To,
All Member Banks - Unified Payments Interface (UPI)

Dear Sir/Madam,

Subject: UPI –   a. Compliance for successful Debit reversals
**   b. Handling deemed approved transactions and reconciliation**

NPCI launched UPI on 25th August, 2016 and presently, 44 banks are live on UPI with 33 banks' PSP Apps live on *Play Store*. With the ever increasing transaction volume and high publicity/visibility/awareness created for UPI coupled with large no. of customers using UPI, it becomes incumbent upon all participants to live up to customers' expectations and make available high quality customer service.

We have observed that non-processing of online debit reversal for declined transactions by the Remitter banks has led to increase in customer complaints. Such complaints also leads to wide negative publicity of UPI as a Product. The issue of the customer not getting the amount reversed online for a declined transactions and resultant high complaints was also discussed and deliberated in the recent Steering Committee Meeting held on 13th February 2017.

Further to our deliberations and analysis done jointly with member banks, we wish to inform that we have implemented 4 additional test cases to handle debit reversal failure/timeouts. We are also introducing a new response code for proper identification/understanding of declined transactions. The details are given in **Annexure I**. Banks are requested to ensure strict Compliance thereof.

Handling deemed approved transactions and reconciliation

We refer operating circulars NPCI/UPI/OC No. 04/2016 – 17 & NPCI/UPI/OC No. 09/2016 – 17 & NPCI/UPI & IMPS/OC No. 79/2016-2017 wherein we have informed that all UPI member banks are expected to perform reconciliation on daily basis. Our enquiries reveal that many banks are not having a process for daily reconciliation. If reconciliation is not done daily and any loss occurs due to technical issue and cannot be identified, it may lead to huge loss.

We request to follow the process described in **Annexure II** to avoid customer's complaints and any financial loss which may occur due to technical issues.

All member banks should send us an undertaking informing that the Bank is performing daily reconciliation. This undertaking should be signed by an official of the rank of General Manager or equivalent duly endorsed by the Audit Department of the Bank on or before 31st March 2017.

Should you need any further clarification, please contact the following officials:-

Name	E-mail ID	Contact No
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Yours faithfully,

Dilip Asbe
Chief Operating Officer

Annexure I

1. **Implementation of 4 additional reversal test cases:** Presently the test cases includes only success and failure transactions. We have created 4 additional test cases to include the scenarios of debit reversal failures/timeouts with store and forward facility at the bank's end, in case their CBS is down/not responding for debit reversal advise. Our team will get in touch with all the banks and get the certification completed urgently.

2. **Addition of a New Response Code:** We have introduced a new response code "ND" so that the reason for decline is properly identified:

RC	Abbreviation	Description
ND	Debit reversal is declined as account has not been debited for original transaction.	When a transaction is timed out in debit leg and reversal is generated on remitter bank, in such a case, the remitter bank should decline the reversal request with **'ND'** if it has not debited the customer account.

Annexure II

1. **Reconciliation**
   1.1 <u>Three way reconciliation – (by bank as both remitter and beneficiary)</u>

   We request to extract feed file from NPCI, your switch & CBS and perform three way reconciliation for all UPI transactions on daily basis.
   Note: Please match all approved & decline transactions (which includes Pay, Collect & Merchant transactions), reconcile all entries and exceptions should be properly handled. Bank has also to maintain proper records for reference and for responding to the complaints & queries of customers.

   1.2 <u>Decline Transactions (bank as remitter)</u>

   After reconciling the UPI transactions, please see if the customer account is not reversed in online for any unsuccessful transaction then the same has to be reversed manually or vice a versa.

   1.3 <u>Approved Transactions (bank as remitter)</u>

   For approved (merchant)/deemed approved transactions, raise chargeback **only in case of customer complaints** provided beneficiary bank has not raised TCC (102/103, as the case may be) or have not returned the funds.

2. <u>Reconciliation for Deemed Approved (DA) Transactions</u>

   2.1 <u>Reconciliation process for Deemed Approved transactions by Beneficiary Bank</u>
   - Download DA transactions daily from the RGCS application after every settlement cycle.
   - Reconciliation has to be performed immediately after each settlement cycle.
   - Raise Transaction Credit Confirmation (TCC) immediately if credited online or manually.
   - Credit to customer account without any delay if not already credited.
   - Raise Returns (RET) immediately if the bank is not able to credit the beneficiary customer account due to any reason whatsoever.

   2.2 <u>Reconciliation process for Deemed Approved transactions by Remitter Bank</u>
   - Download DA transactions on daily basis from the RGCS application after every settlement cycle.
   - Reconciliation has to be performed immediately after each settlement cycle.
   - Download the dispute report daily containing Transaction Credit Confirmation (TCC) and Return (RET) to track time out transactions.
   - After receiving the return (RET) from the beneficiary bank amount should be returned to the respective the remitting customers.

3. **Handling Adjustment**

Members should download all adjustments raised by other banks from RGCS, check the status of those transactions and initiate suitable actions either by accepting or rejecting the adjustments within TAT.

3.1 **Credit Adjustments/Refunds for Merchant transactions**

All banks as remitter should download the credit adjustments/refunds raised by the acquiring bank for the merchant based transactions and reverse the customer's account immediately after each cycle.

3.2 **Returns for Deemed approved Transactions**

Returns raised by other banks for deemed approved transactions has to be downloaded on daily basis and reversed to the customer's account on same day so as to avoid any complaints.

3.3 **Download files from RGCS on daily basis**

Ensure to download all settlement files, adjustment reports, DSR, service tax reports etc. and maintain the records for reconciliation and future reference.

4. **Reconciliation of GL accounts for each settlement cycle**

4.1 **Payable Account**

Reconcile all UPI transactions, initiate suitable actions and ensure that the payable GL a/c is reconciled daily.

4.2 **Receivable Account**

Reconcile all UPI transactions, initiate suitable actions and ensure the receivable GL A/c is reconciled daily.

5. **UPI App – Complaints**

5.1 **Raise Complaints**

All UPI member banks are expected to download complaints raised by customers using your UPI app and upload the same in RGCS. Download the response (to the complaints) file from RGCS on daily basis and upload the same in your UPI APP so that customers can view the status of their complaints on their mobile UPI app.

5.2 <u>Respond to the complaints</u>

Download complaints raised by other UPI members on your bank as remitter or beneficiary. Verify the status of the complaints, initiate suitable actions (if required) and respond to the complaints with status using appropriate reason codes in RGCS on daily basis.

Note: Please refer Complaint Management Process V1.0 for details.

6. Automated Recon Process & Dedicated Operations Team

6.1 <u>Automated Recon Process</u>

We recommend that the reconciliation process should be automated at the earliest so that large volume of transactions can be handled.

6.2 <u>Dedicated Team</u>

We would also like to highlight importance of having a dedicated team to handle UPI day to day operations such as reconciling the UPI transactions, handling customer complaints, etc. The point of contact (SPOC) should be communicated to NPCI support contacts mentioned by email.