

NPCI/NFS/OC No.307/2018-19

17th September, 2018

To,

All Members of National Financial Switch (NFS)

Madam / Dear Sir,

Sub: NFS ATM Network - Changes in Dispute Management System (DMS)

Issuing banks raises Chargebacks through DMS upon receipt of customer complaints for non-receipt of cash (full or partial) for ATM cash withdrawals done at NFS network ATMs. Presently, chargebacks raised in DMS are settled between Issuing banks and Acquirers on same day.

We refer to our Operating Circular (OC) 123 dated 26th June, 2014 on allowing Acquirers to raise Credit adjustment overriding chargeback (CoC) on the day when chargeback is raised. CoC was introduced to resolve ATM disputes faster which helps in giving early credit to the cardholders. Few members had raised concern that at times retrieval of Electronic Journal (EJ)/Journal Print (JP) and completing ATM cash reconciliation (including taking confirmation of excess cash at ATM from branches/regions), takes more than one day's time. Due to this reason, Acquirers are not able to utilise the benefits of CoC option fully.

To facilitate Acquirers for raising more no. of CoC, extending the existing time limit was discussed and agreed in the NFS Steering Committee (SC) Meeting held on 26th September, 2017. The chargeback settlement shall be made on **T+2 day basis** (where 'T' is Chargeback raised date) instead of considering it in the same day's settlement. This will give Acquirers two additional days to retrieve EJ/JP copy and relevant information for ascertaining the status of the transaction as per their process and raise CoC for the failed transactions, wherever applicable, instead of accepting the chargeback.

Detailed process is given below for reference:

Chargeback settlement on T+2 days

- 1) Issuing Bank can continue to raise Chargeback as per the existing process using front end/bulk option.
- 2) All Chargebacks will get settled on T+2 calendar days (where 'T' is Chargeback raised date), except if CoC is raised against the chargeback. Illustration of Chargeback settlement TAT is provided in **Annexure A**.
- 3) A new field (column) in the Adjustment report is added namely '**ADJSettlementDate**' which shall have the settlement date of chargeback.
- 4) Credit Adjustment/CoC will be settled on the same day as per the existing process.
- 5) Representment raised within T+2 days of Chargeback date will be settled along with chargeback (on T+2 day).

In addition to above, SC members had also approved reduction in time period for applying Late chargeback fee by 10 days. The number of days for applying the Late chargeback fee is reduced from existing **17 calendar days to 7 calendar days** from the transaction date i.e. Acquirers should raise proactive Credit adjustment within 7 calendar days of transaction date to avoid the late chargeback fee of Rs.25 plus applicable taxes. Illustration for revised timelines is given in **Annexure B**.

Please note importantly that –

1. The above mentioned revised timelines for settlement of chargebacks raised to T+2 calendar day is applicable for ATM Cash withdrawal and Card to Card fund transfer transactions only.
2. There is **no change in TAT** for raising or responding to disputes / adjustments in NFS DMS, including Chargebacks. i.e. Issuer can continue to raise chargebacks from the next day of transaction date in NFS DMS.
3. If CoC is raised within T+2 calendar day of raising chargeback, then such chargeback shall not be considered (cancelled) and CoC shall be considered for settlement on the same day when it is raised.
4. In case representment is raised by Acquirer within T+2 calendar days of raising chargeback, then such representment shall be settled along with chargeback on T+2 calendar day.


The above mentioned changes in NFS DMS shall be applicable on the chargebacks raised from 20th September, 2018 onwards.

Please make a note of the above change and disseminate the instructions contained herein to officials concerned.

For any queries or clarification, please contact:

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Yours faithfully,



Ram Sundaresan
SVP & Head – Operations

- ENCL: 1. **Annexure A** - Illustrations for revised Chargeback settlement timelines
2. **Annexure B** - Illustrations for revised timelines of Late Chargeback fee

Annexure A

Illustrations for revised Settlement timelines

Illustrations for revised Chargeback settlement limit are given below for clarity:

Date (Year 2018)	Day	Working days	As per existing Chargeback settlement on same day				As per new Chargeback settlement on T+2 days			
			Example 1	Example 2	Example 3	Example 4	Example 1	Example 2	Example 3	Example 4
1-Sep	Sat	Yes	Chargeback Raised				Chargeback raised			
2-Sep	Sun	Holiday	1				1			
3-Sep	Mon	Yes	CHB credit (2 nd day)	Chargeback / Accept / Represent raised		Chargeback raised	2	Chargeback / Accept / Represent raised		Chargeback raised
4-Sep	Tue	Yes		CHB credit & Represent debit (1 st day)		CHB credit / Accept / Represent raised (1 st day)	CHB credit (3 rd day)	1		Accept / Represent raised (1 st day)
5-Sep	Wed	Yes				Represent debit (2 nd day)		2		2
6-Sep	Thu	Yes						CHB credit & Represent debit (3 rd day)		CHB credit/ Represent debit (3 rd day)
7-Sep	Fri	Yes			Chargeback raised				Chargeback raised	
8-Sep	Sat	Holiday			1				1	
9-Sep	Sun	Holiday			2				2	
10-Sep	Mon	Yes			CHB credit (3 rd day)				CHB credit (3 rd day)	

Note: If CoC is raised within T+2 calendar day of raising chargeback, then such chargeback shall not be considered (cancelled) and CoC shall be considered for settlement on the same day when it is raised.

Annexure B

Illustrations for revised timelines of Late Chargeback fee

Illustrations for revised Late Chargeback fee settlement limit are given below for clarity:

Date (Year 2018)	Day	Working days	As per existing 17 days from transaction date		As per new 7 days from transaction date	
			Example 1	Example 2	Example 1	Example 2
1-Sep	Sat	Yes	Transaction	Transaction	Transaction	Transaction
2-Sep	Sun	Holiday	1	1	1	1
3-Sep	Mon	Yes	2	2	2	2
4-Sep	Tue	Yes	3	3	3	3
5-Sep	Wed	Yes	4	4	4	4
6-Sep	Thu	Yes	5	5	5	5
7-Sep	Fri	Yes	6	6	6	6
8-Sep	Sat	Holiday	7	7	Chargeback raised	7
9-Sep	Sun	Holiday	8	8	8	Chargeback raised
10-Sep	Mon	Yes	9	9	9	9
11-Sep	Tue	Yes	10	10	CHB Accept raised (Late CHB fee not applicable)	CHB Accept raised (Late CHB fee applicable)
12-Sep	Wed	Yes	11	11		
13-Sep	Thu	Holiday	12	12		
14-Sep	Fri	Yes	13	13		
15-Sep	Sat	Yes	Chargeback raised	14		
16-Sep	Sun	Holiday	15	15		
17-Sep	Mon	Yes	16	16		
18-Sep	Tue	Yes	17	17		
19-Sep	Wed	Yes	CHB Accept raised (Late CHB fee not applicable)	Chargeback raised		
20-Sep	Thu	Holiday		19		
21-Sep	Fri	Yes		CHB Accept raised (Late CHB fee applicable)		