

NPCI/2017-18/CERT/026

Date: 24.11.2017

Circular note to Member Banks NPCI Board & MD & CEO

Certification Fee collection via member banks settlement account

Introduction:

With ever growing trends observed both in NPCI's products and services, NPCI has geared up to widen its infrastructure and process in order to support our member banks more efficiently without compromising on the quality.

The certification bureau of NPCI which executes certification operations has been re-engineered to be lean, process oriented and adaptation of best practices to serve our member banks and banking community better. As a part of this overhauling the manual efforts of certification fee collection has been automated.

Background:

What is certification? Certification is a process validating a member bank on its capability of processing a financial, non-financial transactions adhering to the compliance prescribed by NPCI for the same and also various other protocols in association with it. It is mandated that all member banks be certified by NPCI for all NPCI product(s) before deploying in production environment or promoting the product. Member banks must comply with the technical norms prescribed by NPCI at all times.

From the FY-15-16 certification fee was introduced by NPCI. This fee levied on member banks when availing a certification. To recover the certification fee huge man hours are spent following up with the member banks by NPCI business Team, Certification Team, and Finance Team. In spite of the efforts from NPCI the certification fee are still outstanding.

Certification fee automation:

To mitigate the above issue, NPCI has planned to debit certification fee via our member banks settlement account. This proposed module will effectively eradicate the issues of certification outstanding fee, and also will provide an easy reconciliation for banks and NPCI.

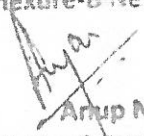
- With effect from 15-12-2017 member banks will be requested to note that from January 2018 the certification fee will be debited from member bank via settlement account.
- No debit will occur without an invoice to support the claim.
- If there is a charge or fee or any recovery will be made by NPCI from our member banks after invoice submission only, so that member banks can clarify any queries related to invoice upfront. After this time frame fee/charge debit will happen.
- A circular will be sent in advance to banks notifying them that fees would be recovered after December-2017.
- A debit process document has been formulated and put in place for fee recovery from member banks and involved departments are notified.

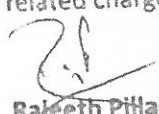
- The product LOAs are amended with appropriate words and legal's approval is obtained and attached as annexure.
- From 15 December 2017 all member banks requesting for certification has to submit this new LOA for that product. BD is responsible to communicate, share and obtain the same.
- After receiving the LOA and dispatching the invoice to banks the associated fee recovery will be effected.
- Reports pertaining to recovery of fees and charges will be published regularly.
- Any updates or reports pertaining to the above will be made available in C-flow for stakeholder's consumption.
- The above process is applicable for any new certification w.e.f 15" December 2017.


Attached:

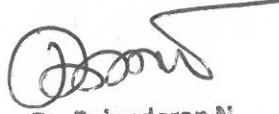
Annexure-A OC- NPCI/2017-18/CERT/014 for debiting certification fee via member bank settlement account.

Annexure-B New sample LOA of IMPS to recover certification fee & other NPCI related charges.


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NPCI/2016-17/CERT/OC001

May 2, 2017

Certification Fees for Commercial Banks, Co-operative Banks and RRBs FY 17-18

We, NPCI are committed to create comprehensive digitally inclusive nation and Member banks participation is pivotal in its success. Our launching of innovative payment products like UPI, BHIM, AEPS, NETC, Aadhar Pay etc. is a testimony to our alignment to create less cash society; with your immense support to NPCI we believe to deliver world class payment experience to all Indians. Robust systems and process are core to create an efficient onboarding experience. We are continuously improving our processes to foster efficiency and request your support in this endeavor.

Certification is a part of **NPCI's Payment Schemes'** Governance and Compliance Program and aimed at mitigating the potential risk in financial transactions.

Currently Certification team is performing following Certifications for various NPCI Products.

01. Non-EMV On-line Certifications for various Products.
02. EMV – Online Certifications which include White Plastic, Terminal and H2H Certifications.
03. Off-line Certifications which include DMS/RGCS/i-RGCS etc.
04. Support activities for banks pre and post certifications by NPCI
05. UPI/IMPS/NACH/Aadhar Pay/AePS & Associate Certifications along with other certifications provided by NPCI.

For Initial years NPCI has not levied any certification fee to member Banks. The initial heavy lifting of certification for all NPCI products was incurred by NPCI, with effective from 2015-16. NPCI introduced Annual Certification fee for all NPCI products with the aim to support wide range of innovative products. The Initial Certification fee was decided Rs. 75,000 per annum for Member Banks (as per Circular no. NPCI/2015-16/BS/Circular 058 attached)

NPCI has decided to increase the Annual certification fee from INR 75,000 to INR 3,00,000 excluding Service Tax for Commercial Banks and INR 1,50,000 for RRBs and Co-operative Banks. The increase in certification fee is on account of Manpower, Outsourcing and technology cost.

The revised fee structure for annual certification fee is as follows with effect from 1st April, 2017

Sl. No.	Description	Annual Fees in lakhs (One time)
1	Commercial Banks	Rs. 3 Lac
2	RRBs and Co-operative Banks	Rs 1.5 Lac

However with this revised certification fee also, NPCI's certification cost is higher for these certifications and only recovering less than 50% of overall certification cost from the member banks and the remaining cost shall be taken care by NPCI.



Applicability: - It's an Annual Fee, Bank has to pay for any certification done during the financial year, this fee is applicable for all the products of NPCI including Test Support and Issuer and acquirer side certifications except BBPS Product.

Scope of Certification fees: -

Sl. No.	Item Description	Clarification
1.	Certification start & end date	Financial year and Date of creation of Certification ID by NPCI will be considered, to bill bank for annual certification fees irrespective of year of completion.
2.	Product enhancement by NPCI	If a bank comes in for the first time for any product, certification fees for FY 17-18 is applicable. Bank has to pay total of Rs. 3 lac only for any certification in this financial year.(excluding BBPS Product)
3.	Multiple channels/products for IMPS/UPI/RuPay/NFS/NACH/Branch/Mobile/Internet/ATM/SMS	Bank has to pay only Rs.3 lacs for multiple Certifications during this financial year. Bank has to pay Certification fee in current financial year before going live on product. If Certification carry forward in next financial year Bank need not to pay any certification fee but if Bank is coming for any new certification on any new channel Certification charges will be applicable.
4.	Recertification Fee paid by Bank	INR 3 Lacs

With warm regards,


Dilip Asbe
Chief Operating Officer