

NPCI/2021-22/NACH/Circular No. 001

Apr 09, 2021

To,

**All Members participating in various NPCI Products**

Madam / Dear Sir,

**Sub: Adherence to NPCI guidelines by members/participants**

NPCI, an umbrella organization for retail payments system, has the responsibility to oversee the adherence to various guidelines of NPCI by the members/participants for all NPCI Products. It is also in the interest of the eco-system that the members/participants observe the rules and regulations set by NPCI through Procedural Guidelines (PG) and Operating Circulars (OC) to ensure that the eco-system runs on the same standards and principles of integrity and credibility.

With the continuous evolution and increased pace of development of payment landscape in the country including the participants leveraging the technological developments, and also the requirement to ensure safe, secure and efficient payment systems, it is incumbent on all participants to ensure strict adherence of the various NPCI guidelines.

NPCI shall ensure that the members/participants are adhering to PGs and OCs of all products of NPCI. Though such activity are presently monitored/tracked at our end and raised to participant concerned when issues are observed, there is no formal process of recording members/participants self-attestation confirming adherence to all NPCI guidelines and take corrective measures/actions for cases where continuous non-adherence is observed. Also, it becomes quite difficult to track the status and progress of non-compliance. The impact due to non-adherence by one participant that affects another participant or the customer need hardly be emphasized here. To address this gap, we are implementing the process of obtaining a self-attestation from members that they are complying with the NPCI guidelines. We attach herewith the **Annexure A** which covers responsibilities of members/participants and **Annexure B** which covers NPCI guidelines to be adhered as on date and will include any guidelines issued from time to time. We shall be obtaining a self-certification from each member/participants that they are adhering to such guidelines. A communication detailing the modalities of such certification shall be shared separately.

NPCI shall also be tracking from various reports, data, etc. to review that members/participants are adhering to the guidelines.

We have also set up Surveillance & Enforcement (S&E) Division within the Risk Management Department of NPCI to handle cases where non-compliance is observed so that proper remedial action can be taken. This will further maintain the smooth functioning of payment systems.

Please make a note of the contents herein and disseminate the information contained herein to the officials concerned.

Yours faithfully,

Sd/-

**Praveena Rai**  
**Chief Operating Officer**

Encl:

1. Annexure A - Responsibilities of Members/Participants
2. Annexure B - List of Compliance Documents Checklist

## Annexure A

### Responsibilities of Members / Participants

The responsibilities of the members/participants to various NPCI products are as follows:

- To comply with the on boarding & certification process.
- Adherence to the rules, regulations, instructions, etc. as per -
  - OCs issued by NPCI
  - PGs of NPCI
  - NPCI data specifications for sending/processing transactions
- Prepare master list of compliances applicable to various products in co-ordination with NPCI & ensure periodic review of the list.
- To monitor the adherence of regulations within the organization and take corrective steps in case of any deviation.

The following corrective steps shall be taken for any non-adherence to NPCI regulations.

#### Level 1

- Letter shall be issued to the members/participants against any deviation observed.

Letter may be issued based on the severity of the non-compliance advising the members/participants to explain why action cannot be taken on such members/participants for the non-compliance.

- Members/Participants shall provide response within 15 working days from the date of letter.
- If the response is acceptable, then the observation shall be closed at NPCI end.

#### Level 2

- If the response is not received within 15 working days or the response is not acceptable, then
  - Letter shall be issued addressed to the senior official of the members/participants.
  - Members/participants shall be given one to three months' time from the date of issuance of such letter to take remedial action based on the severity.

- If not remedied within the said time lines, the members/participants will be served with a notice for taking action by way of penalty.
- The penalty shall be imposed basis the severity of non-compliance (i.e. low/medium/high).

### **Level 3**

- After imposing the penalty, if it is observed that the member/participant has not taken corrective steps or still not responded to NPCI letter, then the issue shall be escalated, as the case may be, to:-
  - Top management of the member/participants
  - Regulator (RBI)
- The member/participant shall be put under temporary suspension post the above activities with appropriate internal approval. The period of temporary suspension shall be based on the severity of the non-compliant event.
- The non-compliant member/participant shall be provided with suitable time to remedy the non-compliant event and it shall be monitored for closure. Post completion of initial temporary suspension period, confirmation shall be sought from the members/participants for the corrective steps taken at their end.
- In case member/participant has remedied the non-compliant event, the suspension shall be revoked after validating remedial measure taken by such member/participant.
- In case the member/participant has not remedied the non-compliant event, the suspension will be continued till such time it is not remedied.
- After considering the following factors, the case shall be taken up for permanent termination of membership for the product.
  - severity of the case
  - number of times the temporary suspension has been extended
  - failure to implement remedial measures during the suspension period
- In case the remedial measures are implemented by the member/participants, then the termination shall be put on hold and status of non-compliance shall be monitored. If status found to be compliant, then the case shall be closed.

### **Process for penal action**



The penalty shall depend upon the severity of the non-compliance. The S&E Division shall assess each non-compliance by members/participants and classify the severity of such case as low/medium/high. NPCI shall inform the member/participants the severity level for any one or more events of non-adherence to the NPCI guidelines. Based on the severity, the penalty shall be determined. In case proper explanation (acceptable to NPCI) is provided by the member/participant within the 30 days from the date of communication of imposing penalty, in such case, the penalty shall not be applicable. Any decision by NPCI, in this connection, shall be final and binding of such member/participant.

**List of Compliance Documents Checklist**

Document reference No.	Sec.	Page No.	Title	Date of Issue
NPCI/2013-14/NACH/Circular no.30	NA	NA	Transaction processing	Jan 20, 2014
NPCI/NACH/2016-17/Circular no.161	NA	NA	SMS alerts	Jun 06, 2016
NPCI/NACH/2016-17/ Circular no.171	NA	NA	Transaction processing	Jul 15, 2016
NPCI/NACH/2016-17/ Circular no.193	NA	NA	Mandate processing	Oct 31, 2016
NPCI/NACH/2016-17/ Circular no.216	NA	NA	Mandate processing	Mar 13, 2017
NPCI/NACH/2016-17/ Circular no.217	NA	NA	Transaction processing	Mar 14, 2017
NPCI/NACH/2017-18/ Circular no.248	NA	NA	Mandate processing	Sep 29, 2017
NPCI/NACH/2017-18/ Circular no.268	NA	NA	Aadhaar seeding	Jan 16, 2018
NPCI/NACH/2017-18/ Circular no.275	NA	NA	Transaction processing	Mar 14, 2018
NPCI/2018-19/NACH/Circular no. 002	NA	NA	Aadhaar seeding	Jun 22, 2018
NPCI/NACH/2018-19/Circular no. 010	NA	NA	Transaction processing	Jun 22, 2018
NPCI/NACH/2018-19/Circular no. 022	NA	NA	Mandate processing	Aug 24, 2018
NPCI/NACH/2018-19/Circular no.50	NA	NA	Transaction processing	Feb 06, 2019
NPCI/NACH/2019-20/Circular no. 012	NA	NA	Transaction processing	Aug 13, 2019
NPCI/NACH/2019-20/Circular no. 014	NA	NA	Transaction processing	Oct 17, 2019
NPCI/NACH/2019-20/Circular no. 021	NA	NA	Mandate processing	Jan 13, 2020
NPCI/NACH/2019-20/Circular no. 022	NA	NA	Transaction processing	Jan 24, 2020
NPCI/NACH/2020-21/Circular no. 005	NA	NA	Transaction processing	Jun 12, 2020
NPCI/2020-21/NACH/Circular no. 020	NA	NA	DR Drill	Nov 05, 2020
NPCI/2020-21/NACH/Circular no. 024	NA	NA	Mandate processing	Dec 30, 2020
NPCI/2020-21/NACH/Circular no. 003	NA	NA	Transaction processing	Jun 10, 2020
NACH PG V.3.1	10.17	30	Transaction processing	Jul 02, 2020
NACH PG V.3.1	Annexure 23 - Section 14	141	Transaction processing	Jul 02, 2020
NACH PG V.3.1	21	41	Record maintenance	Jul 02, 2020
NACH PG V.3.1	24	42	Regulatory guidelines	Jul 02, 2020
NACH PG V.3.1	27.6	55	Record maintenance	Jul 02, 2020
NACH PG V.3.1	27.8.1	57	Mandate processing	Jul 02, 2020
NACH PG V.3.1	27.8.1	57	Mandate processing	Jul 02, 2020
NACH PG V.3.1	27.8.1	57	Mandate processing	Jul 02, 2020
NACH PG V.3.1	Annexure 23	127	Transaction processing	Jul 02, 2020
NACH PG V.3.1	NA	NA	Roles and responsibilities	Jul 02, 2020

NACH PG V.3.1	Annexure 5	90	Settlement	Jul 02, 2020
NACH PG V.3.1	Section 13	36	Audit	Jul 02, 2020
NACH PG V.3.1	Section 32	76	DR Drill	Jul 02, 2020

### Other generic compliance points

- i. Aadhaar seeding / reseeding with the consent of the customer
- ii. Bank should ensure to tally their presentment and return details on daily basis and ensure that there is no pending reconciliation
- iii. Bank to monitor the expiry of digital certificates used renew the digital certificate at least one month prior to expiry date.
- iv. Information security audit
- v. Data protection