

NPCI/NFS/OC No.93/2013-14

August 22, 2013

To,

All Members Banks of National Financial Switch (NFS)

Dear Sir / Madam,

**Subject: LTS / TVS Compliance**

We refer to our following communication (copy attached for ready reference) on the above subject :-

1. NPCI/OC/13/2010-11 dated April 15, 2010.
2. NPCI/2010-11/NFS/1067 dated August 20, 2010.

LTS/ TVS (Last Transaction Status/Transaction Verification Status) is the status of the last transaction sent as part of the new transaction request from the ATM. Proper implementation of LTS/TVS will help in reducing the number of disputes received as an acquirer, which in turn would also reduce the overall disputes on the NFS network.

It is observed that some member banks have still not enabled their switch to process appropriate transaction reversal based on Last Transaction Status (LTS) / Transaction Verification Status (TVS).

This matter was discussed in the NFS Steering Committee Meeting held on August 20, 2013. It has been decided by the Steering Committee that all member banks need to be LTS/TVS compliant and the activity has to be completed before December 31, 2013.

We request you to perform LTS/TVS testing and implementation with the new test cases. Please appraise us with the plan of action, so that necessary arrangements can be made at our end.

Since the last date for Compliance to this requirement is 31/12/2013, it is important that this activity is completed well in advance so as to avoid any last minute issue.

To schedule dates for undertaking certification process, our official Shri Pankaj Samarth may kindly be contacted on 8108122861 or email at [pankaj.samarth@npci.org.in](mailto:pankaj.samarth@npci.org.in)

With regards,

  
Ram Sundaresan  
Head – NFS

**Encl:** 1. Operating Circular No. NPCI/OC/13/2010-11  
2. Letter No. NPCI/2010-11/NFS/1067

# भारतीय राष्ट्रीय भुगतान निगम

## National Payments Corporation of India

Ref No. NPCI/OC/13/2010-11

April 15, 2010

Dear Sir / Madam,

### Customer Complaints on wrongful debit with non disbursement of cash at ATMs

National Financial Switch (NFS), the largest ATM network of the country with 38 member banks and 56000+ ATMs, handles average 2.3 million transactions a day. On a recent review of the Dispute Management System of the National Financial Switch operations it is observed that average number of chargeback cases filed is 3000+. For a volume of 2.3 million transactions, the chargeback ratio works out to be 0.13% which is very high compared to the similar networks abroad where the ratio is below 0.05%. It is observed that most of the NFS member bank prefers to wait for customers' complaint to be lodged instead of pro-active reconciliation which can be done in an automated way.

It is also revealed in another study that in spite of having full information from the Last Transaction Status (LTS)/ Transaction Verification Status (TVS) that the ATM generates on the status of cash disbursement; many of acquiring banks are not sending the 'reversal' automatically knowing well that cash has not been disbursed, though customer's account has been debited.

Therefore, it is felt that the member banks should now find suitable ways and means by discussion with their switch vendors as to how they can handle the exception situations like 'Account debited but cash not disbursed' in an automated way.

Assuring best in class services from NPCI.

Yours faithfully,



A.P. Hota  
Chief Executive Officer

NPCI/ 2010-11/NFS/1067

Dated August 20, 2010

**Confidential**

The General Manager  
Department of Information Technology  
All Member banks of IndiaPay NFS User Group

Dear Sir / Madam,

**Fraudulent Withdrawal of Cash at ATMs of other banks - Need for exercising caution in processing the transactions marked as "suspect reversal" by the Acquiring Bank**

One member bank of IndiaPay NFS Network has brought to our notice a case of series of fraudulent cash withdrawals at their ATMs which went unnoticed by the acquiring bank for a number of days.

2. As per the procedure laid down in NFS Common Operating Procedures (Para 8.1) and NFS Settlement Procedures (Para 4.1), both the acquiring and the Issuing banks are supposed to reconcile the position on a day to day basis. In all User Group and Steering Committee meetings, NPCI has been emphasizing on the importance of proactive reconciliation on daily basis.

3. We also observe that member banks have not enabled their switch to take appropriate transaction reversal based on Last Transaction Status (LTS) / Transaction Verification Status (TVS) which get generated by the ATM to the switch (Refer NPCI/OC/2010-11/13 dated 15<sup>th</sup> April 2010). If the switch is enabled for analyzing the LTS /TVS, it would be advisable to take the following appropriate decisions:

- a) If status of LTS/TVS shows last transaction as "successful", no action needs to be taken
- b) If status of LTS/TVS shows last transaction as "un-successful", then reversal needs to be generated



- c) If status of LTS/TVS shows last transaction as “unknown/suspect or any other condition in which firm decision cannot be taken”, action needs to be taken only after reconciliation

But it is observed that while a few banks are not generating reversal even under “unsuccessful” transaction, a few other banks are generating “suspect reversals” without undertaking the reconciliation process. Non-observance of discipline can be a risk for member banks.

4. You are requested to get the position checked in your bank and ensure that there is adequate appreciation of the risk issues and initiate appropriate action.

You are requested to acknowledge receipt of this letter and compliance thereof by 15<sup>th</sup> September 2010.

Thanking you,



( A P Hota )  
Chief Executive Officer