



NPCI/NFS/OC No. 107/2013-14

February 3, 2014

To,

All Member Banks of National Financial Switch (NFS)

Dear Sir/Madam,

Subject: **NFS Network ATM - Late Reversal sent by Acquiring bank**

**Objective:**

The objective of implementing the proposal contained herein is to reduce chargeback arising due to late reversals sent by Acquiring bank. This will help customers to get online credit for the failed transactions immediately.

**Meaning:**

**NFS Business Day:** All the transactions between 23:00 hrs. of immediately preceding day to 23:00 hrs. of current day is considered as one NFS business day.

E.g. from 4<sup>th</sup> January, 2014 23:00 hrs. to 5<sup>th</sup> January, 2014 23:00 hrs. is one NFS business day.

**Late Reversals:** Late reversal means a reversal message sent to NFS by the Acquiring bank after the cutover of NFS business day.

E.g. transaction has happened between 4<sup>th</sup> January, 2014 after 23:00 hrs. and 5<sup>th</sup> January, 2014 up to 23:00 hrs. (i.e. at 4.00 pm on 5<sup>th</sup> January, 2014) and the reversal for the same transaction is sent by the Acquiring bank after 23:00 hrs. of 5<sup>th</sup> January, 2014 (i.e. at 1.00 am on 6<sup>th</sup> January, 2014).

**Existing Process:**

When the Acquiring bank sends reversals after cutover of NFS business day, such reversals are not sent to issuing bank online and are not settled as part of the daily settlement. Customer complaints are handled by Issuing bank by raising chargeback for such transactions.

**Proposed process at NPCI:**

NPCI will handle later reversals received after the cutover of NFS Business day as follows:

- Reversal will be sent to the Issuing bank online by NFS, if received up to immediately succeeding next NFS business day i.e. T+1.
- The original transactions will get settled as a successful transaction i.e. on T+1 as per the existing process since NFS has not received the reversal till cutover time. [ Debit Issuer - Credit Acquirer ]
- The reversal transaction received after cutover of NFS business day but before the end of immediately succeeding NFS business day will be settled as late reversal. [ Debit Acquirer - Credit Issuer ]

**Handling late reversals in DMS during settlement process:**

1. During settlement process DMS application will check late reversals and match it with the original transaction of the preceding day.

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If the original transaction is settled successfully (RC-00) on T+1 (NFS working day), then it will be reversed in DSR on T+2 NFS working day. (Refer annexure-A & B)

Additionally, in DMS application the response code for that particular transaction will be updated (changed) from RC-00 to acquirer decline response code as per the online reversal message i.e. **NFS RC-28, 31, 40, 41 & 50** and **RC-26** in case of partial dispense.

2. If chargeback is already raised for the original transaction, DMS will check the following:
  - (i) If the chargeback is re-presented or accepted, there would be no updation of response code in DMS and late reversal will not be considered in settlement.
  - (ii) If the chargeback is not re-presented, then the chargeback will be rejected and late reversal shall be processed by debiting acquiring bank & crediting the issuing bank during the settlement process (Refer annexure-A).

List of such rejected chargeback will be made available in a separate menu option in DMS for Issuing bank's reference. (Refer annexure-D & E)

3. If credit adjustment is already raised by the acquiring bank then there would be no updation of response code in DMS. Credit adjustment shall be settled as per the existing process. **Since late reversal is sent online to Issuing Bank, it must be ensured that customer account is verified before processing manual credit as to avoid duplicate credit to the customer account.**
4. Once late reversal is processed and settled on T+2, any attempt to raise chargeback or credit adjustment will fail and the user will be prompted with a message (Refer annexure-C).

The above mentioned points are summarised in annexure G for ready reference.

**Proposed process to be followed by Bank:**

Banks must download the 'Verification Reversal Report' made available in DMS in XLS format (Refer annexure D & E) and initiate action as applicable to different scenarios enumerated annexure F. This will facilitate bank to handle exceptions identified during the reconciliation process.

**Effective Date:** The above process will be implemented with effect from 19<sup>th</sup> February 2014. (i.e. late reversals sent for 18<sup>th</sup> February 2014 transactions).

We request you to take a note of the above and handle the reconciliation process appropriately.

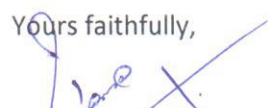
For any queries in this regard, member banks may please contact the following:

Mr. Rama Raju, E-mail ID: [rama.raju@npci.org.in](mailto:rama.raju@npci.org.in); Mobile: 08108122895

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Yours faithfully,

  
Ram Sundaresan  
Head – NFS

**Annexure – A**

**Sample DSR**

Acquiring Bank DSR			
Description	No. Of Txn	Debit	Credit
Acquirer WDL Approved Fee	13		195
Acquirer WDL Approved Fee - Service Tax			24.102
Acquirer WDL Declined	11		
Acquirer WDL Transaction Amount	13	8,000.00	
Acquirer WDL - Processed Late Reversals and Reversed Acquirer WDL Approved fee	14	150	
Acquirer WDL - Processed Late Reversals and Reversed Acquirer WDL Approved fee - Service Tax		18.54	
Acquirer WDL - Processed Late Reversals and Reversed Acquirer WDL Transaction Amount	14	13,000.00	
Rejected chargeback & processed late reversals-Count	5		
Settlement Charges		0	
Issuer / Acquirer Sub Totals		13,168.54	8,219.10
Settlement Amount		4,949.44	0

Issuing Bank DSR			
Description	No. Of Txn	Debit	Credit
Issuer WDL Approved Fee	13	195	
Issuer WDL Approved Fee - Service Tax		24.102	
Issuer WDL Approved NPCI Switching Fee		6.5	
Issuer WDL Approved NPCI Switching Fee - Service Tax		0.8034	
Issuer WDL Declined	11		
Issuer WDL Declined NPCI Switching Fee			
Issuer WDL Transaction Amount	13	8,000.00	
Issuer WDL - Processed Late Reversals and Reversed Issuer WDL Approved fee	14	150	
Issuer WDL - Processed Late Reversals and Reversed Issuer WDL Approved fee - Service Tax		18.54	
Issuer WDL - Processed Late Reversals and Reversed Issuer WDL Transaction Amount	14	13,000.00	
Rejected chargeback & processed late reversals-Count	5		
Settlement Charges		0	
Issuer / Acquirer Sub Totals		8,226.40	13,168.54
Settlement Amount		0	4,942.14

## Annexure B

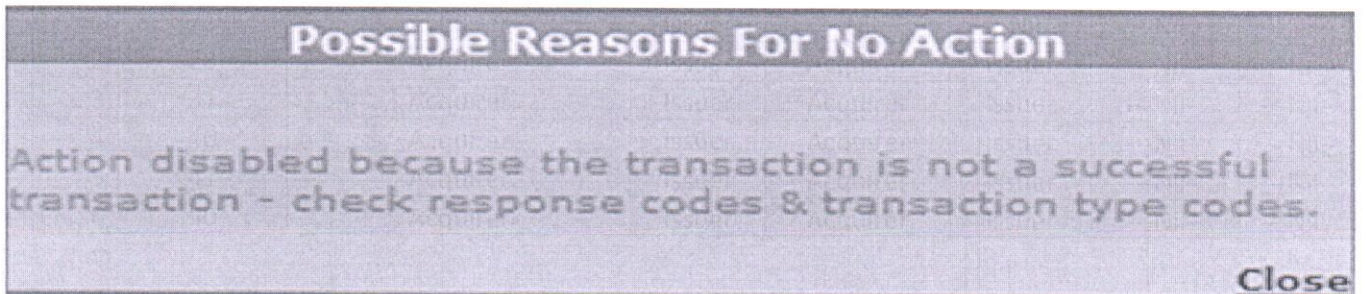
### Late reversals settlement table

Late Reversals Settlement							
S. No	Response Code	Transaction amount		Interchange Fee + Service Tax		Switching Fee + Service tax	
		Debit	Credit	Debit	Credit	Debit	Credit
1	26	Acquirer	Issuer	---Nil--	---Nil--	---Nil--	---Nil--
2	28	Acquirer	Issuer	Acquirer	Issuer	---Nil--	---Nil--
3	31	Acquirer	Issuer	Acquirer	Issuer	---Nil--	---Nil--
4	40	Acquirer	Issuer	Acquirer	Issuer	---Nil--	---Nil--
5	41	Acquirer	Issuer	Acquirer	Issuer	---Nil--	---Nil--
6	50	Acquirer	Issuer	Acquirer	Issuer	---Nil--	---Nil--

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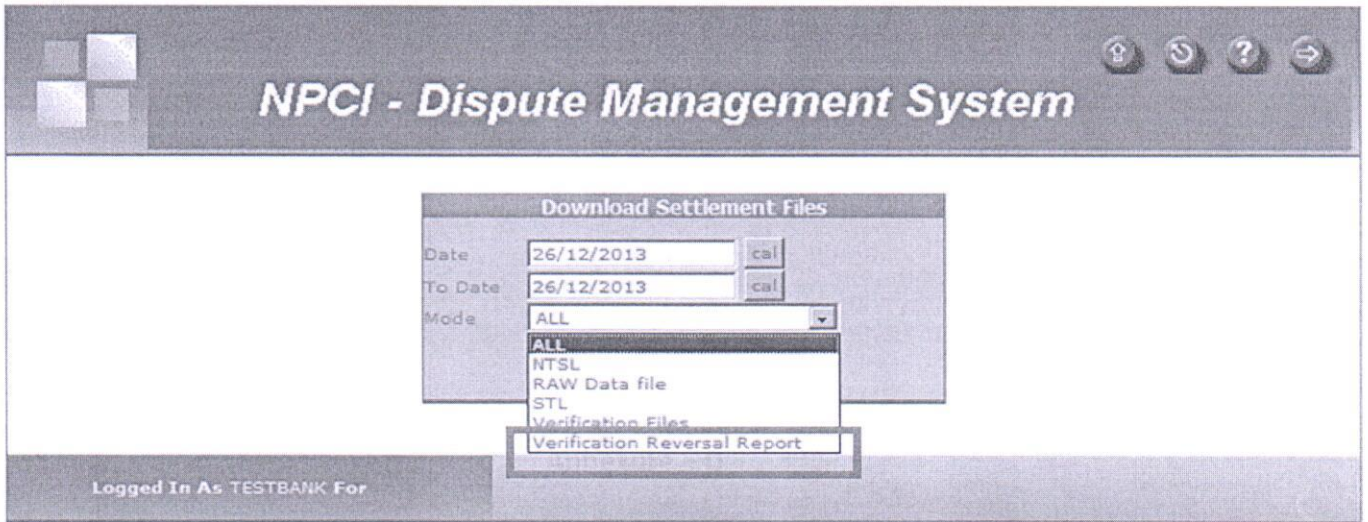
## Annexure – C

Following message will be displayed while raising chargeback/credit adjustment on reversed transaction.



## Annexure – D

### Menu option for downloading Verification Reversal Report



## Annexure – E

### Verification Reversal Report

National Payments Corporation of India													
Verification Report													
Trans Type	Resp Code	Cardno	RRN	StanNo	ACQ	ISS	Trasn_Date	Trans_Time	ATMId	Settle Date	Request Amt	Received Amt	Status
'04	'26	468805*****8798	'335712885111	59744698	FBL	AXB	12/23/2013	18:18:05	0	12/26/2013	3000	1000	Processed late reversal and reversed originally settled transaction
'04	'26	468805*****8798	'335712886752	59744704	FBL	AXB	12/23/2013	18:18:06	0	12/26/2013	3000	1000	Processed late reversal and reversed originally settled transaction
'04	'26	468805*****8798	'335712890259	59744714	FBL	AXB	12/23/2013	18:18:10	0	12/26/2013	3000	1000	Processed late reversal and reversed originally settled transaction
'04	'26	468805*****8798	'335712888480	59744709	FBL	AXB	12/23/2013	18:18:08	0	12/26/2013	3000	1000	Rejected chargeback & processed late reversals
'04	'28	468805*****7911	'335712978644	59744770	FBL	AXB	12/23/2013	18:19:38	0	12/26/2013	500	0	Rejected chargeback & processed late reversals
'04	'28	468805*****7911	'335712980326	59744775	FBL	AXB	12/23/2013	18:19:40	0	12/26/2013	500	0	Rejected chargeback & processed late reversals
'04	'50	468805*****8798	'335712478885	59744964	FBL	AXB	12/23/2013	18:27:58	0	12/26/2013	500	0	Rejected chargeback & processed late reversals
'04	'50	468805*****8798	'335712590295	59745011	FBL	AXB	12/23/2013	18:29:50	0	12/26/2013	500	0	Rejected chargeback & processed late reversals

**Annexure - F**

**Action for handling exceptions identified during reconciliation process by the bank**

S. No	Bank	Description	Action
1	Acquiring Bank	Since the original transaction is reversed with declined response code there is possibility of acquiring bank sending wrong late reversal while the transaction is actually successful	Acquiring Bank may raise debit adjustment with valid JP/EJ proof same as existing process
2	Issuing Bank	late reversal transactions, reversed to the issuing bank	<ol style="list-style-type: none"> <li>1. Issuing bank to download all such transactions on daily basis</li> <li>2. Check if the customer a/c is already reversed online-If Yes no actions.</li> <li>3. If customer a/c is not credited online then issuing bank should reverse the amount to the customer account</li> </ol>
3	Issuing Bank	Rejected chargebacks and processed late reversals transactions	<ol style="list-style-type: none"> <li>1. Issuing bank to download all such transactions on daily basis</li> <li>2. Check if the customer a/c is already reversed online-If Yes no actions.</li> <li>3. If customer a/c is not credited online then issuing bank should reverse the amount to the customer account</li> </ol>

**Annexure – G**

**Process of handling late reversal by DMS application**

Handling late reversals by DMS application		
S. No	Scenario	Action by DMS
1	Chargeback not raised	Late reversal will be considered
2	Chargeback raised and not re-presented or accepted (i.e. before due date)	Chargeback will be rejected and late reversal will be considered
3	Chargeback raised and re-presented	No actions - Chargeback & re-presentation shall be considered - Late reversal will not be considered
4	Chargeback raised and accepted	No actions - Chargeback shall be considered for settlement - Late reversal will not be considered
5	Credit adjustment not raised	Late reversal will be considered for settlement
6	Credit Adjustment raised	No actions - Credit Adjustment shall be considered for settlement - Late reversal will not be considered