

NPCI/RuPay/023/2023-24

20th December 2023

To,

All RuPay Members – Banks, Payment Gateways (PGs)

Subject: Enablement of Pre-authorization for RuPay cards

Dear Sir / Madam,

RuPay has enabled Pre-authorization functionality for specific Merchant Category Codes (MCCs) to provide an improved and convenient payment option for RuPay cardholders.

Pre-authorization often referred to as 'pre-auth', is a key feature which serves as a means for businesses to reserve a specific amount of a customer's funds temporarily, ensuring that the necessary funds are secured before the services are availed and the transaction can be settled subsequently. Businesses across various industries benefit from this feature, as it enables them to confidently manage transactions while offering customers a secure and efficient payment process.

Identifying Pre-authorization transactions: Indicator for Pre-authorization transaction will be present in DE-25 with value 55. For detailed information, kindly refer to RuPay - Online Switching Interface Specification.

Development required for the following entities:

- i. **Issuer:** The issuer shall identify the Pre-authorization transaction basis DE-25 and secure the funds in the cardholder's account.
- ii. **Acquiring Bank:** The acquiring bank shall send the value 55 in DE-25 to initiate a Pre-authorization for POS transaction.
- iii. **Payment Gateway (PG):** The PG shall send the pre-authorization indicator to initiate a Pre-authorization for ECOM transaction.

Please refer Annexure I for the provisional MCC list and customer life cycle in Pre-authorization. The issuers are requested to sign the consent form provided in Annexure II for enabling Pre-authorization on RuPay Debit/ Credit cards.

Member banks/ PGs are requested to make all the necessary changes and comply to the above actions by 28th February 2024.

Yours sincerely,

SD/-

Kunal Kalawatia

Chief of Products

Annexure I

Please refer the below table for the provisional MCC list for which the Pre-authorization transactions will be allowed.

MCC	Description	Allowed Days and Maximum allowable limit
7011	Hotel Bookings	4 days and 15% of the authorized amount
8062	Hospitals	4 days and Rs 10,000 over and above authorized amount
3351 to 3441	Car Rentals	4 days and 15% of the authorized amount
4112	Passenger Railways	4 days and 15% of the authorized amount
4121	Cab booking	4 days and 15% of the authorized amount

Customer Lifecycle in Pre-Authorization -

- **Request for Pre-Authorization:** When the payment is initiated, the merchant sends an authorization request to secure the funds in the customer's account.
- **Authorization:** The issuing bank verifies the customer's account for availability of funds and accordingly will approve/ decline the transaction.
- **Hold Period:** During this period, the authorized amount is secured on the customer's account. It's essential to ensure that the final settlement occurs within the specified timeframe, which is 4 days.
- **Settlement:** There will be no change in the settlement process. However, the merchant/ acquirer is expected to raise the presentment within 4 days from the date of presentment post which, the pre-authorization request would become void.

For example, please refer the below illustration:

Day	Scenario Description
Day 0	Merchant initiates the pre-auth (Date of transaction)
Day 0	Issuer checks the availability of funds and places temporary hold on the specified amount and provides the confirmation.
Day 0	Merchant/ Acquirer can initiate a cancelation request for Pre-auth or proceed with presentment. If the merchant initiates to cancel the pre-auth, the funds held will be released by the issuer
Day 1	Merchant/ Acquirer can initiate a cancelation request for Pre-auth or proceed with presentment.
Day 2	Merchant/ Acquirer can initiate a cancelation request for Pre-auth or proceed with presentment.
Day 3	Merchant/ Acquirer can initiate a cancelation request for Pre-auth or proceed with presentment. A maximum of 4 days are allowed to present the transaction (Day 0, Day 1, Day 2 and Day 3) by which Issuer should receive the presentment.
Day 4	If presentment is not received by Day 3, funds held on the cardholder's account will be released by the Issuer.

Handling allowable limit over and above the Pre-authorized amount:

In some cases, the final settlement amount may differ from the initial authorization due to additional charges or adjustments. Issuer is required to handle these variances appropriately. Here's an example:

Scenario: A customer pre-authorizes a credit card for INR 2000 at a hotel. Upon check-out, the final bill is INR 2100, including incidentals. In this case, the merchant needs to settle the transaction with the additional amount of INR 100.

Process: The merchant will send a presentment for INR 2100, which will include the additional usage. The issuing bank shall process this request, and the additional INR 100 will be charged to the customer's account.

It's important to note that a settlement may have a different amount than the initial authorization, such as when additional charges or adjustments are made. Issuers shall have chargeback rights in case of any customer's complaint.

- a. If the acquirer submits the presentment after 4 days, the issuer may choose to honor it or reject it. If the issuer honors the request, the issuer will have the right to raise the chargeback under late presentment (Reason code – 1081).
- b. In the event where the customer raises the dispute for additional amount charged or the additional amount is not there in the cardholder's account, the issuer will have the right to raise the chargeback under incorrect transaction details (Reason code – 1083). This is to facilitate a smoother resolution process and minimize potential disputes.

Annexure II

<< ON BANK LETTER HEAD >>

To,
Chief of Products,
National Payments Corporation of India
3rd Floor, Raheja Titanium, Off. Western Express Highway,
Goregaon (East), Mumbai, 400063

<<Date>>

Subject: Request for enabling Pre-Authorization transactions for <<Bank Name>> RuPay Cards

Dear Sir/Madam,

With reference to the circular no. NPCI/2023-24/RuPay/023 dated 20th December 2023, this is to inform you that our Bank has completed development to process Pre-Authorization transactions for RuPay Cards. We have made the necessary changes in our Production System and have kept required controls at our end.

Request you to enable Pre-Authorization transactions for our Bank cards (Please refer the selection (√)) at the earliest.

- Credit Card
- Debit Card

In cases where a customer's account lacks sufficient funds for a transaction, except for the pre-authorization hold, the bank shall bear the responsibility to honor payment to the merchant.

The bank shall ensure that the pre-authorization hold amount, duly specified by the merchant, remains accessible to cover the pending transaction until the final settlement amount is determined.

Regards,

<<Name of the official>>
<<Designation>>
<<Organization>>