

NPCI/2016-17/NACH/Circular No. 156

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To

All NACH Member Banks

MMS Processing Improvements

Mandate Management System has been gaining ground as on date there are 63,23,878 active mandates approved by the member banks. On analysis of the rejected mandates it has been observed that if the end customers / corporates and member banks take a few more precautions at the time of execution and processing of the mandates some of the rejections can be easily avoided.

Corporates

1. Ensure that the customer is made aware of the purpose for which they are executing the mandate.
2. The name of the customer should be to the maximum possible extent written as it appears in their bank account. Writing short names or expanded names that are not in line with the names in the bank account might lead to returns.
3. The customer should be made aware that signature should be similar to the one as per the bank records.
4. Only the CBS account number should be entered in the mandate of the customer. Giving non-CBS account number might lead to rejection by the destination bank.
5. If the mandate is taken in advance, the customer should be notified before deposition with the bank. If the customer is not aware, he may deny signing the mandates in response to confirmation calls of his/her bank.
6. Refer to NPCI circular no: -145 and 149 dated January 27, 2016 and February 8, 2016 on corporate portability. The corporates should ensure that the mandates are registered with the corporate code issued by NPCI to them. If the corporate code is not already issued by NPCI a fresh application may be made to obtain a new code and then only the mandates are lodged with the relevant corporate code.
7. It is not possible to exercise corporate portability if the mandates are registered with the code issued to aggregators.
8. The UMR number and corporate code are tightly coupled in the system. At the time of transaction processing the validation of UMRN and corporate code will be carried out by the system and in case of any mismatch the transaction will be rejected. Corporates should take care of this and ensure to build the systems accordingly if they wish to have multiple codes.

9. Mandates are given by the customers for debiting certain sum of money with respect to loan EMIs, Insurance Premiums, Mutual Fund SIPs or Utility bill payments etc., from their account at agreed frequency i.e. monthly, quarterly, half yearly or annually. It has been observed that the entire loan amount or sum assured are being filled in the amount column due to which it goes to the enhanced due diligence process as per the internal policy of the destination bank on account of high value. This practice leads to delayed processing of mandates as well as rejection at the time of confirmation call/meeting with the customers who may deny issuance of such mandate.

Sponsor Bank

1. After receiving the mandates technical scrutiny should be carried out to ensure that the mandates are filled up properly. All the mandatory fields should have been filled with relevant data before the mandate is taken up for further processing by the bank.
2. At the time of initiating the mandates in NACH system, the sponsor bank should have robust internal maker/checker process which ensures that the image and data uploaded in to the system are validated.
3. Mandates should be processed at the earliest after receipt. There should not be undue delay in presenting the mandates received.
4. The mandates should be raised only after the consent received from the customer. The banks might have back to back agreement with the corporates to ensure that this practice is followed by them and customer is properly kept informed.
5. Keeping in view the facility of corporate portability it is necessary that the sponsor banks should ensure that the mandates are registered in the name of the corporates. If the corporate wishes to get the mandates registered with the code of the aggregators then the same may be carried out by the sponsor bank. It is advisable that the banks should have clear communication with the corporates in this regard.
6. Banks should have internal controls in place to ensure that no duplicate mandates are processed in the MMS.
7. Banks should ensure that all the necessary corrective steps are taken before re-lodging a mandate rejected by the destination bank. Re-lodging mandates without proper rectifications (including referring back to the customers if required) of the reasons for which the mandate was rejected earlier is putting unnecessary stress to the system.

Receiving bank

1. All the mandates which are received should be processed within the TAT of T+5 working days.
2. It is observed that the rejects on account of customer name mismatch and signature mismatch are very high. The member banks should take care of the following to reduce these technical returns

- a. **Name mismatch:** The customers, sometimes write their names either in short form or expanded form, which might not be exactly matching with the name as it appears in the books of the banks. The banks may deploy the due diligence process similar to the one followed for cheque collection process. In cases, wherever it is required the banks may contact the customer for confirmation.
- b. **Signature mismatch:** In cases wherever it is required the banks may contact the customer for confirmation and may clear the mandates after taking confirmation from the customer as may be permitted by their internal policies.

Banks should take all the possible measures to ensure that the technical returns are minimized.

3. ACH system is to facilitate automation. If any mandates received with non - CBS account number, then the same can be rejected with the appropriate reject reason.
4. Maker / Checker process should be adhered, so that the processing quality is of high standards.
5. As at the time of filling up the mandate, the customer is not aware of the bank through which the mandate will be presented. The bank should not insist on the bank code being filled in the mandate form. Bank codes related information will be part of the data file. Please refer to NPCI circular No. 148 dated February 5, 2016 based on the discussions on the 21st NACH steering committee meeting held on January 19, 2016.
6. It has been noticed that banks are rejecting the mandates with the reason 'M009 - Mandate in old format' even if the mandate is as per the new format. Such wrongful rejections will cause inconvenience to the sponsor bank as well as the corporates. Banks should have proper mechanism to verify the format of the mandate and reject only the mandates that are actually not as per the format specified by NPCI. Banks should take due care to select appropriate reason at the time of returning/rejecting mandates. Choosing incorrect reason will cause inconvenience to the customers.

All the member banks are advised to take a note of the same and align the internal process accordingly.

Thanks & Regards


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