

NPCI/NFS/OC No.410/2021-22

27th September, 2021

To,

All members of National Financial Switch (NFS)

Madam / Dear Sir,

Sub: NFS - Fallback transactions

We refer to RBI circular no. RBI/2015-2016/413 DPSS.CO.PD.No./2895/02.10.002/2015-2016 dated 26th May 2016 on ATMs - Security and Risk Mitigation Measures for Card Present (CP) Transactions mandating banks and White Label ATM operators (WLAOs) to enable EMV chip cards acceptance and processing at their ATMs and micro-ATMs.

In the month of August 2021, about 99% of the transactions routed through NFS were EMV chip and PIN transactions, including 5.6% of these transactions were fallback transactions (i.e. transactions which cannot be completed as a EMV chip and PIN transaction at the ATM / micro-ATM and therefore, the transactions "fall back" to magnetic stripe transaction). The pending roll-out is on ATMs of co-operative banks and on micro-ATMs of some of the acquirers which are into process of implementing EMV.

With EMV enabled on most of the ATM and micro-ATM terminals, the misuse of card by skimming or counterfeit cards reported recently are on such fallback transactions rather than on magnetic stripe transactions done using EMV chip cards, on EMV non-compliant ATM /micro-ATMs.

We also refer to our Operating Circular (OC) No. 317 dated 24th December, 2018 on EMV liability shift guidelines allowing the issuer to approve or decline fallback transactions as per its internal policy and risk mitigation process.

At present, more than 75% of the overall fallback transactions are declined by issuers. However, some issuers are still approving fallback transactions. Thus, to mitigate the risk of skimming / counterfeit card frauds, we advise issuers to decline all fallback transactions on their cards. Further, as a prudent risk mitigation measure and to avoid misuse by skimmed / counterfeit cards, NPCI will start declining all fallback transactions routed through NFS switch by 15th October 2021.

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NFS members (acquirers) are requested to implement a process to monitor their ATMs and micro-ATMs showing high number of fallback transactions and take corrective actions wherever required. We also advise members who are yet to complete EMV roll-out on all their terminals (ATMs and Micro-ATMs) to expedite the process and comply at the earliest.

In case any support or further information is required from NPCI, please contact the below officials for the same:

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Yours sincerely,



Kunal Kalawatia
Chief of Products