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NATIONAL PAYMENTS CORPORATION OF INDIA

June 22, 2018

To,

The General Managers/Vice Presidents/Officer-in-charge - Financial Inclusion
NACH Member Banks

<u>Sub: - Avoidable Returns in APB (Aadhaar Payment Bridge) and Aadhaar seeding issues</u>

As you are aware that Government of India has rolled out Direct Benefit Transfer (DBT) for distribution of Social Security benefits under various schemes and also advised State Governments to follow the same process. The process of releasing charges and incentives to the member banks for processing DBT transactions is also getting streamlined and major portion of the arrears have been settled and distributed to the banks.

Government is predominantly using Aadhaar Payments Bridge (APB) system for transferring DBT to the beneficiaries. As per the process APB transactions are received only on the basis of the Aadhaar numbers seeded in NPCI mapper by the banks. As such there should not be any returns for the reasons detailed below

1. Aadhaar number not mapped to account number (Return Code: 64)
2. Account closed (Return code: 1)
3. Account holder expired (Return code: 60)
4. Invalid account type - NRE/PPF/CC/Loan/FD (Return code: 71)

It has been observed that banks are returning large number of transactions for the reasons listed above. The implementing agencies of central and state governments have raised concern on such returns as it is causing hardship to the beneficiaries.

These returns are possible only if there are gaps in Aadhaar seeding / deseeding process or issues with intermediate system, if any, used by the banks for mapping of Aadhaar number with CBS account number for transaction processing.

<u>The matter was presented to the 29th NACH steering committee and also DBT meeting held on June 14th and 15th, 2018 respectively, member banks deliberated the issue at length and it was decided that penalty will be levied on the banks that will return the transactions for the reasons listed above. The banks will be given time of 2 months i.e. till August 15, 2018 to work on the process to reduce return. The quantum of penalty and the other modalities will be decided in the next DBT meeting to be held in the month of August, 2018.</u>

State and Central Governments are repeatedly expressing their concern on the following:

1. Delay in seeding the Aadhaar number submitted by the customer. Sometimes the Aadhaar seeding is not carried out at all or kept incomplete.
2. Absence of mechanism for re-seeding an Aadhaar number on the request of the customer.
3. Non-compliance to the RBI guidelines in crediting the Direct Benefit Transfer amount to the inoperative/dormant accounts and scholarship related accounts.
4. Lack of awareness of seeding process among the branch staff leading to customer grievance. A SoP covering all the aspects need to be circulated to the branches.
5. Absence of strong customer grievance redressal mechanism for resolving the Aadhaar seeding and DBT credit related customer queries/complaints.

In view of the above you are advised to review the internal guidelines and processes and take suggested measures stated in Circular no 274 dated March 8, 2018 (copy enclosed) so that the APB returns which are avoidable are eliminated completely.

It is clarified that the Aadhaar numbers which are linked to an account number not eligible to receive credit of any nature whatsoever may be de-seeded from NPCI mapper. Customer consent is not required for such deseeding. Banks should have the process of automatic re-seeding of such deseeded Aadhaar numbers once the account becomes eligible to receive credit, there is no need to take customer consent again for this purpose (the written consent received at the time of first seeding can be treated as valid consent for reseeding).

The list of return reason and the expected action from the banks is enclosed (Annexure 1) for your perusal.

With warm regards,

(Giridhar G.M)
SVP - NACH & CTS Operations

Annexure 1:

Return code with description	Why it happens	Immediate measure	Long term solution
Aadhaar number not mapped to account number (Return Code: 64)	1. Seeding of Aadhaar in NPCI mapper without linking in CBS. 2. Wrong return reason mapping in CBS	1. Find out the root cause to identify whether the intermediate application, if any, is having all the Aadhaar numbers that are seeded in NPCI mapper. 2. Modification of return reason mapping, if incorrectly mapped.	1. Seeding of NPCI mapper only after linking in CBS 2. Reconcile Aadhaar numbers in CBS with Aadhaar mapper
Account closed (Return code: 1)	Banks do not de-seed the Aadhaar number from NPCI mapper once account gets closed.	1. As a onetime measure consolidate all the Aadhaar numbers linked closed accounts and deseed them from NPCI mapper. 2. Modification of return reason mapping, if incorrectly mapped.	1. Banks should have automated process of de-seeding the Aadhaar number from NPCI mapper once account gets closed.
Account holder expired (Return code: 60)	Banks do not de-seed the Aadhaar number from NPCI mapper once account marked as 'deceased' in CBS	1. As a onetime measure consolidate all the Aadhaar numbers linked to the accounts where the account is marked as 'deceased' in CBS and deseed them from NPCI mapper. 2. Modification of return reason mapping, if incorrectly mapped.	1. Banks should have automated process of de-seeding the Aadhaar number from NPCI mapper once account marked as 'deceased' in CBS.

Invalid account type - NRE/PPF/CC/Loan/FD (Return code: 71)	Linking of account for seeding in NPCI mapper is incorrect as benefits cannot be credited in these types of accounts.	1. As a onetime measure consolidate all the Aadhaar numbers linked to the accounts where the account type is Invalid (NRE/PPF/CC/Loan/FD) and deseed them from NPCI mapper. 2. Modification of return reason mapping, if incorrectly mapped.	1. Control to be built in CBS to not allow mapping of Aadhaar number linked to NRE/PPF/CC/Loan/FD accounts.
Network failure - CBS (Return code: 59)	Banks unable to process the file or upload returns due to CBS or network issues on the day of transaction.	1. Banks should not return transactions as the option of seeking extension or upload returns within T+2 days available in NACH. 2. Modification of return reason mapping, if incorrectly mapped.	Eliminate return on this reason
Customer to refer to the branch (Return code: 70)	Some banks use this reason to return transactions not processed due to CBS/network issues		1. This reason does not give any indication to the implementing agencies to re-generate the transactions for which beneficiary suffers. Banks should not use this reason and should modify in case of wrong return mapping