

NPCI/NFS/OC No. 29/2011-12

July 11, 2011

To

All Member Banks of National Financial Switch (NFS)

Dear Sir/Madam,

**Amendments to NFS Settlement Procedures Including Good-faith**

RBI, vide their Circular No.DPSS.PD.No.2632 / 02.10.002 / 2010-2011 dated May 27, 2011 (copy enclosed for ready reference) had issued a directive related to reconciliation of failed transactions at ATMs.

Based on the above directive, the NFS Settlement Procedure is being amended. The revised draft Procedure had been discussed with the members of the NFS Steering Committee and subsequently circulated to Member Banks at the NFS User Group Meeting held on June 28, 2011.

The key aspects of the revised Procedure 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 Procedure have been effected from July 1<sup>st</sup>, 2011. These revisions will apply for transactions done from July 1<sup>st</sup>, 2011 and will only have prospective effect.

Kindly acknowledge receipt of the circular.



**M. Balakrishnan**  
Chief Operating Officer

**Encl.: 1**

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Appendix

**Revisions in NFS Settlement Procedures effective from July 1<sup>st</sup>, 2011**

Section 5.4: Good-faith

It is obligatory on the part of the Card Issuer / Acquirer Member Bank to initiate disputes relating to Chargeback, Representment, Debit Adjustment and Credit Adjustment within the time limit prescribed in the NFS Settlement Procedures.

However, in circumstances where the Issuing Bank/Acquiring Bank has failed to raise the dispute through the regular dispute redressal process of Chargeback, Representment or Debit Adjustment, the Issuing Bank/Acquirer Bank can initiate Good-faith cases through Dispute Management System (DMS).

Frequency : As Required

Actors: Issuing bank/Acquirer Bank will raise a Good-faith through the Dispute Management System

Mode of Retrieval: Online through Dispute Management System

When the Good-faith is raised through DMS, following action will be taken on acceptance of Good-faith:

1. Good-faith raised for late Chargeback

Issuer would get Credit for the Transaction Amount, Approved Acquiring Fees plus applicable Service Tax.

2. Good-faith raised for late Representment

Acquirer would be Credited for the Transaction Amount plus Approved Acquiring Fees along with applicable Service Tax.

3. Good-faith raised for late Debit Adjustment

Acquirer would be Credited for the Transaction Amount plus Approved Acquiring Fees along with applicable Service Tax.

Issuer would be Debited with Transaction Amount plus Approved Acquiring Fees along with applicable Service Tax and NPCI's Switching Fees along with applicable Service Tax.

Section 6.1(3): Chargebacks

Issuer bank will raise the chargeback within 60 days from the next date of transaction

Section 6.1.1: Application of Penalty

1. DMS Online System will calculate penalty in accordance with the directives issued by RBI through their circular no.DPSS.PD.No.2632 / 02.10.002 / 2010-2011 dated May 27, 2011.
2. Cardholder is eligible for penalty at the rate of Rs. 100 per day where the chargeback is raised within 30 days from the date of transaction.
3. The penalty shall be calculated by Online DMS application from the date of chargeback to the date of pre-arbitration acceptance by the Acquirer Bank.
4. Such penalty shall not be applicable in those cases where the representment is raised correctly by Acquirer Bank.

Section 6.2(3): Representment

Acquirer Bank has to raise the representment within 5 days from the next date of chargeback.

Section 6.3(1): Credit Adjustment

Acquirer Bank can raise credit adjustments within 60 days from the next date of transaction.

Section 6.4(4): Debit Adjustment

Acquirer Bank can raise representment within 5 days from the next date of debit adjustment chargeback.

Section 6.5: Good Faith

1. Good-faith can be raised in circumstances where the recourse for raising chargeback/representment/debit adjustment within the prescribed period has lapsed.
2. Issuer/Acquirer Bank can raise Good-faith within 60 days from the date of chargeback/representment/debit adjustment expiry date.
3. Good-faith can be raised into DMS Online System by capturing following:
  - a. Transaction Date
  - b. Card Number / RRN

Then, the required transaction can be selected for lodging the Good-faith.

4. DMS Online System will settle only the accepted transactions.
5. Good-faith dispute should be resolved within 15 days from date of raising the dispute in DMS Online System.
6. Recourse to pre-arbitration/arbitration shall not be available for dispute raised as Good-faith dispute in DMS Online System.

Section 6.5.1: Documents admissible in Good-faith disputes

The following documents are admissible in Good-faith disputes:

1. CCTV footage/recordings of the disputed ATM transactions along with at least three previous and three succeeding transactions.
2. ATM Switch Centre Report for the day.
3. Detailed Audit log/electronic Journal/JP Log of the transaction along with three previous and three succeeding transactions.
4. Disputed Transaction slip.
5. Cash verification / Cash balance / Cash summary report for the day.
6. Machine Breakdown Report, where applicable.
7. Interbank reconciliation report for the day for settlement of ATM transactions.



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DPSS.PD.No.2632 / 02.10.002 / 2010-2011

May 27, 2011

The Chairman and Managing Director / Chief Executive Officers  
All Scheduled Commercial Banks including RRBs /  
Urban Co-operative Banks / State Co-operative Banks /  
District Central Co-operative Banks

Madam / Dear Sir

**Reconciliation of failed transactions at ATMs**

Please refer to our letter DPSS No. 711 / 02.10.02 / 2008-2009, 1424 / 02.10.02 / 2008-2009 and 101 / 02.10.02 / 2009-2010 dated October 23, 2008, February 11, 2009 and July 17, 2009 respectively on the captioned subject.

2. Reserve Bank has been continuously monitoring the implementation of various directions by the banks. Based on a review of the developments and with a view to further improve the efficiency of operations, it has been decided as under :-

- a. The time limit for resolution of customer complaints by the issuing banks shall stand reduced from 12 working days to 7 working days from the date of receipt of customer complaint. Accordingly, failure to recredit the customer's account within 7 working days of receipt of the complaint shall entail payment of compensation to the customer @ Rs. 100/- per day by the issuing bank.
- b. Any customer is entitled to receive such compensation for delay, only if a claim is lodged with the issuing bank within 30 days of the date of the transaction.
- c. The number of free transactions permitted per month at other bank ATMs to Savings Bank account holders shall be **inclusive** of all types of transactions, financial or non-financial.
- d. All disputes regarding ATM failed transactions shall be settled by the issuing bank and the acquiring bank through the ATM system provider **only**. No bilateral settlement arrangement outside the dispute resolution mechanism available with the system provider is permissible. This measure is intended to bring down the instances of disputes in payment of compensation between the issuing and acquiring banks.

3. The directive is issued under section 18 of Payment and Settlement Systems Act 2007, (Act 51 of 2007). Non-adherence to the provisions of this circular shall attract penalty as prescribed under the Payment and Settlement Systems Act 2007 (Act 51 of 2007).

4. This directive shall come into effect from July 01, 2011.

5. Banks may widely publicise these changes at all ATM locations and by individual intimation to customers.

6. Please acknowledge receipt.

Yours faithfully

G Padmanabhan  
Chief General Manager