Stored-value card

A **stored-value card** is a payment card with a monetary value stored on the card itself, not in an external account maintained by a financial institution and differs from debit cards where money is on deposit with the issuer. Another difference between stored-value cards and debit cards is that debit cards are usually issued in the name of individual account holders, while stored-value cards are usually anonymous.

The term *stored-value card* means the funds and or data are metaphorically 'physically' stored on the card, in the form of binary-coded data. With prepaid cards the data is maintained on the card issuer's computers. The value associated with the card can be accessed using a magnetic stripe embedded in the card, on which the card number is encoded; using radio-frequency identification (RFID); or by entering a code number, printed on the card, into a telephone or other numeric keypad.

Stored-value cards are most commonly used for low-value transactions, such as transit system farecards, telephone prepaid calling cards, cafeterias, or for micropayments in shops or vending machines. They also have an advantage over most other payment cards in that when making, say, a purchase telecommunication facilities are not needed, which may be important in situations where the availability or reliability of these facilities are uncertain or costly, especially for low-value transactions. A benefit to the merchant is that bank transaction fees are not incurred as the transaction is processed offline and there need not be a reference to the bank for processing. A limitation is that these cards cannot be used for online, telephone, mail order and other "card not present transactions".

## Stored-value cards have a specific value programmed into them. Banks provide these cards as a service for customers who cannot open checking or other deposit accounts.  Definition

A type of card, which is similar to a debit card, but includes a fix amount of money that can be withdraw from the corresponding account. Gift card or pre-loaded debits cards are common examples of stored value card. One of the downfalls of this type of card is the user may lose funds included on the card if he/she does not used before its expiration date.

**Stored value cards provide a way to make financial transactions.** Stored value cards use magnetic stripe technology to store information about funds that have been prepaid to the card. Payroll cards, government benefit cards, prepaid debit cards, gift cards, and telephone cards are examples of stored value cards. There are two main categories of stored value cards in the marketplace. The first prepaid cards made available to the marketplace were single-purpose or ‘closed-loop’ cards. Gift cards, which can only be used to purchase goods at particular retailers, and prepaid telephone cards, which can only be used to make telephone calls, are examples of single-purpose cards. The second type of card to emerge was a multipurpose or ‘open-loop’ card, which can be used to make debit transactions at a wide variety of retail locations, as well as for other purposes, such as receiving direct deposits and withdrawing cash from ATMs. Some multipurpose cards are branded by Visa or MasterCard and can be used wherever those brands are accepted.

# Real-time gross settlement

Real-time gross settlement systems (RTGS) are specialist funds transfer systems where transfer of [money](https://en.wikipedia.org/wiki/Money) or [securities](https://en.wikipedia.org/wiki/Securities) takes place from one [bank](https://en.wikipedia.org/wiki/Bank) to another on a "real time" and on "[gross](https://en.wikipedia.org/wiki/Gross_(economics))" basis. Settlement in "real time" means payment transaction is not subjected to any waiting period. The transactions are settled as soon as they are processed. "Gross settlement" means the transaction is settled on one to one basis without bundling or netting with any other transaction. Once processed, payments are final and irrevocable.

RTGS systems are typically used for high-value transactions that require immediate [clearing](https://en.wikipedia.org/wiki/Clearing_(finance)). In some countries the RTGS systems may be the only way to get same day cleared funds and so may be used when payments need to be settled urgently. However, most regular payments would not use a RTGS system, but instead would use a national [payment system](https://en.wikipedia.org/wiki/Payment_system) or network that allows participants to batch and net payments.

RTGS systems are usually operated by a country's [central bank](https://en.wikipedia.org/wiki/Central_bank) as it is seen as a critical infrastructure for a country's economy. Economists believe that an efficient national payment system reduces the cost of exchanging [goods and services](https://en.wikipedia.org/wiki/Goods_and_services), and is indispensable to the functioning of the interbank, money, and capital markets. A weak payment system may severely drag on the stability and developmental capacity of a national economy; its failures can result in inefficient use of financial resources, inequitable risk-sharing among agents, actual losses for participants, and loss of confidence in the financial system and in the very use of money.

## Central banks and RTGS

This electronic payment system is normally maintained or controlled by the [central bank](https://en.wikipedia.org/wiki/Central_bank) of a country. There is no physical exchange of money; the central bank makes adjustments in the electronic accounts of Bank A and Bank B, reducing the balance in Bank A's account by the amount in question and increasing the balance of Bank B's account by the same. The RTGS system is suited for low-volume, high-value transactions. It lowers settlement risk, besides giving an accurate picture of an institution's account at any point of time. Such systems are an alternative to systems of settling transactions at the end of the day, also known as the net settlement system such as the UK's [BACS](https://en.wikipedia.org/wiki/BACS) system. In the net settlement system, all the inter-institution transactions during the day are accumulated. At the end of the day, the accounts of the institutions are adjusted.

What is RTGS ?

The full form of RTGS is "Real Time Gross Settlement".   RTGS can be defined as  "as the continuous (real-time) settlement of funds transfers individually on an order by order basis (without netting")

What do you mean by Real Time? What is the Meaning of Gross Settlement"?

Here the words 'Real Time' refers to the process of instructions that are executed at the time they are received, rather than at some later time.  On the other hand "Gross Settlement" means the settlement of funds transfer instructions occurs individually (on an instruction by instruction basis).  The settlement  of funds actually takes place in the books of RBI and thus the payments are considered as final and irrevocable.

What is NEFT ?

The full form of NEFT is "National Electronic Funds Transfer (NEFT).  The NEFT is a nation wide payment system facilitating one-to-one funds transfer.   Under this system, individuals, firms and corporates can electronically transfer funds from any bank branch to any individual, firm or corporate having an acount with any other bank branch in the country participating in the system.

RTGS Vs NEFT :

Thus, we can say that both RTGS and NEFT are schemes started by RBI for the benefit of the customers which allow accounts holders in the banks to electronically  transfer the funds intra-bank.  In the case of RTGS, settlement in on 'Real Time' basis whereas in case of NEFT the settlement in on batch basis and net basis.

## How Real Time Gross Settlement (RTGS) is different from National Electronics Funds Transfer System (NEFT)?

NEFT is an electronic fund transfer system that operates on a Deferred Net Settlement (DNS) basis which settles transactions in batches. In DNS, the settlement takes place with all transactions received till the particular cut-off time. These transactions are netted (payable and receivables) in NEFT whereas in RTGS the transactions are settled individually. Any transaction initiated after a designated settlement time would have to wait till the next designated settlement time Contrary to this, in the RTGS transactions are processed continuously throughout the RTGS business hours.

Ex- State Bank of India, Canara Bank, State Bank of Travancore, State Bank of Patiala

**Deferred net settlement** (DNS).

Funds transfer

A net settlement system where final settlements occur between participating banks at the end of a predefined settlement cycle when the net obligations between participants are calculated and presented to the settlement agent for settlement.

Also known as Designated-time net settlement.

Contrast with a real time gross settlement system ([RTGS](http://wiki.treasurers.org/wiki/RTGS)).

# Direct Transfer

## Definition

The [movement](http://www.investorwords.com/3149/movement.html) of [tax-deferred](http://www.investorwords.com/4891/tax_deferred.html) [retirement](http://www.investorwords.com/4240/retirement.html) [assets](http://www.investorwords.com/273/asset.html) from one plan or custodian [directly](http://www.investorwords.com/9454/directly.html) to another. A direct transfer is not a [withdrawal](http://www.investorwords.com/5858/withdrawal.html) and does not incur any [taxes](http://www.investorwords.com/5972/taxes.html) or [penalties](http://www.investorwords.com/3648/penalty.html). This [allows](http://www.investorwords.com/8807/allow.html) a [person](http://www.investorwords.com/14646/person.html) to [move](http://www.investorwords.com/10366/move.html) his/her retirement assets as many times as he/she wants to plans or [custodians](http://www.investorwords.com/1264/custodian.html) that might be more suitable for him/her at that point in time.

# Netting

## Definition

The [settlement](http://www.investorwords.com/4512/settlement.html) of [obligations](http://www.investorwords.com/3373/obligation.html) between two [parties](http://www.investorwords.com/13659/parties.html) that processes the combined [value](http://www.investorwords.com/5209/value.html) of [transactions](http://www.investorwords.com/5046/transaction.html). It is designed to [lower](http://www.investorwords.com/10230/lower.html) the [number](http://www.investorwords.com/10438/number.html) of transactions required. For example, if [Bank](http://www.investorwords.com/401/bank.html) A owed Bank B $100,000, and Bank B owed Bank A $25,000, the value after netting would be a $75,000 [transfer](http://www.investorwords.com/5048/transfer.html) from Bank A to Bank B ($100,000 - $25,000).

**1. What does RTGS stand for?**

Ans. The acronym 'RTGS' stands for Real Time Gross Settlement, which can be explained as a system where there is continuous and real-time settlement of fund-transfers, individually on a transaction by transaction basis (without netting). 'Real Time' means the processing of instructions at the time they are received; 'Gross Settlement' means that the settlement of funds transfer instructions occurs individually.

**2. Are the payments under RTGS final and irrevocable?**

Considering that the funds settlement takes place in the books of the Reserve Bank of India, the payments are final and irrevocable.

**3. What are the benefits of using RTGS?**

Ans. RTGS offers many advantages over the other modes of funds transfer:

* It is a safe and secure system for funds transfer.
* RTGS transactions / transfers have no amount cap.
* The system is available on all days on 24x7x365 basis. There is real time transfer of funds to the beneficiary account.
* The remitter need not use a physical cheque or a demand draft.
* The beneficiary need not visit a bank branch for depositing the paper instruments.
* The beneficiary need not be apprehensive about loss / theft of physical instruments or the likelihood of fraudulent encashment thereof.
* Remitter can initiate the remittances from his / her home / place of work using internet banking, if his / her bank offers such service.
* The transaction charges have been capped by RBI.
* The transaction has legal backing.

**4. How is the processing of RTGS different from that of National Electronic Funds Transfer (NEFT) System?**

Ans. NEFT is an electronic fund transfer system in which the transactions received up to a particular time are processed in batches. Contrary to this, in RTGS, the transactions are processed continuously on a transaction by transaction basis throughout the day.

**5. Is RTGS a 24x7 system or are there some timings applicable?**

Ans. RTGS is available 24x7x365 with effect from December 14, 2020.

**6. Is there any minimum / maximum amount stipulation for RTGS transactions?**

Ans. The RTGS system is primarily meant for large value transactions. The minimum amount to be remitted through RTGS is ₹ 2,00,000/- with no upper or maximum ceiling.

**7. What about processing charges / service charges for RTGS transactions?**

Ans. With effect from July 01, 2019, the Reserve Bank has waived the processing charges levied by it for RTGS transactions. Banks may pass on the benefit to its customers.

With a view to rationalise the service charges levied by banks for offering funds transfer through RTGS system, a broad framework of charges has been mandated as under:

a) Inward transactions – Free, no charge to be levied.

b) Outward transactions – ₹ 2,00,000/- to 5,00,000/- : not exceeding ₹ 24.50/-; (exclusive of tax, if any)

Above ₹ 5,00,000/- : not exceeding ₹ 49.50/-. (exclusive of tax, if any)

Banks may decide to charge a lower rate but cannot charge more than the rates prescribed by RBI.

Our Circular Ref. No. DPSS (CO) RPPD No.1140/04.03.01/2019-20 dated December 16, 2019 on **‘Furthering Digital Payments – Waiver of Charges – NEFT System’ (available at** [https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=11756&Mode=0](https://m.rbi.org.in/scripts/NotificationUser.aspx?Id=11756&Mode=0)) may be referred to for further details.

**8. What is the essential information that the remitting customer needs to furnish to the bank for making a remittance?**

Ans. The remitting customer has to furnish the following information to a bank for initiating an RTGS remittance:

1. Amount to be remitted
2. The account number to be debited
3. Name of the beneficiary bank and branch
4. The IFSC number of the receiving branch
5. Name of the beneficiary customer
6. Account number of the beneficiary customer
7. Sender to receiver information, if any

**9. How would one know the IFSC number of the receiving branch?**

Ans. The IFSC number can be obtained by the remitter (customer) from his / her bank branch. Alternatively, it is available on the cheque leaf of the beneficiary. This code number / bank branch information can be communicated by the beneficiary to the remitting customer. The list of IFSCs is also available on the RBI website at the link [http://rbidocs.rbi.org.in/rdocs/RTGS/DOCs/RTGEB0815.xlsx](https://rbidocs.rbi.org.in/rdocs/RTGS/DOCs/RTGEB0815.xlsx)

**10. Do all bank branches in India provide RTGS service? How can a remitting customer know whether the bank branch of the beneficiary accepts remittance through RTGS?**

Ans. For a funds transfer to go through RTGS, both the sending bank branch and the receiving bank branch need to be RTGS enabled. Presently, there are more than 1,65,000 RTGS enabled bank branches, the list of which is available on the RBI website at the link [http://rbidocs.rbi.org.in/rdocs/RTGS/DOCs/RTGEB0815.xlsx](https://rbidocs.rbi.org.in/rdocs/RTGS/DOCs/RTGEB0815.xlsx)

**11. What care should be taken while originating an RTGS transaction?**

Ans. The following should be ensured while putting through a funds transfer transaction using RTGS –

* Originating and destination bank branches are part of the RTGS network.
* Beneficiary details such as beneficiary name, account number and account type, name and IFSC of the beneficiary bank branch should be available with the remitter.
* Extreme care should be exercised in providing the account number of the beneficiary, as, during processing RTGS transactions, the credit will be given to the customer’s account solely based on the account number provided in the RTGS remittance instruction / message.

**12. In RTGS, why is credit to the beneficiary given solely based on account number?**

Ans. Transactions in RTGS happen in real time and it is not possible to match name and account number before affording credit to the beneficiary. Since name in the Indian context is spelt differently and would not really match with that available with the beneficiary bank, the process of affording credit solely based on the account number of the beneficiary has been enabled.

Our Circular Ref. No. DPSS (CO) EPPD No. / 863 / 04.03.01 / 2010-11 dated October 14, 2010 on **‘Electronic payment products – Processing inward transactions based solely on account number information’ (available at** [https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=6043&Mode=0](https://m.rbi.org.in/scripts/NotificationUser.aspx?Id=6043&Mode=0)) may be referred to for further details.

**13. What is the time taken for effecting funds transfer from one account to another through RTGS?**

Ans. Under normal circumstances, the beneficiary branches are expected to receive the funds in real time as soon as funds are transferred by the remitting bank. The beneficiary bank must credit the beneficiary's account within 30 minutes of receiving the funds transfer message.

**14. Can a remitting customer initiate a transaction for a future date?**

Ans. No, the RTGS system does not accept future value dated transactions.

**15. Can a transaction be originated to draw (receive) funds from another account?**

Ans. No. RTGS is a credit-push system i.e., transactions can be originated by the payer / remitter / sender only to pay / transfer / remit funds to a beneficiary.

**16. Can an RTGS transaction be tracked? Would the remitting customer receive an acknowledgement of money credited to the beneficiary's account?**

Ans. While the customers do not have the facility to track the transaction, the RBI has implemented the feature of positive confirmation in an RTGS transaction. Under this, the remitting bank would receive a message from RBI (through the beneficiary bank) that the money has been credited to the beneficiary bank / customer account. Based on this, the remitting bank should advise the remitting customer that money has been credited to the receiving bank’s beneficiary account.

**17. Would the remitting customer get back the money if it is not credited to the beneficiary's account? Is there any time frame prescribed for it?**

Ans. Yes, if it is not possible to credit the funds to the beneficiary customer’s account for any reason, the funds received by the RTGS member bank will be returned to the originating bank within one hour of receipt of the payment at the Payment Interface (PI) or before the end of the RTGS Business day, whichever is earlier. Once the money is received back by the remitting bank, the original debit entry in the customer's account needs to be reversed.

**18. Is a customer eligible to get compensation for delay in returning the payment?**

Ans. In case of any delay in returning the failed payment, the originating customer is eligible to receive compensation at current repo rate plus 2%.

**19. Whom can a customer contact, in case of non-credit or delay in credit to the beneficiary account?**

Ans. The customer can contact his / her bank / branch if there is an issue of delay / non-credit to the beneficiary account. If the issue is not resolved satisfactorily, complaint may be lodged at [email](mailto:cgmcepd@rbi.org.in) or by post at following address giving UTR number and details of the issue -

The Chief General Manager  
Customer Education and Protection Department  
1st Floor, Amar Building  
Reserve Bank of India  
SBS Road, Fort  
Mumbai – 400 001

**20. What is UTR number?**

Ans. Unique Transaction Reference (UTR) number is a 22 character code used to uniquely identify a transaction in RTGS system.

**21. What is LEI and what is its purpose?**

Ans. The Legal Entity Identifier (LEI) is a 20-digit number used to uniquely identify parties to financial transactions worldwide. It has been implemented to improve the quality and accuracy of financial data reporting systems for better risk management. It is used to create a global reference data system that uniquely identifies every legal entity in any jurisdiction that is party to a financial transaction. It can be obtained from any of the Local Operating Units (LOUs) accredited by the Global Legal Entity Identifier Foundation (GLEIF), the body tasked to support the implementation and use of LEI. In India, LEI can be obtained from Legal Entity Identifier India Ltd. (LEIL) ([https://www.ccilindia-lei.co.in](https://www.ccilindia-lei.co.in/)), which is also recognised as an issuer of LEI by the Reserve Bank.

**22. Which RTGS transactions should include LEI information?**

Ans. All payment transactions of value ₹50 crore and above undertaken by entities (non-individuals) should include remitter and beneficiary LEI information from April 1, 2021. Banks should use the ‘Remittance Information’ field for recording Remitter and Beneficiary LEI.

**23. Is LEI required for individual customer transactions?**

Ans. No, LEI is not required for customer transactions where both remitter and beneficiary are individuals.

These FAQs are issued by the Reserve Bank of India for information and general guidance purposes only. The Bank will not be held responsible for actions taken and/or decisions made on the basis of the same. For clarifications or interpretations, if any, one may be guided by the relevant circulars and notifications issued from time to time by the Bank.