

NPCI/NFS/OC No. 123/2014-15

June 26, 2014

To,

All Members of National Financial Switch (NFS)

Dear Sir/Madam,

Subject: **Credit Adjustment overriding chargeback raised on the same date and changes in handling multiple chargebacks as per OC109**

Objective:

The objective of implementing the process contained herein is to reduce the existing time period taken in crediting the customer's account for failed ATM cash withdrawal transactions. This will also help in reduction of chargebacks in the NFS network and bring in operational efficiency at the bank's end.

Existing Process:

When a chargeback is raised by the Issuer in Dispute Management System (DMS), the option available for Acquirer is to either accept or represent the chargeback after checking the status of the transaction. In the present scenario, Acquirer is not able to raise credit adjustment in DMS if a chargeback has already been raised by the Issuer.

Proposed process:

DMS will allow the Acquirer to raise credit adjustment overriding the chargeback provided following conditions are met:

- The credit adjustment is raised on the same day (i.e. up to 23:00 Hours) on which chargeback was raised
- The chargeback has not been accepted or represented by the Acquirer before raising the credit adjustment
- The credit adjustment amount is equal to the chargeback amount

Once the credit adjustment is raised as above, it shall override the chargeback i.e. the chargeback will be cancelled. A report of such cancelled chargebacks shall be available in DMS which can be checked by members in DMS through the following Menu Option.

Reports -> CR.Adj. overriding chargeback report

The screen shots of menu option and sample report is provided in annexure A for reference. There shall be no change in daily settlement report (NTSL). Issuer shall receive credit in daily settlement as

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credit adjustments instead of chargebacks raised for these transactions. Issuer should credit the customer account immediately on receipt of the credit adjustments.

Changes in handling of multiple Chargeback (OC 109)

As per existing process, Issuer has to upload dispute letter while raising chargeback in DMS as per OC 109 dated 25th February 2014 under reason code 'Single Dispute Multiple Chargeback' in any one of the chargeback, preferably for the first transaction.

After implementation of credit adjustment overriding the chargeback, Issuer needs to upload the dispute letter in all the chargebacks raised as per OC 109. This is required to ensure that the dispute letter is available in DMS for remaining chargeback, if the chargeback for which dispute letter is uploaded is cancelled due to processing of credit adjustment by the Acquirer for that transaction.

Process of handling credit adjustment by DMS under different scenarios is provided in Annexure B for ready reference.

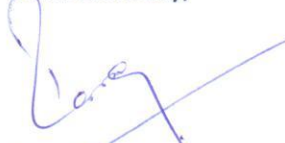
Effective Date: The above process will be implemented with effect from 30th June 2014.

We request you to take a note of the above and disseminate the changes implemented to the officials concerned.

For any queries or clarification, please contact:

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Yours faithfully,



Ram Sundaresan
Head – NFS

Annexure – B

Process of handling Credit Adjustments in DMS where chargeback is raised

Handling Credit Adjustment by DMS application		
S. No	Scenario	Action by DMS
1	Chargeback is not raised	- Credit Adjustment will be allowed
2	Chargeback is raised but has not been accepted or represented	- Chargeback will be rejected and - Credit Adjustment will be allowed, if raised on same day
3	Chargeback is raised and represented on the same day	- Chargeback and representation will be considered - Credit Adjustment will not be allowed
4	Chargeback is raised and accepted on the same day	- Chargeback will be considered - Credit Adjustment will not be allowed
5	Attempt to raise Credit Adjustment on subsequent day of raising chargeback (i.e. after chargeback is considered for settlement)	- DMS will not allow Acquirer to raise Credit Adjustment as Chargeback has already been settled

Action by Issuer:

1. Issuer need to check 'credit adjustment overriding chargeback report' to identify the cancelled chargebacks
2. Issuer shall receive credit for these transactions by way of credit adjustments instead of chargeback in the daily settlement report. Bank should credit the amount to cardholder's account immediately on receipt of the credit adjustments.
3. Issuer should upload dispute letter for all the chargebacks raised as per OC 109 with reason code 'Single Dispute Multiple Chargeback'

Action by Acquirer:

1. Acquirer will be allowed to raise credit adjustment on the same day of receiving chargeback if it is not represented or accepted in DMS.
2. There shall be no change in process to be followed by Acquirer for addressing chargebacks raised as per OC 109 for multiple transactions.

