

NPCI/NFS/OC No.167/2015 -16

29th May, 2015

To,

All Members of National Financial Switch (NFS)

Dear Sir/Madam,

Sub: **NFS ATM Network - Chargeback on Debit Adjustment in case of Insufficient Funds**

As per the NFS Operating Procedure, Acquirer can raise debit adjustment for cash withdrawal transaction, where cash has been successfully dispensed by the ATM but it is not settled due to any reason including processing of incorrect reversal by the Acquirer. In such case, Acquirer needs to provide copy of EJ/JP as proof of dispense of cash. The transaction should be a clear successful withdrawal as per EJ/JP while raising debit adjustment.

Member banks had raised concern on the recovery of amount when sufficient funds are not available in the cardholder's account on receipt of debit adjustment raised by Acquirer. This matter was discussed in the Task Force meeting held on 17th September, 2014. The Task Force recommended that for cases where the cardholder's account does not have sufficient funds for recovery towards the debit adjustment raised by the Acquirer, the Issuing Bank should be able to raise chargeback with reason 'Dr. Adj. - Insufficient Funds' and in such cases, Acquirer will not have the right to represent such chargeback. The recommendation of Task Force was approved in the NFS Steering Committee meeting (SCM) held on 17th December, 2014.

A new reason code 'Dr. Adj. – Insufficient Funds' has been incorporated in DMS to enable Issuing Banks to raise chargeback on debit adjustment and also restrict representation rights for Acquirers on such chargeback.

The process for raising chargeback on debit adjustment in case of insufficient funds is given below:

1. As an Issuer:
 - a. Issuer can raise chargeback on debit adjustment in case the cardholder's account does not have sufficient funds for recovering the full debit adjustment amount with reason 'Dr. Adj. – Insufficient funds'.
 - b. The reason 'Dr. Adj. – Insufficient Funds' will be considered as the declaration from the Issuing bank that the cardholder's account does not have sufficient balance to recover the debit adjustment amount as on that day. (No separate declaration letter is required to be uploaded in DMS by Issuing Bank while raising chargeback under this reason).
 - c. The Issuing Bank should attempt to recover the amount and arrange to credit the Acquirer as and when recovered from the cardholder. The transfer of funds in such cases will be done by the members outside the system.

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- d. Please note importantly that the reason code 'Dr. Adj. – Insufficient Funds' can be used only at chargeback stage. It shall not be available at pre-arbitration and arbitration stage.
- e. Issuing Bank must not raise chargeback under this reason code if funds are available in cardholder's account.
2. As an Acquirer:
- a. Acquirer will not be allowed to represent the chargeback on debit adjustment raised with reason 'Dr. Adj. - Insufficient Funds'. The dispute cycle in DMS will end once the Issuing Bank raises the chargeback on debit adjustment with reason 'Dr. Adj. – Insufficient Funds'.
- b. Acquirer should liaise with the Issuing bank for recovery of the debit adjustment amount outside the system on a best effort basis.
3. There shall be no change in the timelines for raising chargeback and it shall be as per the existing process i.e. up to 17 days from the next day of raising debit adjustment.
4. Normal dispute cycle i.e. chargeback, pre-arbitration and arbitration will continue to be available for chargeback raised on debit adjustment for reasons other than 'Dr. Adj. – Insufficient Funds'.
5. Acquirer and Issuing Bank will be able to view the reason in adjustment report and while inquiring the transaction/dispute on screen.

The above mentioned changes in DMS will be implemented for chargeback raised from 16th June, 2015 onwards on debit adjustment.

Please make a note of the above mentioned process and disseminate the instructions contained herein to the officials concerned.

For any query or clarification, please contact:

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Yours faithfully,



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