

NPCI/NFS/OC No.349/2019-20

16th October, 2019

To,

All Members participating in NFS ATM Network

Madam / Dear Sir,

Sub: NFS ATM Network – Harmonisation of Turn Around Time (TAT) and customer compensation for failed transactions

We refer to RBI circular DPSS.CO.PD. No.629/02.01.014/2019-20 dated 20th September, 2019 towards harmonisation of Turn Around Time (TAT) and customer compensation for failed transactions using authorized Payment Systems.

RBI circular states that wherever there are failed transactions, the credit amount shall be auto reversed to the customer's account *suo moto*, without waiting for customer's complaint/claim along with the compensation, in case of delay as per stipulated time. The circular also harmonises the turnaround time (TAT) for such adjustments and compensation to be charged to the participant deferring the adjustment.

It is also classified that transaction failures could be on account of various factors not directly attributable to the customer. Eg. Disruption of communication links, ATM cash out, time out of sessions, etc.

Please refer **Annexure A** for the change in TAT and customer compensation for NFS transactions along with the interim process to be implemented.

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
Miller Koli	miller.koli@npci.org.in	88797 54947
Mehfooz Khan	mehfooz.khan@npci.org.in	81081 22867
Avinash Kunnoth	avinash.kunnoth@npci.org.in	88797 72725

Yours faithfully,


Giridhar G M
Chief – Offline Product Operations

Annexure A

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'.

Changes in ATM dispute process

The following changes shall be made in the existing ATM dispute and adjustment process:
(These changes in DMS shall take some time. Therefore, we shall implement an interim process for compensation calculation and settlement.)

- 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 calculated as follows –
 - i. Cash withdrawal transaction - after 2nd cycle of 5th calendar day from the next day of transaction date
 - ii. C2C fund transfer transaction - after 2nd cycle 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.

- On RTGS Holidays, there shall be two settlement cycles (similar to RTGS working day) having two settlement files and raw files. However the limit shall be reset only in one cycle i.e. NFS 1st Cycle having 11.00 pm cutover.
- Disputes/adjustments 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.
- 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**.

Note - The implementation of revised representment TAT of **5 calendar days** in DMS shall take some time. Till the changes in TAT is implemented in NFS DMS -

- a. Acquirers should ensure that chargebacks, if raised are accepted or represented within 2nd cycle of 5th calendar day from the next day of transaction date.
- b. Issuers should process credit to cardholder's account for chargebacks raised on acceptance of chargeback by Acquirer OR after expiry of existing representment TAT of 5 working days.

Customer compensation for delayed credit shall be calculated after 2nd cycle of 5th calendar day from the next day of transaction date till the time the chargeback is accepted or after 5th calendar day from the next day of transaction date for deemed acceptance.

- Disputes/adjustments raised **upto 12:30 pm** shall be settled in the 2nd settlement cycle. In case, disputes/adjustments are raised **after 12:30 pm**, then it shall be settled in the 1st settlement cycle on the next day.
- Late Chargeback fee of Rs.25/- and EJ penalty of Rs.100/- plus GST levied on the Acquirer shall be removed, since the revised RBI TAT is more effective. Both of these penalties shall be discontinued in DMS.
- All the above mentioned changes shall be applicable on the transactions from 15th October, 2019 onwards.
- For the transaction prior to 15th October, 2019 the existing process of customer compensation calculation shall be applicable and transaction from 15th October, 2019 the new customer compensation calculation shall be implemented.

Manual process for calculation & settlement of customer compensation (before implementation of changes in DMS)

The following interim process for customer compensation calculation and settlement shall be implemented:

- The existing process of customer compensation calculation for transactions prior to 15th October, 2019 shall be discontinued in DMS application system.
- NPCI shall calculate the applicable customer compensation on the disputes/adjustments for transaction dated prior to 15th October, 2019 from the chargeback date and settle through manual adjustment in regular intervals.
- Similarly, the customer compensation on the disputes/adjustments for transaction dated from 15th October, 2019 shall be calculated as per new RBI circular and settle the same through manual adjustment in regular intervals.
- The customer compensation amount settled through manual adjustment shall be captured in Daily Settlement Report (DSR/NTSL) as a separate line item with specific narrations.
- The dispute wise / adjustment wise details of the compensation calculated shall be provided to NFS members in report format in regular intervals using DMS menu option. We shall communicate the path where the compensation reports shall be placed in DMS through an e-mail / DMS broadcast.

