



NPCI/NFS/OC No.23/2011-12

April 21, 2011

To

All Member Banks of National Financial Switch (NFS)

Dear Sir/Madam,

Amendments to NFS Common Operating Procedures and NFS Settlement Procedures

With a view to providing faster resolution of disputes through NFS Dispute Management System and based on the recommendations of the Task Force on Dispute Management System, NFS Common Operating Procedures and NFS Settlement Procedures are being amended. The revised procedures were discussed at the NFS Steering Committee Meeting held on November 19, 2010 and in User Group Meeting held on December 14, 2010 and has been subsequently approved by RBI vide their letter no. DPSS.CO.PD.NO.2160/02.017.001/2010-11 enclosed herewith.

The key aspects of the revised procedures are given in the Appendix. Member banks are advised to take note of the revisions and incorporate the same in their internal dispute resolution mechanism.

The revised procedures will be operational w.e.f. May 1st, 2011.

Kindly acknowledge receipt of the circular.

A.P.Hota
Managing Director & CEO

Encl.: 1

Appendix

A. Revisions in NFS procedures effective from May 1st, 2011

1. Revisions in NFS Common Operating Procedures

Section 3.6: Settlement Procedures

Each member bank should follow the settlement procedures as mentioned in the Settlement procedure section. Detailed procedure for settlement is specified in the Settlement Procedure document.

A penalty of Rs. 100 will be charged for each instance of non-compliance of any provision of the NFS Settlement Procedures.

Section 8.3.3: Stage III – Pre-Arbitration Process

If the Issuer and Acquirer are still unable to settle the dispute after these two stages (Chargeback/Representation), the next stage will be a process of Pre-Arbitration Dispute Resolution through DMS Online System. An Issuer bank, who has been debited for a re-resentation and still disputes it, has a right to refer to Pre-Arbitration. For all cases of Pre-arbitration including Pre-arbitration of debit adjustment disputes, the time frame for raising Pre-arbitration will be 30 days after representation date.

The Issuer bank can make reference to Pre-Arbitration by lodging the dispute in DMS interface with the requisite proof in support of his claim. Disputes satisfying the validation process will be processed by DMS Online System.

Acquirer bank has to respond to the pre-arbitration raised by Issuer bank within 17 days from the pre-arbitration date. Acquirer bank can decline the pre-arbitration along with reasons and valid attachments.

In the absence of response from the Acquirer bank within 17 days, the pre-arbitration request submitted by the Issuer bank would be considered as accepted (by default) and the amount will be reversed to the Issuer bank. Where the pre-arbitration decline by Acquirer is not acceptable to the Issuer bank, they can refer the dispute for arbitration by manual process.

For uploading of incorrect EJ copies by Acquiring bank, a flat penalty of Rs. 100 will be imposed at the time of Pre-arbitration. This amount will be credited to the Issuer bank.

Section 8.3.4: Stage IV – Arbitration by Manual Process

The timeframe for referring a dispute to Arbitration by manual process is 30 days from the date of concluding the Pre-arbitration process outlined in 9.3.3. Request for Arbitration after the timeline will be subjected a late fee of Rs. 500.





1. All arbitration disputes concerning settlements will be referred to Dispute Management Committee.
2. The member bank has to pay Rs. 500 as processing fee for referring a dispute for arbitration.
3. Dispute Management Committee comprising members of the Steering Committee will operate as Panel for Resolution of Disputes as defined in RBI circular. DPSS.CO.CHD.No. 654/03.01.03/2010-2011 dated September 24, 2010.
4. The Dispute Management Committee will have 5 members, 4 members of the Steering Committee and Chairman who will be either the Chief Executive Officer or the Chief Operating Officer of NPCI.
5. In case of specific disputes involving any member(s) of the Dispute Management Committee, the member(s) concerned shall be replaced by other member(s) of NFS for the limited purpose of looking into the specific dispute.
6. Any party aggrieved by the decision of the Dispute Management Committee can approach the Appellate authority for review. Relevant provisions of RBI circular. DPSS.CO.CHD.No. 654/03.01.03/2010-2011 dated September 24, 2010 will be applicable.
7. Until the disposal of appeal by the Appellate authority, the Dispute Management committee can decide levy of the refund / compensation and hold such amount in an interim account till disposal of the appeal as per the RBI circular DPSS.CO.CHD.No. 654/03.01.03/2010-2011 dated September 24, 2010.

2. Revisions in NFS Settlement Procedures

Section 6(d): Dispute Handling Procedures

EJ copy/Audit trails indicating Presenter Error: Members are required to furnish EJ copy/Audit trails as a proof against Charge Backs raised by other member. Except in cases where such EJ copy/Audit Trail is supported by Cash Balance Report, Video Footage or Audit Trail Report, EJ copy/Audit trails indicating presenter error for disputes are not entertained for adjustments and settlement of claims.

Section 6.2(5): Representation

NFS can reject a dispute in the event of:

- a. Identical Representation raised
- b. EJ Copy/Audit Trail is not in readable form / available.
- c. EJ copy/Audit Trail with Presenter Error

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However, with reference to clause (c) of this section, NFS will consider those disputes for representment where the EJ copy/Audit Trail is supported by Cash Balance Report, Video Footage or Audit Trail Report.

Section 6.3(3): Credit Adjustment

To induce Acquirer bank to proactively raise credit adjustment, a fee of Rs.25 will be charged to Acquirer bank where the Issuer bank raises an accepted/unchallenged chargeback for the transaction after 17 days* from the transaction date. The fee will be passed to the Issuer Bank. The fee will be reversed to Acquiring bank if Acquiring bank represents the chargeback.

Section 6.4: Debit Adjustment

1. Acquirer Bank can raise debit adjustments within 17 days from the next date of transaction.
2. Disputes not satisfying the validation process are communicated to the corresponding member banks through E-Mail.
3. Issuer Bank can raise a chargeback against the debit adjustment raised by Acquirer Bank within 17 days from the date of debit adjustment.
4. Acquirer Bank can raise representment within 10 days from the chargeback date.

B. Documents admissible as evidence to Banking Ombudsman in complaints involving failed ATM Transactions

Further, with reference to handling of customer complaints on failed ATM Cash withdrawals, the following documents related to the transactions under dispute can be submitted to Banking Ombudsman as evidence from issuing bank/ acquiring bank:

- CCTV footage/recordings of the disputed ATM transactions along with at least three previous and three succeeding transactions
- ATM switch Centre Report for the day
- Detailed Audit log/electronic Journal / JP Log of the transaction along with three previous and three succeeding transactions.
- Disputed Transaction slip
- Cash verification / Cash balance / Cash summary report for the day
- Machine breakdown report, if applicable
- Interbank reconciliation report for the day for settlement of ATM transactions
- Whether they have lodged a charge-back

*Note: Reserve Bank of India has desired that this period of 17 days should be reduced. NPCI will consider reducing the date after six months of RBI communication whichever is earlier.



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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DPSS.CO.PD.No.2160 /02.017.001/2010-11

March 22, 2011

The Chief Executive Officer
National Payments Corporation of India
C-9, 8th Floor, RBI Premises
Bandra Kurla Complex
Bandra (E)
Mumbai – 400051

Dear Sir

Amendment / Revision in NFS Procedure Guidelines

Please refer to your letter NPCI/2010-11/NFS/2864 dated March 03, 2011, and NFS/2010-11/2908 dated March 08, 2011, on the captioned subject.

2. We have noted the amendments / revisions proposed in the NFS 'Procedure Guidelines'. However, the time frame mentioned for credit/debit adjustment, and charge-back/ representment process would have to be brought down further to make the settlement and dispute resolution process more efficient. Reserve Bank of India would issue appropriate directives in this regard in due course.

Yours faithfully

K. Sivaraman
General Manager

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