INCLUSION OF REGIONAL RURAL BANKS IN AEPS
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I. **About NPCI**

National Payments Corporation of India (NPCI) is formed as an umbrella institution for all the retail payments systems in the country. The core objective is to consolidate and integrate the multiple systems with varying service levels into nation-wide uniform and standard business process for all retail payment systems. The other objective was to facilitate an affordable payment mechanism to benefit the common man across the country and help financial inclusion. Vision and formation of NPCI is backed by the regulator and Indian Banks Association (IBA). NPCI has defined business lines to process in country interbank transactions for ATM, POS, 24*7 Remittance, ACH and CTS.

Government of India has initiated Unique Identification Project for citizens of India. It is envisaged to use the UID schema and infrastructure for the financial inclusion in India. To enable the customers to use AADHAAR for the financial transaction across the payment networks in the country, NPCI proposes to facilitate routing of transactions to the central id repository of UIDAI for user authentication through a single interface.

A. **Scope of this document**

This document intends to help Regional Rural Banks to participate in AADHAAR Enabled Payment System (AEPS).

B. **Audience**

This document is a property of NPCI and should be not be circulated to external party without prior approvals of NPCI management team. The intended audience is limited to management, staff & vendors of RRBs and there sponsor banks.

II. **Inclusion of Regional Rural banks in AEPS**

Based on the discussion between NPCI and NABARD it was decided to include Regional Rural Banks in Aadhaar Enabled Payment System (AEPS) to strengthen the financial inclusion network in rural areas. Hence, Regional Rural Banks (RRBs) are allowed to join AEPS as per the "Sponsor Bank Model".

The RRBs have adopted the Application Service Provider (ASP) model to implement Core Banking Solutions (CBS). This has been supported both technically and financially by the Sponsor Banks who typically have a 35 % share in the RRBs. Taking in to view the limited IT and financial resources of the RRBs, NPCI has devised a sponsor bank model for implementation of RuPay AADHAAR MicroATM & ATM cards for RRB customers.

The main features of this model are:

- The Sponsor Bank must be a member of the AEPS service i.e. sponsor bank should be a direct AEPS member bank. The sponsor bank may have its own switch or ASP switch. Certification needs to be carried out as CBS of RRB may be different from that of its sponsor banks in terms of software and version.

- In AEPS, a transaction can be initiated from a MicroATM either manually or through a card. We recommend issuance of RuPay AADHAAR card to customers as it will facilitate customer in performing a transaction. Customer is not required to remember its AADHAAR number & even IIN.
- A unique IIN will be issued to RRB by NPCI free of cost.
- Sponsor Bank will provide an IIN (BIN) update form to NPCI to update the said IIN under their IIN list.
- NPCI would ask all the AEPS Member Banks to populate the IIN across AEPS network.
- IIN would be linked by Sponsor Bank to CBS of RRBs.
- NPCI will settle all RRB transactions (excluding On-Us and transaction between RRBs) with the Sponsor Bank as a part of the existing AEPS Settlement for the direct AEPS members.
- The existing reports of Daily Net Settlement Report and Raw Data Files sent to the AEPS Members should be used for daily reconciliation.
- The access to the DMS would be given to a designated personnel nominated by the sponsor bank. However, sponsor bank would be responsible for all dispute handling on DMS.
- The transactions conducted at sponsor bank MicroATMs by the customers of RRBs will be treated as on-us transactions and will not be routed through AEPS.
- The transactions conducted between RRBs of the same sponsor bank will also be treated as on-us transactions and will not be routed through AEPS.
- All AEPS settlements for RRB transactions would be settled by Sponsor Bank ONLY.
- The Sponsor Bank has to ensure that all guidelines of RBI / any regulatory authority would be adhered to by the RRBs before connecting the RRB MicroATMs to the sponsor bank.
- Any RRB that chooses to use its own infrastructure such as MicroATMs or kiosk would be issued a separate acquirer ID.
- If a RRB avails services of sponsor bank infrastructure then the acquirer ID of sponsor bank would be populated in the transaction request from bank.

III. SET OF TRANSACTIONS

Currently, NPCI facilitate 4 types of transaction in AEPS. They are:

- Balance Enquiry
- Cash Withdrawal
- Cash Deposit
- Aadhaar to Aadhaar Fund Transfer

We have envisaged 6 possible ways of performing a transaction as below:
TYPE 1 - RRB CUSTOMER ON SAME RRB MICROATM

- In this type of transaction the RRB customer will visit its RRB MicroATM.
- RRB MicroATM will send the encrypted packet to RRB switch/ASP switch/Sponsor bank switch.
- The switch will forward the request to NPCI for getting the customer authenticated from UIDAI. This will be used if the sponsor bank is not directly connected to UIDAI.
- Upon getting the response from UIDAI, NPCI will send the transaction back to sponsor bank.
- Sponsor bank will send the transaction to RRB/ASP switch which will send it to CBS for necessary action as per the transaction type.
- The response of the transaction will be sent to MicroATM and receipt will be generated.
- This will be an ON-US transaction for NPCI & will be charged for authentication service only.

TYPE 2 - RRB CUSTOMER ON SPONSOR BANK MICROATM

- In this type of transaction the RRB customer will visit its sponsor bank MicroATM.
- Sponsor bank MicroATM will send the encrypted packet to Sponsor bank switch.
- The switch will forward the request to NPCI for getting the customer authenticated from UIDAI. This will be used if the sponsor bank is not directly connected to UIDAI.
- Upon getting the response from UIDAI, NPCI will send the transaction back to sponsor bank.
- Sponsor bank will send the transaction to RRB/ASP switch which will send it to CBS for necessary action as per the transaction type.
- CBS response will be sent to sponsor bank switch which will route the response to MicroATM & a receipt will be generated.
- This will be an ON-US transaction for NPCI & will be charged for authentication service only.
Transaction flow will be as below:

**TYPE 3 - CUSTOMER OF RRB1 ON RRB2 MICROATM (SPONSOR BANK IS SAME)**

- In this type of transaction the RRB customer will visit some other RRB MicroATM wherein both these RRBs have same sponsor bank.
- RRB2 MicroATM will send the encrypted packet to Sponsor bank switch
- The switch will forward the request to NPCI for getting the customer authenticated from UIDAI. This will be used if the sponsor bank is not directly connected to UIDAI.
- Upon getting the response from UIDAI, NPCI will send the transaction back to sponsor bank
- Sponsor bank will send the transaction to RRB1/ASP switch which will send it to CBS for necessary action as per the transaction type.
- CBS response will be sent to sponsor bank switch which will route the response to MicroATM & a receipt will be generated.
- This will be an ON-US transaction for NPCI & will be charged for authentication service only.
Transaction flow will be as below:

**TYPE 4 - CUSTOMER OF RRB ON OTHER AEPS BANK MICROATM**

- In this type of transaction the RRB customer will visit some other AEPS member bank MicroATM.
- Other bank MicroATM will send the encrypted packet to its FI switch.
- The switch will forward the request to NPCI for getting the customer authenticated from UIDAI. This will be used if the sponsor bank is not directly connected to UIDAI.
- Upon getting the response from UIDAI, NPCI will send the transaction to sponsor bank of the RRB.
- Sponsor bank will send the transaction to RRB/ASP switch which will send it to CBS for necessary action as per the transaction type.
- CBS response will be sent to sponsor bank switch which will route the response to NPCI.
- NPCI will then forward the response to AEPS member bank switch which will internally route the response to its MicroATM and a receipt will be generated.
- This will be an OFF-US transaction for NPCI & will be charged for authentication service and financial routing both.
Transaction flow will be as below:

**TYPE 5 – TRANSACTION BETWEEN TWO RRBs OF DIFFERENT SPONSOR BANK**

- In this type of transaction the RRB customer will visit MicroATM of some other AEPS member bank RRB.
- Other RRBs MicroATM will send the encrypted packet to its FI switch.
- RRB/ASP switch will send the packet to its sponsor bank.
- The sponsor bank switch will forward the request to NPCI for getting the customer authenticated from UIDAI. This will be used if the sponsor bank is not directly connected to UIDAI.
- Upon getting the response from UIDAI, NPCI will send the transaction to sponsor bank of the customer’s bank.
- Sponsor bank will send the transaction to RRB/ASP switch which will send it to CBS for necessary action as per the transaction type.
- CBS response will be sent to sponsor bank switch which will route the response to NPCI.
- NPCI will then forward the response to AEPS member bank switch which will internally route the response to its RRB switch.
- Acquirer RRB will send the response to its MicroATM and a receipt will be generated.
This will be an OFF-US transaction for NPCI & will be charged for authentication service and financial routing both.

Transaction flow will be as below:

IV. Dispute Management

- If there is any complaint regarding any AEPS transaction on the Sponsor Bank MicroATM Network, then customer will lodge a complaint with the respective RRB.
- RRB in turn will forward the complaint to Sponsor Bank. The Sponsor Bank already has a Dispute Management mechanism in place by virtue of being a part of the AEPS.
- The access to the DMS would be given to a designated personnel nominated by the sponsor bank. However, sponsor bank would be responsible for all dispute handling on DMS.
- Complaint will be solved as per normal procedure & solution will be provided to sponsor bank which in turn will provide the same to the RRB within defined TAT. (All present RBI Guidelines would be applicable)

V. Possible Risk & Mitigates for the Sponsor Banks

A. Operational Risks:
Arising out of technology failure, frauds, errors, run on the bank, inadequate financial capacity to fulfil obligations.

Mitigates:
Careful selection of procedures and setting up tested Ops processes in place which can be monitored periodically.

B. Reputational Risk:
Arising out of poor service to customers by Regional Rural Bank or/and their service providers (ASP)
Mitigates:

- Adequate training to be provided to all stakeholders who will interact with the customers about the banking products & services and banking practices.
- Constant monitoring and review of field performance.
- Setting up of Dispute resolution/ Grievance redresses mechanism in place.
- The Sponsor Bank should ensure that the integrity and availability of its switch is maintained at all times.

VI. Guidelines on Roles and Responsibilities of Entities involved

A. Regional Rural Bank

- Maintain customer accounts with proper KYC norms in CBS that supports online real time transaction processing from sponsor bank switch using ISO8583 messaging protocol for card based and manual financial transactions.
- Ensure 24x7 uptime of the CBS servers to process transactions from sponsor bank switch in a 24x7 manner.
- Obtain unique RuPay IIN from NPCI. It is suggested to issue standard magnetic stripe RuPay AADHAAR ATM/debit cards to its eligible customers under the IIN. Such cards will carry the RuPay logo and cards should be designed as specified by NPCI to identify acceptance of the card on the AEPS & NFS network. On NFS ATMs the card will work with 4 digit PIN.
- Provide card management services to their customers.
- Educate its customers about usage of RuPay AADHAAR ATM/debit cards within its own network (if exists), sponsor bank network, AEPS & NFS network.
- Establish a reliable network link with fall back/auto-failover options between their CBS servers and the Sponsor bank/ASP switch.
- Open a current account with sponsor bank for daily settlement of transactions carried out by its customers on AEPS. A corresponding reconciliation account will be maintained in the CBS of the Regional Rural Bank. The CBS system may have alerting mechanism via email/SMS/online dashboard that can alert the bank officials when the balance in this account falls below a threshold value.
- Maintain sufficient funds in the settlement account with sponsor bank as mutually decided by sponsor bank and RRB.
- Provide a 24x7 helpline number to its customers to address any issues they may face in using their card on their own or AEPS or NFS network. This helpline should be able to register a complaint raised by the customers and provide feedback on the complaints previously registered by them.

B. Sponsor Bank

- The Sponsor Bank is responsible for sharing its switch with its RRBs and establishing a link with AEPS for routing all RRB transactions. This linkage should be as per
specifications and requirements intimated from time to time by AEPS and must be configurable.

- Carry out settlement of AEPS transactions on behalf of its member RRBs.
- Provide the operational and technical support to the RRB for reconciliation and dispute resolution. If the RRB needs to raise a dispute on behalf of its customer for a transaction carried out on AEPS, the same should be raised through the sponsor bank.
- Host and provide a standard EFT switch on ASP basis to Regional Rural Banks
- Ensure that, all off-us transactions are routed via AEPS.
- The transactions conducted at sponsor bank MicroATMs/ATMs by the customers of RRBs will be treated as on-us transactions and will not be routed through AEPS.
- The transactions conducted between RRBs of the same sponsor bank will also be treated as on-us transactions and will not be routed through AEPS.
- Provide daily settlement and reconciliation reports to each RRB and provide complete transaction record for dispute resolution.
- Maintain a network link with fall back/auto-failover options to RRB CBS.
- Provide reconciliation reports to sponsor bank and each RRB for transactions routed to and from AEPS.
- To ensure strict compliance of AEPS guidelines and RBI guidelines by the RRBs sponsored by them.
- Important points to be considered:
  - All Risk Management would be done by the Sponsor Bank Switch as per the requirement of the AEPS Member Banks
  - All settlement would be done at Sponsor Bank Settlement Account (Existing) and no separate report would be provided by AEPS to the Sponsor banks.
  - The settlements are done on a T + 1 Basis.
  - All regulations of RBI/AEPS related to the Switching Issued by AEPS from time to time would be binding on Sponsor Bank ASP Switch.
  - NPCI would certify the sponsor bank Switch as and when required by them.
  - Sponsor bank switch to comply with AEPS Interface specification and other requirements to get certified for AEPS Switch.
  - The Sponsor Bank Switch, RRB will at all times comply with the AEPS operating procedures.
VII. **RuPay Card Issuance Guidelines**

**Steps in Card issuance**

This section intends to help you understand various processes and their timelines for issuing RuPay Aadhaar card.

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<th>Steps</th>
<th>Action</th>
<th>Responsibility</th>
<th>Timelines</th>
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<td>RRB and Sponsor Bank</td>
<td>2 days</td>
</tr>
<tr>
<td>Step 2</td>
<td>Issuance of IIN numbers</td>
<td>NPCI</td>
<td>2 days</td>
</tr>
<tr>
<td>Step 3</td>
<td>Card creative collateral preparation and approval</td>
<td>Sponsor Bank and RRB</td>
<td>7 days</td>
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<tr>
<td>Step 4</td>
<td>Submission of card design by bank and advise from NPCI</td>
<td>NPCI, Sponsor Bank and RRB</td>
<td>7 days</td>
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<tr>
<td>Step 5</td>
<td>Sponsor bank / RRB to advise the card printing vendor (to be certified by NPCI)</td>
<td>Sponsor bank and RRB</td>
<td>7 days</td>
</tr>
<tr>
<td>Step 6</td>
<td>RRB to send 5 white plastics and 5 non personalized cards with artwork</td>
<td>Sponsor Bank and RRB</td>
<td>7 days</td>
</tr>
<tr>
<td>Step 7</td>
<td>IIN propagation form to be sent</td>
<td>Sponsor Bank and RRB</td>
<td>3 days</td>
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<td>Step 8</td>
<td>IIN updation</td>
<td>Sponsor bank and NPCI</td>
<td>1 day – NPCI, 15 days – Sponsor Bank</td>
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</table>