



To,

All Member Banks of National Financial Switch

Dear Sir/ Madam,

NFS Operational Excellence Awards -2013

Overview:

Since the takeover of National Financial Switch (NFS) from IDRBT, NPCI has taken significant steps towards process enhancements and technology upgradation. This has contributed substantially in enhancing the performance of NFS. It would be opportune to state that your network has grown to 177 member Banks and 120,000+ ATMs as at end May 2013 from 37 Banks and 51,500+ ATMs as at end Dec 2009, when NFS took over the operations from IDRBT.

NPCI aims to be the best managed ATM network in the world in terms of transaction volume, system uptime, transaction declined ratio, dispute management, compliance etc. In this regard, NPCI has been receiving excellent support from member banks in implementing various measures leading to operational efficiency in the ATM network and growth in volume. The Business decline, Technical decline and chargeback ratio have an immense potential for further improvement and we are sure that the benchmarks set can be achieved working in close coordination with our member banks.

You are aware that NPCI instituted the 'Operational Excellence Awards' in the year 2011 to identify and reward member banks for their performance on the NFS ATM Network. Member banks were classified into 3 categories as follows:

1. Public Sector banks
2. Private Sector & MNC banks
3. Co-Operative banks

NPCI empanelled independent panel of judges to adjudge the Winners & Runners up in each of the categories.

For the Operational Excellence Awards - 2013, NPCI undertook a detailed study to arrive at the framework for assessing various parameters of Operational Excellence. These parameters shall be reckoned for determining the Winners and Runners Up in each of the three categories described above.

NFS Operational Excellence Awards – Framework 2013:

- a) **Evaluation Panel:** Independent Panel consisting of highly respected individuals will determine the Winners & Runners Up based on various parameters.
- b) **Member Bank Classification:** For the Awards, the Member banks have been classified into three categories, as follows:-

1. Public Sector banks
2. MNC and Private Sector banks
3. Co-operative banks

c) Eligibility criteria:

1. Must be a direct Member Bank of NFS.
2. Bank should be live on NFS network as on 1st June 2013.
3. Bank must have deployed at least 2% of ATM of the total ATMs in the respective category/group as on 1st June 2013.

d) Parameters : Following parameters will be reckoned for assessing the Winners and Runners Up in each category:

Data reckoned:

Current year data – June 2013 to November 2013 (6 months)

Previous year data (for comparison): June 2012 to November 2012 (6 months)

1. Acquiring Transaction Volume (Current year volume for June 2013 to November 2013 and the growth rate over the corresponding period of previous year i.e. June 2012 to November 2012.)
2. Net Acquiring Chargeback Ratio (Current year ratio for June 2013 to November 2013 and the improvement compared to corresponding period for previous year i.e. June 2012 to Nov 2012.)
3. Issuing Transaction Volume (Current year volume for June 2013 to November 2013 and the growth rate over the corresponding period of previous year i.e. June 2012 to November 2012.)
4. Issuing Business Decline Ratio (Current year ratio for June 2013 to November 2013 and the improvement compared to corresponding period for previous year i.e. June 2012 to Nov 2012.)
5. Net Issuing Technical Decline Ratio (excluding full reversals) (Current year ratio for June 2013 to November 2013 and the improvement compared to corresponding period for previous year i.e. June 2012 to Nov 2012.)
6. Implementation of Value Added Services (Card to Card Fund Transfer) – whether live on or before 30th November 2013.
7. Compliance: Compliance to standards for correct identification of ATM location and PIN code in ISO Data Element 43 and Data Element 61 – whether complied on or before 30th Sept 2013.
8. DR Drills: Whether bank has conducted DR drill once every 6 months (i.e. Apr-Sept & Oct – Mar) for ATM switch as per NPCI guidelines.

Each Rating parameter will have a pre-defined statistically arrived weightage based on the level of importance of the parameters in improving the overall efficiency. The sum total of the score will determine the Winners and Runners Up.

Approach:

NPCI has arrived at a framework (with the help of statistical experts/professional consulting agency) to build an index based on banks' performance on the above parameters.

Tools used to arrive at the weightage for each parameter:

A software package - *SPSS* - was used to carry out the analysis and to build the framework. Statistical tools used include:

- Factor Analysis
- Normalization

Important Regulations:

1. There is no need for filing nomination or submission of any data.
2. In evaluating the performance of Member Banks for award, the decision of NPCI and the Panel will be final and binding and no questions whatsoever shall be entertained in this regard.

Trophies will be awarded to Winners and Runners Up in the User Group Meeting of Dec 2013.

Thanking you and looking forward to your continued support.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Dilip Asbe', is written over a circular stamp or seal.

Dilip Asbe
Chief Technology Officer