



NPCI/ NFS/OC No. 47/2011-12

January 18, 2012

To

All Member Banks of National Financial Switch (NFS)

Dear Sir/Madam,

Disabling Cash Retraction Facility in ATMs to Contain Cash Retraction Fraud

During the past one year, several instances of fraud had been reported by member banks of NFS. The most common type of fraud pertains to cash retraction.

The modus operandi is one of forcibly holding on to a few pieces of notes in ATM machines that has cash retraction system while allowing one or two pieces of notes to be retracted and then claiming non receipt of cash. Since retracted transactions are credited back to the customer's account, the balance in fraudster's account remains unaffected even after collecting bulk of the delivered cash. Presently, ATMs do not have the capability to count the pieces of retracted notes. For Acquiring Banks, this created an ambiguity during periodic cash reconciliation on whether the shortage was genuine or due to fraudulent partial retraction or fraud on the part of staff loading cash on ATMs.

This matter was discussed in detail at a special meeting of the NFS Steering Committee held on April 7, 2011. One of the possible solutions suggested at the meeting was to disable the cash retraction facility in ATMs. To understand the impact of this approach, NPCI requested select Member Banks to conduct a Pilot at centres that reported high incidence of cash retraction fraud and submit their findings to NPCI.

The Pilot proved extremely effective in eliminating the misuse of cash retraction mechanism in ATMs for committing fraudulent transactions. During the Pilot period, not a single instance of cash retraction fraud was reported, a very positive indication that this could be the best approach for preventing cash retraction frauds. A Report based on the outcome of the Pilot was submitted to the Regulator for seeking their approval to this approach. RBI has accepted this proposal and vide. their letter no. DPSS.CO.PD No. 1230/02.17.001/2011-12 dated January 9, 2012 (enclosed herewith), has granted approval for disabling cash retraction facility in ATMs.

In light of the above circular, all our Member Banks are advised to take note and ensure quick implementation of the following guidelines and confirm full compliance by **March 31, 2012**:

सी-9, 8वीं मंजिल
आरबीआई प्रिमायसेस
बान्द्रा-कुर्ला कॉम्प्लेक्स
बान्द्रा पूर्व
मुंबई - 400 051

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दूरभाषा / Phone: 022 2657 3150
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- a) Educate the customer on the consequences of cash retraction and the reasons for disabling the facility as customer awareness is very crucial to bring about discipline in collecting the cash ejected.
- b) Display information regarding disabling cash retraction at each and every ATM location and ensure wide propagation. The message may be flashed on the ATM machine before conducting the transaction.
- c) Draw a time plan by identifying the fraud prone areas to start with and complete the activity within the timeframe.
- d) Ensure that new ATMs being installed do not provide cash retraction features.
- e) Report to NPCI on a quarterly basis, cases of complaints received from the customer when cash was left back.

Disabling the cash retraction feature is a practical approach and the implementation of this feature will certainly benefit the Banking Industry as a whole. Apart from making the NFS Network more secure, it will support the Member Banks in concentrating their efforts in resolving genuine disputes of their customers. This will have an immediate and positive impact on the dispute volumes and facilitate in bringing the dispute percentage in line with International Benchmarks. Pro-active support and cooperation of NFS Member Banks is hence requested in promptly implementing the above guidelines. We are in readiness to extend necessary support in case of need.

Queries, if any may be addressed to NPCI as detailed below:

1. Shri. Amit Shetty, Senior Manager, NFS Business, amit.shetty@npci.org.in , +91 810810 8674
2. Shri. Satish Hegde, Manager, NFS Business, satish.hegde@npci.org.in , +91 810810 8618

Yours faithfully,



M. Balakrishnan
Chief Operating Officer

Encl: As above



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

www.rbi.org.in

DPSS.CO.PD.No. 1230 / 02.17.001 / 2011-12

January 9, 2012

Managing Director & Chief Executive Officer
National Payments Corporation of India
C-9, 8th Floor, RBI Premises
Bandra Kurla Complex
Bandra East
Mumbai – 400 051

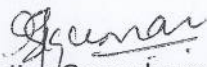
Dear Sir,

Disabling Cash Retraction Facility in ATMs to contain Cash Retraction fraud incidents

Please refer to your letter NPCI / NFS / 2011-12 / 1716 dated November 24, 2011 on the captioned subject.

2. We advise that your proposal for disabling cash retraction facility in ATMs to contain cash retraction fraud incidents has been approved.
3. In this regard, you are requested to advise the banks as follows –
 - a) To educate the customer on the consequences of cash retraction and the reasons for disabling this facility as customer awareness is very crucial to bring about discipline in collecting the cash ejected. Information regarding disabling cash retraction may be displayed at each and every ATM location and should be widely propagated. The message may be flashed on the ATM machine before conducting the transaction.
 - b) To draw a time plan by identifying the fraud prone areas to start with and completion of the activity within the timeframe. Ensure that new ATMs being installed do not provide cash retraction features.
 - c) Report to NPCI, cases of complaints received from the customer when cash was left back on a quarterly basis.
4. You are advised to submit a report on success of disabling cash retraction feature within three months.

Yours faithfully


(Radha Somakumar)
Assistant General Manager

भुगतान और निपटान प्रणाली विभाग, केन्द्रीय कार्यालय, 14वीं मंजिल, केन्द्रीय कार्यालय भवन, शहीद भगतसिंह मार्ग, मुम्बई - 400 001. भारत
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हिंदी आसान है, इसका प्रयोग बढ़ाइए