

NPCI/NFS/OC No.362/2019-20

04th February, 2020

To,

All Members participating in NFS ATM Network

Madam / Dear Sir,

Sub: NFS ATM Network – Changes in Dispute Management System (DMS) related to Harmonisation of Turn Around Time (TAT)

We refer to NFS circular NPCI/NFS/OC No.349/2019-20 dated 16th October, 2019 towards Harmonisation of Turn Around Time (TAT) and customer compensation for failed transactions using authorized Payment Systems.

The process changes related to Harmonisation of TAT, calculation of customer compensation and processing of manual entries of compensation as an Interim process till the time the changes are incorporated in DMS, were discussed in the NFS Steering Committee Meeting (SCM) dated 26th December, 2019 and NFS Special Working Group meeting dated 02nd January, 2020.

It may be noted that, based upon RBI circular, the system changes in DMS related to Harmonisation of TAT shall be implemented on 16th February, 2020.

Please refer **Annexure A** for the change in DMS related to Harmonisation of TAT and calculation of customer compensation thereon along with other changes made in dispute process.

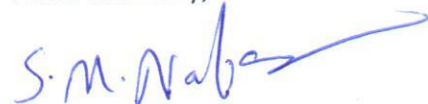
The system changes mentioned in this OC shall be applicable on the disputes / adjustments raised from 16th February, 2020 onwards.

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

For any queries or clarification, please contact:

Name	E-mail ID	Mobile Number
Pankaj Samarth	pankaj.samarth@npci.org.in	81081 22861
Mehfooz Khan	mehfooz.khan@npci.org.in	81081 22867
Avinash Kunnoth	avinash.kunnoth@npci.org.in	88797 72725

Yours faithfully,



Saiprasad Nabar

Chief – Online Product Operations

Encl: 1. Annexure A - System changes related to dispute process in DMS

Annexure A

System changes related to dispute process in DMS

National Financial Switch (NFS) transactions include card based financial transactions such as Cash withdrawal & Card 2 Card (C2C) fund transfer at ATMs of members and settlement of transactions that NPCI executes.

The disputes in NFS can arise due to reasons such as Cash not dispensed fully / partially. For ATM disputes, there is an existing process for calculation and settlement of customer compensation from chargeback date for the dispute types such as Pre-arbitration acceptance / deemed acceptance, Arbitration acceptance and NRP/ PRD decision in favour of Issuing bank.

As per new RBI circular, the framework for auto reversal and compensation for NFS transactions are as follows:

Framework for Auto reversal and Compensation		
Description of the Incident	Timeline for auto reversal	Compensation payable*
Cash Withdrawal – ATMs / Micro-ATMs (Card + PIN) Customer's account debited but cash not dispensed	Pro-active reversal (R) for the failed transaction within a maximum of T + 5 days.	₹ 100/- per day of delay beyond T + 5 days, to the credit of the account holder.
Card 2 Card (C2C) fund transfer Card account debited but the beneficiary card account not credited	Transaction to be reversed (R) latest within T + 1 day, if credit is not effected to the beneficiary account.	₹100/- per day of delay beyond T + 1 day.

*Note – T being the transaction date.

Please note that the customer compensation on delayed credit is not applicable on chargeback raised under reason code 'Counterfeit EMV Card Fraud', Interoperable Cash Deposit (ICD) and International ATM transactions.

Harmonisation of TAT & calculation of customer compensation

The following changes shall be made in the existing ATM dispute and adjustment process:

- Customer compensation shall be calculated from the transaction date.
- Customer compensation shall be applicable on disputes/adjustments such as -
 - Chargeback acceptance/deemed acceptance
 - Credit adjustment
 - Pre-arbitration acceptance/deemed acceptance
 - Arbitration acceptance OR NRP/PRD decision in favour of Issuing Bank
 - Good faith Chargeback acceptance/deemed acceptance

- Customer Compensation shall be applicable as follows –
 - Cash withdrawal transaction - after 2nd cycle (i.e. after 12.30 pm) of 5th calendar day from the next day of transaction date
 - C2C fund transfer transaction - after 2nd cycle (i.e. 12.30 pm) of 1st calendar day from the next day of transaction date

For Chargeback deemed acceptance, the compensation shall be applicable after 5th calendar day from the next day of transaction date.

- Customer Compensation shall be calculated in DMS and debited to the Acquirer as follows -

Transaction type	Dispute type	Customer Compensation (CC) Calculation	TXN Date	Dispute acceptance / Adjustment raised date	Compensation Amount
Cash Withdrawal	Chargeback Acceptance	CC = [(Dispute acceptance date – Transaction Date) - 4] * 100	01 st Jan'20	10 th Jan'20	₹500/- i.e. [(10 - 1) - 4] * 100
	Chargeback deemed acceptance	CC = [(Deemed acceptance date – Transaction Date) - 5] * 100	01 st Jan'20	7 th Jan'20	₹100/- i.e. [(7 - 1) - 5] * 100
	Credit Adjustment	CC = [(Adjustment raised date – Transaction Date) - 4] * 100	01 st Jan'20	7 th Jan'20	₹200/- i.e. [(7 - 1) - 4] * 100
Card 2 Card (C2C)	Chargeback Acceptance (after NFS 2 nd cycle on T+1 itself)	CC = (Dispute acceptance date – Transaction Date) * 100	01 st Jan'20	02 nd Jan'20	₹100/- i.e. (2 - 1) * 100
	Chargeback Acceptance (after T+1)	CC = [(Dispute acceptance date – Transaction Date) - 1] * 100	01 st Jan'20	04 th Jan'20	₹200/- i.e. [(4 - 1) - 1] * 100
	Chargeback deemed acceptance	CC = [(Deemed acceptance date – Transaction Date) - 2] * 100	01 st Jan'20	7 th Jan'20	₹400/- i.e. [(7 - 1) - 2] * 100
	Credit Adjustment	CC = (Adjustment raised date –	01 st Jan'20	02 nd Jan'20	₹100/- i.e. (2 - 1) *

	(after NFS 2 nd cycle on T+1 itself)	Transaction Date) * 100			100
	Credit Adjustment (after T+1)	CC = [(Adjustment raised date – Transaction Date) - 1] * 100	01 st Jan'20	04 th Jan'20	₹200/- i.e. [{(4 - 1) - 1} * 100]

- Customer Compensation for partial dispute acceptance / adjustment raised for cash withdrawal transactions shall be calculated in DMS as follows -
 - a. Partial Re-presentment (i.e. partial chargeback acceptance)
 - Customer compensation = [(Partial representment date - Date of transaction) – 4] * 100
 - b. Partial Pre-arbitration acceptance
 - Customer compensation = (Partial Pre-arbitration acceptance date - Partial representment date) * 100
 - c. Arbitration Accept/Arbitration Favouring Issuer
 - Customer compensation = (Arbitration Accept/Arbitration Favouring Issuer date - Partial Pre-arbitration acceptance date) * 100
 - d. Partial Credit adjustment
 - Customer compensation = [(Adjustment raised date – Transaction Date) - 4] * 100
- The compensation settled during Chargeback deemed acceptance shall not be reversed during Good faith Representment acceptance / deemed acceptance.

Reduction in Dispute TAT

- The existing RBI TAT of dispute resolution has been changed from 7 working days from the complaint date to 5 calendar days from the transaction date, therefore the representment TAT shall be changed from **5 working days to 5 calendar days** in DMS.
- TAT for raising Pre-arbitration shall be reduced from existing 30 days to 14 days.
- TAT for raising Pre-arbitration rejection shall be reduced from existing 17 days to 7 days.
- TAT for raising Arbitration shall be reduced from existing 30 days to 14 days.

Disputes/adjustments in both NFS settlement cycle

- Disputes/adjustments (except Chargeback & Representment) shall be settled in **both NFS 1st & 2nd cycle**, so that the Chargeback acceptance, Credit adjustment, Pre-arbitration acceptance, Arbitration acceptance, etc. can be settled as early as possible and Issuing banks can process early credits to the cardholder's account.
- Chargeback and Representment shall be settled in **NFS 1st cycle** only.
- Disputes/adjustments raised **upto 12:30 pm** shall be settled in the NFS 2nd cycle. In case, disputes/adjustments are raised **after 12:30 pm**, then it shall be settled in the NFS 1st cycle on the next day.
- In case of bulk upload, the disputes processed **upto 12:30 pm** shall be settled in NFS 2nd cycle and the remaining records of the same bulk file which is processed **after 12:30 pm** shall be settled in NFS 1st cycle on the next day.

Interchange on disputes/adjustments, Late Chargeback fee and EJ penalty

- Late Chargeback fee of Rs.25/- and EJ penalty of Rs.100/- plus GST levied on the Acquirer is removed in DMS from 28th November, 2020, since the revised RBI TAT is more effective.
- There shall no reversal of interchange plus GST along with the disputes and adjustment raised by the members, except Debit adjustment and Good faith Debit adjustment.
- Interchange along with GST shall be settled for Debit adjustment and Good faith Debit adjustment.

Changes in Adjustment Report / Daily Settlement Report (DSR/NTSL)

- In Adjustment report, the deemed acceptance of any disputes/adjustments shall be captured in separate dispute type with the description as '<Dispute/Adjustment Type> (Deemed)' captured in the AdjType column for easy reference of the user.
- The compensation on deemed acceptance of any disputes/adjustments shall be captured in NTSL with the narration as '<Dispute/Adjustment type> Deemed accepted'.
- The following columns shall be newly added in Adjustment report:
 - a. CustomerPenalty - contains customer compensation calculated and settled for delayed acceptance of the disputes and adjustments.
 - b. AdjTime - contains time of the disputes and adjustment raised in DMS with the format as 'HH:MM:SS'.

Please note importantly –

- In case, the transaction is settled in NFS 2nd cycle (till 1.00 pm), then the disputes / adjustments for that transaction shall be allowed to be raised in the 2nd half on same day itself.
- On RTGS Holidays also, there shall be two settlement cycles (similar to RTGS working day) having two NTSL, settlement files and raw files. However the limit shall be reset only in one cycle during 11.00 pm cutover i.e. NFS 1st Cycle.
- The process of applying TAT of 30 days while calculating the compensation for Chargeback raised within/beyond 30 days of transaction date has been discontinued.
- As per mentioned in NFS OC No.349, the customer compensation for the disputes/adjustments for the period 15th October, 2019 to 15th February, 2020 will be settled through manual adjustment option.
- All the above mentioned changes shall be applicable on the disputes/adjustments raised from 16th February, 2020 onwards.