

To

All Member Banks of National Financial Switch (NFS)

Dear Sir/Madam,

Task Force Recommendations for Reducing Business Declines in NFS Network

During the past one year, NPCI has taken several steps for improving the efficiency of the NFS network partly by way of process enhancements and partly through technology up gradation. Currently the switch is capable of handling a daily average volume of 12 million (twice the peak output). With the active support of member banks, NFS aims to be one of the best managed, cost effective and high volume ATM switching networks in the world.

However, the high level of Technical and Business Declines does not meet the international benchmarks. Though Technical Declines have been greatly controlled and is being brought down gradually, Business Declines continue to be at high level. Therefore the NFS Steering Committee had constituted a Task Force and the Task Force has since made several recommendations to reduce Business Declines to reasonable levels i.e. with an interim target of 10%.

To meet the above objective, the following key recommendations and best practices for the Top 6 Business Declines Reason Codes have been suggested by the Task Force in their Report submitted to NPCI and approved at the Steering Committee Meeting of August 17, 2011:

1. Invalid Transaction (RC=1) / Invalid Account (RC=12)

- a) Eliminate totally the 'Select Type of Account' display screen in the ATMs.
- b) Route the transaction to the primary account irrespective of account chosen.
- c) Facilities like cash withdrawal, fast cash transactions etc. should be linked to the primary account only
- d) Effect a back-end system change to avoid checking the account type in cases where the card is linked only to one account.

2. Exceeds Funds Available (RC=24)

- a) Banks should make necessary system changes to ensure that when the first transaction is declined on account of this reason code, Bank should immediately send an alert to customer about the decline along with available balance in the account to discourage customer from trying repeatedly.
- b) Banks should identify customers repeatedly doing such transactions and register them for

balance alerts so that such customers will not go to ATM to withdraw cash when they know that sufficient balance is not available.

3. Exceeds Withdrawal Limit (RC=14)

- a) Banks should make necessary system changes to ensure that when the first transaction is declined on account of this reason code, the bank should send an alert immediately to customer about such decline along with maximum amount that that the customers can withdraw for the day to discourage the customer from trying repeatedly
- b) Banks should identify customers repeatedly doing such transactions and do proactive customer education to avoid such Business Declines.
- c) Bank having such limits can also communicate to customer the remaining amount available for ATM withdrawal for the day.

4. Invalid Pin (RC=4)/ Excessive Pin Tries (RC=11)

- a) Clearly communicate the status of blocked card to cardholder (i.e. pin tries have exceeded and cardholder has to contact his home branch to get it reset) and combine this effort with proper customer education.
- b) Across member banks of NFS, pin retries should be restricted to a maximum number of attempts during a day and cumulatively for the month.

Controlling Business Declines is possible only through collaborative action from all member banks in promptly implementing the above recommendations and best practices. Member banks are therefore urged to implement these recommendations by **31st October 2011** and inform us in the format given below on what recommendations have been implemented:

Sl. No.	Invalid Transaction (RC=1)/Invalid Account(RC=12)	Exceeds Funds Available (RC=24)	Exceeds Withdrawal Limit (RC=14)	Invalid Pin (RC=4)/ Excessive Pin Tries (RC=11)
Recommendation a				
Recommendation b				
Recommendation c				
Recommendation d				

Kindly acknowledge receipt of this circular.



A.P.Hota
Managing Director & CEO

Encl.: 1