code 40) for identifying transactions where the remittance has been received by an intermediary bank representing foreign inward remittances. Similarly, as contained in the Procedural Guidelines on NECS / ECS, the mandate form to be filled in by the user institution provides for a certification that NRE accounts of beneficiaries will be included in the input data only after ensuring compliance with rules / regulations issued by FED-RBI. This, in turn, has to be certified by the sponsor bank as well.

The onus of ensuring that credits to NRE accounts comply with the extant FEMA Regulations and the Wire Transfer Guidelines thus rests with the originating institution / sponsor bank. It needs to be appreciated that RTGS, NEFT and NECS / ECS (Credit) are credit-push systems and function efficiently if appropriate straight-through-processing interfaces are in place. Filters, if any, in the process flow would delay the clearing cycle and increase the load on the system.

All banks participating in RTGS / NEFT / NECS / ECS are, therefore, advised that when the destination of funds is to an NRE account, the originating / sponsor bank must ensure that the funds are eligible to be credited to an NRE account in India under the existing FEMA Regulations and Wire Transfer Guidelines. Beneficiary / Destination banks have to make requisite changes to the interface software, if not already done, so that all valid transactions indicating credit to an NRE account are not returned.

Please acknowledge receipt of the circular and confirm compliance.

Yours faithfully

**(G Padmanabhan)**  
Chief General Manager