

# **CTS**

*CHEQUE TRUNCATION SYSTEM*

## **Settlement process**

# Settlement Process

## **Role of NPCI as settlement agency**

NPCI would act as a clearing and settlement agency for settlement of inter-bank transactions between the Remitter and the Beneficiary members participating in the CTS network.

### **1) Settlement mechanism**

NPCI, as the settlement agency, would generate the settlement file (COMBMICR) and tally the file with the report and share the same to RBI for posting at their end.

Before participating in the CTS, all members should issue a letter of authority to RBI (DAD Mumbai), authorizing the settlement agency (NPCI) to credit and debit their settlement account with RBI for CTS transactions which will be settled. NPCI calculates the net debit/credit position based on the total netting of presenting bank, drawer bank transactions for a particular member.

In case of net debit, the member has an obligation towards other members. Thus, it owes the amount equal to the net settlement amount to other members in the network. During the settlement process, NPCI debits the members, which is under net debit and credits the members under net credit. To effect this, the net debit member should hold sufficient funds in its settlement account. Settlement account is the RTGS account of members with RBI.

Members should ensure to fund their RTGS settlement account held with RBI with sufficient amount to meet the settlement obligation sent by NPCI.

Members should periodically review daily settlement amount trend and ensure to fund the RTGS settlement account to avoid the out of fund situation.

### **2) Settlement reconciliation**

CTS would provide the daily settlement reports in the application. Using the reports provided by NPCI, banks has to verify with their CBS and tally the entries.

### **3) Settlement currency**

All transactions in CTS will be settled in Indian Rupee (INR) only.



#### **4) Dispute Resolution Mechanism**

In CTS disputes resolution is handled by RBI through a panel. Member banks has to approach RBI with their issue. Banks has to provide all the details regarding the transaction. RBI will have the authority to give verdict.