National Automated Clearing House (NACH) Procedural Guidelines
# National Automated Clearing House Procedural Guidelines

## Table of Contents

**Contents**

1. SHORT TITLE OF THE SERVICE .......................................................... 4  
2. OBJECTIVES OF NACH ................................................................. 4  
3. DEFINITIONS .................................................................................. 5  
4. NACH MEMBERSHIP ..................................................................... 5  
5. MEMBERS / INDIRECT PARTICIPANTS ........................................... 7  
6. ROLES AND RESPONSIBILITIES ..................................................... 7  
7. CHARGES ....................................................................................... 7  
8. MESSAGE FORMATS ........................................................................ 8  
9. MINIMUM AND MAXIMUM NUMBER OF TRANSACTIONS & AMOUNT ........................................................................ 8  
10. MEMBER NOTIFICATION .................................................................... 9  
11. STEERING COMMITTEE FOR ACH .................................................. 9  
12. AUDIT BY NPCI ............................................................................... 9  
13. CLEARING TIMES .......................................................................... 10  
14. LATE SUBMISSION OF UNCREDITED / UNDEBITED ITEMS ................................................................................ 12  
15. FINALITY OF SETTLEMENT AND SETTLEMENT ARRANGEMENTS ........................................................................ 12  
16. TERMINATION/SUSPENSION OF MEMBERSHIP .................................... 13  
17. PROHIBITION TO USE NPCI LOGO/ TRADEMARK /NETWORK ............ 14  
18. INTELLECTUAL PROPERTY RIGHTS ................................................ 14  
19. RISK MITIGATION ........................................................................... 14  
20. MAINTAINING NACH TRANSACTION RECORDS ................................ 15  
21. DISPUTES RESOLUTION MECHANISM ............................................. 15  
22. INDEMNIFICATION .......................................................................... 16  
23. COMPLIANCE TO REGULATORY GUIDELINES BY RESERVE BANK OF INDIA .................................................. 16  
24. AMENDMENT TO THE PROCEDURAL GUIDELINES ......................... 16  
25. RESIDUAL CLAIM ............................................................................ 16  
26. MANDATE MANAGEMENT SYSTEM (MMS) ...................................... 17  
    26.1. BRIEF FEATURES OF MMS ............................................................ 17  
    26.2. MMS OPERATING PROCEDURE .................................................. 18  
    26.3. MANDATE AMENDMENTS AND MANDATE CANCELLATIONS .......... 18  
    26.4. TRANSMISSION OF IMAGE / DATA IN MMS ................................ 18  
    26.5. STORAGE OF PHYSICAL INSTRUMENTS IN MMS ....................... 18
27. DISPUTE MANAGEMENT SYSTEM (DMS) ........................................................................................................ 19
27.1. BRIEF FEATURES OF DMS .................................................................................................................. 19
27.2. PARTICIPANTS IN DMS ......................................................................................................................... 20
27.3. STEP WISE PROCESS FLOW FOR CREATING A DISPUTE ................................................................. 20
27.4. STEP WISE PROCESS FOR REPRESENTING A DISPUTE ..................................................................... 21
27.5. STEP WISE PROCESS FOR REASSIGNED DISPUTES ....................................................................... 22
27.6. DMS ESCALATION MATRIX .................................................................................................................. 23
27.7. DMS TIMELINES ....................................................................................................................................... 23
27.8. DISPUTE MANAGEMENT CYCLE .......................................................................................................... 24
27.9. PRE-ARBITRATION PROCEDURES ........................................................................................................ 25
27.10. ARBITRATION PROCEDURES ............................................................................................................. 26
27.11. GOOD FAITH DISPUTES ...................................................................................................................... 27
ANNEXURE 1 – DEFINITIONS ....................................................................................................................... 28
ANNEXURE 2 - ACCESS CRITERIA FOR PAYMENT SYSTEMS .................................................................... 30
ANNEXURE 3 - ROLES AND RESPONSIBILITIES .......................................................................................... 33
ANNEXURE 4 – ACH SPECIFICATION DOCUMENT ..................................................................................... 37
ANNEXURE 5 - SETTLEMENT AND DEFAULT HANDLING PROCEDURES .................................................... 38
ANNEXURE 6 – LOA FROM PARTICIPATING BANK ..................................................................................... 44
ANNEXURE 7 - NACH TRANSACTION PROCESSING PROCESS FLOW ........................................................ 46
ANNEXURE 8 – CASES OF MATERIAL BREACH ............................................................................................ 49
ANNEXURE 9 – DISPUTE RESOLUTION MECHANISM .................................................................................. 51
ANNEXURE 10 - NACH SAMPLE STANDARD MANDATE FORM .................................................................. 55
ANNEXURE 11 - MANDATE MANAGEMENT SYSTEM (MMS) PROCESS FLOW ........................................... 56
ANNEXURE 12 - DIAGRAMMATIC REPRESENTATION OF DMS LIFECYCLE .................................................. 60
National Automated Clearing House Procedural Guidelines

1. Short title of the service

The National Payments Corporation of India (NPCI) offers to banks, financial institutions, Corporates and Government/s a service termed as „National Automated Clearing House (NACH)” which includes both Debit and Credit. It shall be referred to as NACH hereafter.

Proposed NACH (Debit) & NACH (Credit) aims at facilitating interbank high volume, low value debit/credit transactions, which are repetitive in nature, electronically using the NPCI service.

2. Objectives of NACH

The NACH system facilitates end-to-end processing of bulk electronic payment instructions with the following objectives:

- Create a national eco-system covering all bank branches for processing electronic payment instructions.
- Provide a technology platform to banks to route the debit / credit instructions through NPCI using different routing codes like IFSC Code / MICR Code / IIN Code or any other code as may be decided from time-to-time.
- Provide Direct Corporate Access (DCA) to select Corporates/ Government Depts., major user institutions and third party to NPCI NACH system.
- Provide a sound mechanism for settlement, exceptions handling, processing of returns, rejects, reversals, refunds, revocations, holidays management, unwinding, dispute handling etc.
- Maintain a robust Aadhaar number to Institution Identification Number (IIN) mapper with related governance mechanism.
- Create a robust Mandate Management and related governance mechanism.

The system would leverage on Core-Banking Solution (CBS) of participating banks for centralized posting of inward debit / credit transactions and NPCI would be running the Centralised service out of Chennai or any other place as may be decided from time to time, with settlement in the books of Reserve Bank of India (RBI).
National Automated Clearing House Procedural Guidelines

3. Definitions

The acronyms / abbreviations used in this document are listed in Annexure-I.

4. NACH membership

Banks in India who are members of any Payment System / Channel approved by the Reserve Bank of India, and who enter into a mutual agreement with NPCI will be permitted to originate transactions in the NACH system, as “Sponsor Banks”.

A Sponsor bank may discontinue its membership from the NACH by giving due notice as is decided by NPCI in consultation with the ACH Steering Committee. The said Steering Committee will meet within 14 days of the bank giving notice and will work out a notice period depending upon the impact the Sponsor Bank has on other participants, number of customers impacted, time line required for customers” to migrate to other banks etc. In no case, the notice period will be less than two months from the date of acceptance of the same by the Steering Committee. On acceptance, NPCI shall communicate the notice to all banks participating in NACH scheme.

On merger/demerger of two or more participating banks, the involved entities will give due notice to NPCI to process transactions accordingly. NPCI will act on the request received within a period of one month.

All Banks in India who are members of any Payment System / Channel approved by the Reserve Bank of India would be allowed to participate on NACH system as “Destination Banks”, on submission of necessary Agreement. These Banks would be allowed to process transactions through NACH, as well as, process Mandates and update the Aadhaar Mapper.

The Corporates/ Government Departments will have to indicate the names of the Sponsor Bank with whom they are maintaining accounts to facilitate settlement on their behalf. They would be allowed to participate on NACH system as “Users”, on submission of necessary Agreement, through their Sponsor Bank.
National Automated Clearing House Procedural Guidelines

It is clarified that,

i. Banks maintaining settlement accounts with RBI-DAD would be allowed to participate on NACH system. Banks not possessing the same but desirous of participating in NACH would be allowed to do so through their Sponsor Bank, who should be maintaining a settlement account with RBI-DAD.

ii. On merger/demerger of two or more participating banks, the involved entities will give due notice to NPCI to process transactions accordingly. NPCI will act on the request received within a period of one month.

iii. NPCI will communicate through a notice the earliest date of Go Live of the NACH in advance and the member banks who want to opt out will have to notify their option of non-participation.

iv. Government Departments/Corporates can choose to become direct participant having Direct Corporate Access (DCA) for the purpose of submission/receipt of the transactions provided the request for participation is recommended by the Sponsor Bank and the Departments/Corporates agree to comply with the NACH Procedural Guidelines as applicable to them and NPCI Net/Internet Access regulations that are applicable for usage of Network for submission and receipt of transactions.

v. All applicants to NACH system will have to pay a membership fee and any other fee as may be decided by NPCI from time-to-time.

vi. Other approved Payment System Solution Providers would also be allowed to participate on NACH on completing necessary Registration formalities with NPCI.

vii. Indian Postal Department would also be eligible for NACH membership.

viii. Relevant Registration formats would be decided by NPCI in consultation with the ACH steering committee and duly informed to the NACH participants.
National Automated Clearing House Procedural Guidelines

5. Members / Indirect Participants

It has been decided to expand the sub-membership / indirect participants route to enable all licenced banks to participate in NACH system, as per directions laid down in RBI Circular No. DPSS.CO.OD. 1848 /06.07.003/2011-2012 dated April 9, 2012 on “Access criteria for payment systems - sub-membership to centralised payment systems”. (Annexure 2)

Other Guidelines as laid down in the above mentioned circular would be applicable to NACH participants wherever relevant.

6. Roles and responsibilities

The roles and responsibilities of the participants in the scheme are as shown in Annexure 3.

7. Charges

NPCLI may levy charges for the usage by Sponsor Bank/receiving banks/Corporates/Government Departments for allowing them to use the NACH / MMS services.

The charges may include but are not limited to

- Joining/membership fee
- Transaction fee
- Network Recovery charges
- Certification and Onboarding charges
- Taxes and statutory payments
- Mandate related services
- Testing
- Training
- Settlement Services
- Charges for offering value added services/miscellaneous which may be mutually agreed between NPCI and the organization using such value added services/miscellaneous services.
National Automated Clearing House Procedural Guidelines

- Fines and penalties for non-adherence to NACH procedural guidelines or any relevant circulars issued by RBI.

The periodicity for collection of such charges as well as mode of collection of such charges would be as decided by NPCI in consultation with ACH steering committee and communicated to participant banks. Indirect Participant banks will have to give a mandate to NPCI to collect such charges through their Sponsor Banks.

NPCI will furnish a schedule of charges annually to all the member banks and shall communicate the charges as and when there is an upward/downward revision. All charges will be exclusive of service tax or any other statutory charges which will be payable separately unless otherwise is clarified.

NPCI reserves the right to and will have the ability to revise or to waive any or all the charges after discussions in the Steering Committee and after communication to members.

8. Message Formats

NACH transactions routed through NPCI should comply with the message formats discussed and decided by the ACH Steering Committee members and specified by NPCI as a part of NACH file format specification. Modifications if any will be communicated by NPCI to member banks from time to time.

The ACH Specification document covering file formats, is as shown in Annexure 4

9. Minimum and Maximum Number of Transactions & amount

There would not be any stipulation on the minimum or maximum number of transactions & amount to be put through. NPCI may prescribe the optimum records in a file for efficient processing and banks are expected to adhere to that limit.
10. Member Notification

NPCI shall notify all the member banks through email/letter/circular regarding:

1. Inclusion of a new member to the NACH Network.
2. Cessation of any member.
3. Suspension/Termination of any member.
5. New enhancement of the software and hardware released pertaining to the NACH Network.
6. Any other issues deemed important.
7. Regulatory Guidelines applicable to NACH.
8. Orders of the PRD.

11. Steering Committee for ACH

The ACH Steering Committee would be dedicated for discussion on the operational issues relating to NACH services and would consist of 50% members who are non-promoter banks. The Steering Committee meetings may have invitees from other organizations involved in promoting NACH services and industry experts as required, to get better insight. The committee shall meet at least once in a quarter in addition to two user group meetings in a year which would be attended by all the members.

12. Audit by NPCI

It is obligatory for all participant Banks on the NACH platform to strictly follow the NACH Procedural Guidelines. NPCI reserves the right to conduct audit of the NACH-related documentation of a participant Bank, maintained by them or with any other entity. Each member bank should conduct annual internal audits of itself (or of outsourced agents) in order to comply with the NACH Procedural Guidelines and submit a report to NPCI which would be shared with RBI.
13. Clearing Times

- The system will have the capability to undertake multiple presentation and return settlements during a day, but, initially it will be restricted to one presentation settlement session and one corresponding return settlement session per day (as illustrated in Illustration 1 below). (For Mandate Management System (MMS) the clearing session will be non-financial in nature.)
- The clearing timings for these sessions would be as per pre-defined timelines stipulated by NPCI post discussion at the ACH Steering Committee.
- The NACH system would be capable of allowing different settlement session timings for different transaction types.
- The NACH system would be capable of allowing different settlement session timings for varied priority based transactions.
- NPCI may due to certain exigencies change the settlement session timings. NPCI will notify the participants in case of any change.
- NPCI reserves the right to add additional settlement windows/sessions based on business exigencies and after getting approval from ACH Steering Committee.
- The participants can request for extension in case of genuine delays but it would be the sole discretion of NPCI to extend/change the settlement session timings.
- Settlements would not take place during Sundays, National Holidays. File processing would not happen on days when the RTGS system by NPCI has been marked with a holiday. NPCI will notify participants of such holidays.
Illustration 1 - Illustrative timelines are shown below considering one session for a single transaction type / priority (tentative)

<table>
<thead>
<tr>
<th>Time</th>
<th>Weekday Presentation Settlement</th>
<th>Weekday Return</th>
<th>Settlement Saturdays</th>
<th>Presentation Settlement</th>
<th>Saturdays Return</th>
<th>Settlement</th>
</tr>
</thead>
<tbody>
<tr>
<td>10:00</td>
<td>12:00</td>
<td>2:00</td>
<td>3:00</td>
<td>4:00</td>
<td>5:00</td>
<td>6:00</td>
</tr>
<tr>
<td>7:00</td>
<td>8:00</td>
<td>9:00</td>
<td>10:00</td>
<td>11:00</td>
<td>12:00</td>
<td>13:00</td>
</tr>
</tbody>
</table>

**Presentation and Return Timings**

**Weekdays**
- Presentation: 10:00-12:30 hrs.
- Return: 1500-1700 hrs.

**Saturdays**
- Presentation: 10:00-11:30 hrs.
- Return: 14:00-15:00 hrs.

**Settlement Timings**

**Weekdays**
- Presentation Settlement: 13:00-14:00 hrs.
- Return Settlement: 17:30-18:30 hrs.

**Saturdays**
- Presentation Settlement: 12:00-13:00 hrs.
- Return Settlement: 15:30-16:30 hrs.
14. Late Submission of Uncredited / Undebited Items

I. If any Destination Bank fails to submit the file to the NACH system on day T+0, such delayed reporting cannot be incorporated by NACH in the Output file and also cannot be included in the clearing settlement for un-credited / un-debited items.

II. Payment / Settlement for such items would have to be worked out between the Sponsor Bank and the Destination Bank concerned.

III. If any Destination Bank submits / uploads such late returns to the NACH system on a future date, such returns would be deleted from the input data and NPCI may take such action / decide penalty against the bank, in accordance with the Dispute Resolution Mechanism prescribed.

15. Finality of Settlement and Settlement Arrangements

i. Settlement Finality: The settlement shall be final and irrevocable, as defined in Section 23 of the “Payment and Settlement Systems Act 2007” and will be handled as per the RBI Guidelines on Settlement and Default Handling Mechanism (Annexure 5).

ii. NPCI will provide settlement services for the NACH system. NPCI’s RTGS infrastructure will arrange the necessary inter-bank settlement of credits and debits to the banks respective current accounts directly with RBI-DAD. NPCI may levy a settlement processing fee as decided by the Steering Committee which may be revised from time to time.

iii. All banks before participating in NACH shall issue a Letter of Authority to RBI authorizing debit/credit for NACH related settlements in their respective accounts through NPCI RTGS infrastructure, duly approved by their respective boards. (Annexure 6).

iv. As indicated in the process flow (Annexure 7), settlement will be handled in two different ways. One for the transactions processed on T+0 basis (same day credit) and another will be for the transactions to be processed on T+1 basis (next day credit).

**T+0 Credit/Debit:** Debit / Credit instruction file to be made available for the Destination Bank only after debiting / crediting settlement account of the
National Automated Clearing House Procedural Guidelines

Destination Bank / Sponsor Bank, as applicable. The Sponsor Bank should credit the beneficiary account on same day for NACH (Debit) & the Destination Bank should credit the beneficiary account for NACH (Credit) on receipt of funds into their settlement account.

T+1 Credit/Debit: This is applicable to all the products that are being run on warehousing basis for value dated credits like ECS credit, ECS debit migrated to NACH and ACH 306 credit/debit sessions specifically opened for migration of ECS debit/credit transactions. The inward file will be made available to the member banks on the previous day evening. NPCI will be debiting / crediting settlement account of the Destination Bank / Sponsor Bank, as applicable, only on the next working day on which settlement bank should post the settlement files. The member banks should ensure that they process the transactions received in inward files only after verifying that the necessary settlement entries (i.e. debit or credit, as applicable) are sighted in the settlement account, maintained with settlement bank.

The definition of settlement determination and the default procedure are detailed in Annexure 5.

v. At the end of the business day or within timelines stipulated by NPCI, the net receivable or payable in respect of each member bank, will be generated and a Daily Settlement Report prepared and sent to all member Banks. The Net Settlement Amount will be inclusive of the transaction and settlement fees and any applicable taxes payable by Member Banks to NPCI.

16. Termination/Suspension of Membership

NPCI under the following circumstances may terminate/ suspend the NACH membership:

- The member has failed to comply with or violated any of the provisions of the NACH Procedural guidelines.
- Member commits material breach of NACH Operating Procedures, which remains un-remedied for thirty (30) days after giving notice. Some instances that may be considered as material breaches are captured in Annexure 8.
- The current account with RBI of the member bank is closed or frozen.
- The member bank is amalgamated or merged with another member bank.
- Steps have been initiated for winding up the business of the member bank.
National Automated Clearing House Procedural Guidelines

- Suspension or cancellation of RTGS membership.

17. Prohibition to Use NPCI Logo/ Trademark /Network

- Upon termination from NACH, the bank shall abstain from further using the NACH Trademark with immediate effect and failure to comply with the same, shall invite legal proceedings.
- Banks that have been terminated from NACH membership shall be deprived of the privilege of originating/receiving transactions as may be the case.
- Any pending dispute pertaining to transaction errors not resolved before the member bank is terminated will be retrieved from the respective bank’s settlement account.
- The terminated member bank shall not disclose any information regarding the NACH Network or any knowledge gained through participation in the NACH Network to the external world. Failure to comply with the same shall be treated as breach of trust and will invite legal penalties. This rule shall be binding on the terminated member bank for One (1) year from the date of the termination.

18. Intellectual Property Rights

NPCI will acquire all the intellectual property rights to all the documents prepared particularly for proposed NACH solution.

19. Risk Mitigation

Member banks will adhere to access criteria guidelines that NPCI may prescribe from time to time in consultation with the Steering Committee.

The transactions submitted to the NACH will be digitally signed and encrypted using the algorithm that NPCI may prescribe based on the recommendations of the Controller of Certifying Authority/ Institute for Development and Research in Banking Technology or any other guidelines that may be prescribed by the Reserve Bank of India.
National Automated Clearing House Procedural Guidelines

NPCI is a facilitator of transactions and hence will not be liable for the accuracy of the data submitted to it for processing nor shall it be liable for not being able to process transactions due to late submission of transactions, even though, it will take reasonable care and will publish the operating timelines from time to time.

Participants will have to put in place required backup system.
The transactions to the receiving banks/participants will be made available on the successful completion of the settlement for the session/day as the case may be. In case of the failure of the bank to keep adequate funds in the account at the time of settlement, the process as per Default Handling mechanism, as provided by RBI, vide its circular dated September 29, 2010 or any other modification RBI may issue from time to time shall apply.

Settlement Finality: The settlement shall be final and irrevocable, as defined in Section 23 of the “Payment and Settlement Systems Act 2007”. NPCI will provide settlement services for the ACH system.

20. Maintaining NACH transaction records

NACH participants are expected to retain copies of NACH records in electronic form. Those participants using electronic methods to retain NACH records should implement practices and procedures to ensure that electronic records of NACH documents accurately reflect the information contained within the document and that both the electronic record and a record of the authentication can be accurately reproduced for future reference.

The preservation period for NACH records is ten years from the date of submission of the transactions to NACH.

21. Disputes Resolution Mechanism

The procedures of handling disputes in the NACH system are as follows:

NPCI will set up a Panel for Resolution of Disputes (PRD) consisting of four member banks and the panel-chairman to look into unresolved interbank settlement disputes as per the directives of the Department of Payments and Settlement Systems of the Reserve Bank of India, notification Ref: DPSS.CO.CHD.No:654/03.01.03/2010-2011
National Automated Clearing House Procedural Guidelines

dated 24th September, 2010. (Annexure 9)

22. Indemnification

It is binding on all members including NPCI, utilizing the NACH system to defend and
indemnify themselves from all loss and liabilities if any, arising out of the following:

- Member’s failure to perform its duties and responsibilities as per the
  Procedural guidelines for NACH.
- Malfunctioning of Member’s equipment.
- Fraud or negligence on the part of member.
- Unauthorized access to NACH system.

NPCI will not be responsible for omissions and commissions on part of any of the
participants.
In the event of omissions and commissions on part of NPCI, the same would be
rectified and NPCI would not be liable for any fines or penalties etc.

23. Compliance to Regulatory Guidelines by Reserve Bank of India

All participating bank shall strictly comply with relevant RBI notifications from time
to time. The Regulatory Guidelines of RBI shall have over-riding effect over the
provisions made in these Guidelines

24. Amendment to the Procedural Guidelines

NPCI may issue amendments to these Guidelines from time to time by way of
circular. The revised versions of the Guidelines may also be issued incorporating the
new provisions periodically. Banks would however be intimated fairly well in advance
if it involves software changes at the level of participating banks.

25. Residual Claim

1. If there are any claims not covered under these guidelines, applicable RBI
   guidelines will prevail.
2. If claims are not covered under the RBI guidelines, the banking laws/ relevant
   legal laws will be applicable.
3. In case of any claim on the running of the process, NPCI officials are authorized
   to define the process and take post facto approval by Steering Committee
National Automated Clearing House Procedural Guidelines

constituted for the purpose.

26. Mandate Management System (MMS)

Mandate Management System (MMS) is an essential part of National Automated Clearing House (NACH) service. The Mandates are necessary from the regulatory perspective in order to process NACH transactions. As a step towards streamlining the process and making it more customer and participant friendly, it is proposed to implement the MMS, where mandate information is captured on a standard cheque like mandate form. (Annexure 10)

This NACH Mandate Management System shall be referred to as MMS hereinafter.

26.1. Brief Features of MMS

The following are the key features of the MMS:

- MMS may utilise the existing CTS infrastructure.
- Automated processing and exchange of mandate information electronically with well-defined timelines for acknowledgement/confirmation.
- Each mandate is uniquely identified by Unique Mandate Reference Number (UMRN) which makes tracking of multiple mandate details easier for customers.
- Defined and agreed SLA’s to be implemented-provide Governance model and defined timelines for mandate processing.
- Enhanced Mandate data and information synchronization among banks and service providers.
- Enable the usage of standardized Mandate Forms.
- Mandate repository containing Mandate details to be maintained for the purpose of validating mandate UMRN available on the NACH transaction files, at the time of NACH transaction processing.
- MMS would allow processing of Debit and Credit mandates.
- MMS would allow processing of debtor and creditor initiated mandates.
- MMS would allow processing of e-mandates as well as paper mandates, where e-mandates would consist of data file upload while paper mandates would consist of mandate image and Data file uploads.
26.2. MMS Operating Procedure

- Banks shall ensure generation of accurate input and output.
- Banks shall comply with Security guidelines that are prescribed by NPCI.
- All member banks shall monitor and ensure adequacy of their record maintenance.
- All member banks shall ensure that they download their respective MMS transactions and reports from the NPCI systems and keep their records updated on a daily basis.
- All member banks would need to adhere to the MMS process flow as detailed in Annexure 11.

26.3. Mandate amendments and Mandate cancellations

An amendment by the customer of mandate may be executed in a similar way the new mandate is initiated, however the only difference is that the mandate amendment / cancellation request will contain the Unique Mandate Management Reference (UMRN) number that was communicated to the customer by destination bank when the mandate record was validated, authorized and passed successfully. Therefore the customer will send mandate amendment/cancellation request through sponsor bank, and the same will reach destination bank through NPCI. Mandate record would need to get updated post validation of customer details at the respective bank end.

26.4. Transmission of Image / Data in MMS

The MMS system will transmit the images and data of the mandate to the recipient bank electronically as per NPCI prescribed formats (Annexures 10).

26.5. Storage of Physical Instruments in MMS

1) The new sponsor bank desirous of presenting the transactions for which the mandates are already presented by the erstwhile sponsor bank should use the same user code allotted to the corporate/user institution to which the transactions originally belong. The new sponsor bank should complete the necessary documentation with the concerned corporate/user institution and submit the documents to NPCI for linking the user code of the corporate/user institution to the
new sponsor bank. Only post this activity the new sponsor bank will be permitted to route the transactions through NACH system.

2) The sponsor banks should have clear arrangements with their corporate/user institution with regard to storage of physical mandates.

3) In the event of transactions being processed by the new sponsor bank other than the erstwhile sponsor bank who has presented the mandates, all the stakeholders should have clear arrangements with regards to storage, retrieval and submission of physical mandates in case of any such requirement.

4) In case of any dispute raised by customer/corporate/user institution/destination bank such disputes should be raised with the sponsor bank that has processed the transaction even if the mandate for that transaction was presented by the erstwhile sponsor bank. It is the responsibility of the sponsor bank that has processed the disputed transaction to present all the relevant documents (Including the physical mandate if required) for resolution of such disputes. All the constituents should build back to back arrangements to ensure accessibility to physical mandates.

27. Dispute Management System (DMS)

DMS is a part of NACH system, which ensures creation, escalation and resolution of disputes raised by banks. These disputes can be raised on ACH payment transaction or mandate transaction.

It is a facility provided by NACH system and NPCI will not be held responsible for any consequential damages.

27.1. Brief Features of DMS

I. DMS provides an electronic platform to raise and resolve disputes among participant banks having provision to exchange documentary support and details for the relevant transaction and / or mandate processed through the ACH application.

II. For each dispute record processed, a Dispute Reference Number will be created, which will be a unique across the NACH system.

III. When the dispute record is created, the Bank raising a dispute will assign a priority to this dispute that will be used for the escalation of the Dispute, using the escalation matrix process described in Clause 27 Sub Clause 27.6 below. Priorities will be governed by closure timelines and the same would be applicable to the levels within a priority. In the event of a dispute assigned to a
National Automated Clearing House Procedural Guidelines

priority remaining open beyond set timelines, the dispute will automatically be assigned to the first level of the next priority. The timelines for the priorities will be defined by NPCI and informed to participating banks.

IV. Dispute can be closed by the bank raising the dispute, however in certain circumstances NPCI will have the authority to close the dispute if it exceeds the timelines that are specified in the system, with due intimation to the concerned banks. Reopening of the dispute is allowed.

V. The audit log details are to be maintained for all actions carried out during the dispute resolution life cycle of the records, for a period as would be decided by NPCI and shared with participating banks.

VI. DMS provides MIS on details of all disputes routed through the application, along with details of the same.

VII. In the event of unresolved disputes, the participants would be governed by the Dispute Resolution Mechanism as laid down in Clause 21 as mentioned above.

27.2. Participants in DMS

I. Disputes are created by direct and indirect participants in NACH system, regarding ACH payment or mandate transactions. Corporate participants must route their disputes to their sponsor banks in order to create disputes on the DMS application.

27.3. Step wise process flow for Creating a Dispute

I. The dispute details and related information to be provided when a dispute is created by user of Dispute Initiating Bank (DIB) is as follows. The Diagrammatic representation of dispute creation in DMS module is given in Annexure 12.
   □ IFSC, MICR or IIN of Recipient Bank. The system will support searching participants based on IFSCs, MICR codes and IINs.
   □ Error Type of dispute - The reason for creating the dispute. Error types will be provided by NPCI.
   □ The following basic necessary documents are to be provided by dispute initiating bank while raising the dispute on the system
      a. For ACH Credit Transaction related dispute (includes APBS transactions)
         i. Copy of customer complaint
         ii. Transaction details
National Automated Clearing House Procedural Guidelines

b. For ACH Debit Transaction related dispute
   i. Copy of Customer complaint
   ii. Mandate Copy
   iii. Transaction details

c. Mandate related dispute
   i. Copy of Customer complaint
   ii. Mandate Copy

- An ACH transaction number or Unique Mandate Management Reference Number (UMRN) to be attached to the dispute.
- Information regarding participant client needs to be provided.
- Documents pertaining to the dispute may be attached.
- Priority of dispute to be set for routing disputes as per escalation set.
- Memo about the Dispute may be entered in order to keep information about the Dispute for other users from the same Participant.

II. When a Dispute is created, an automatic alert email message is sent to respective Participant. The message is received by all users in the escalation matrix as indicated by the priority of the Dispute and the Dispute is automatically assigned to the first user in the given priority.

III. Documents may be attached to a dispute and correspondence messages may be interchanged between originating and the recipient banks.

IV. Disputes can be reassigned for resolution to another user based on the Escalation Matrix for disputes received, by the supervisor of the recipient bank.

V. The DMS application supports resolution of disputes by successive modification Dispute Initiating Bank (DIB) and Dispute responding Bank (DRB).

VI. Disputes can be closed by DIB user, who raises the dispute. However in certain circumstances NPCI will have the authority to close the dispute as per timelines that would be specified /parameterized in the system.

VII. In the event of a resolution of a dispute. The settlement between the originating and the recipient banks will be handled separately.

27.4. Step wise process for Representing a dispute

I. Disputes can be reopened only by DIB.

II. Alert notification is sent to the DRB bank user in case a dispute is reopened.
27.5. Step wise process for Reassigned disputes

I. Reassigning is initiated by the users who are already assigned or by their supervisor.

II. Automatic reassignment is possible if the dispute is not resolved within the timelines specified for the priority level. In this case, the dispute is assigned to the next priority and also user at the DRB will be changed to accommodate the new priority of the dispute.
27.6. DMS Escalation Matrix

I. General conditions
   - Each Participant bank must define an Escalation Matrix on its Profile.
   - The Escalation Matrix consists of 5 levels and each level may contain up to 5 users. The levels are assimilated as priorities.
   - NPCI administrative users are able to define days/hours after which the dispute is automatically assigned to the next priority (with a lower time-span)
   - When a dispute is assigned to a level, it is assigned to the first user in that level.
   - Based on the Escalation Matrix, a dispute can be reassigned to other user on the same level. This reassignment can be done by the user who has already been assigned to the dispute or by the supervisors.
   - Users assigned to the escalation matrix should be users registered in the ACH application and having login provision.

Example

Assuming bank “A” opens a dispute, assigning it to bank “B”, with a priority of 1, this dispute will enter bank “B”’s flow, alerting all users that a dispute with the given reference number is up for resolution. By default, it will be assigned to the first user in the escalation matrix for priority 1 in bank B”s matrix. A supervisor in bank “B”’s profile will be able to reassign this dispute to another user in the same priority level, or change the priority too. This dispute will follow in the normal flow, using the TATs such that it can reach the highest level of the matrix until it gets resolved.

27.7. DMS Timelines

The procedure for handling disputes in the NACH network is as follows:
   - DMS is an online platform for exchange of dispute related information with in the member banks.
   - Any transactions processed in the system will be considered for DMS.
   - Transaction rejected due to technical reason will not be considered for DMS.
   - The banks can use this DMS for raising & resolution of disputes pertaining to transactions and mandates processed through NACH.
Disputes pertaining to success and return transactions / mandates are allowed to be processed in DMS.

The TATs to be adopted by NACH member banks for resolution of disputes is as given below:

<table>
<thead>
<tr>
<th>Event / Action</th>
<th>Dispute raised by</th>
<th>TAT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Dispute</td>
<td>Dispute initiating bank (DIB)</td>
<td>Initiate within 35 business days from the date of transaction and to close before end of 10 business days from the date of dispute initiation. Closure would happen on acceptance of reasons provided by DRB. In the event of no response from DRB, the dispute would be considered as accepted by DRB.</td>
</tr>
<tr>
<td>Pre-Arbitration</td>
<td>Dispute responding bank (DRB) / Dispute initiating bank (DIB)</td>
<td>Initiate within 5 business days from the date of closure of dispute initiation and to close before end of 10 business days from the date of Pre-arbitration initiation. Closure would happen on acceptance of reasons provided by DRB. In the event of no response from DRB, the dispute would be considered as accepted by DRB.</td>
</tr>
<tr>
<td>Arbitration</td>
<td>Dispute responding bank (DRB) / Dispute initiating bank (DIB)</td>
<td>Initiate within 15 business days from the date of closure of Pre-arbitration. Arbitration process is a manual process and hence outside scope of DMS.</td>
</tr>
</tbody>
</table>

27.8. Dispute Management cycle

Initiation of dispute will be charged at no cost, however upon acceptance of the dispute the dispute receiving bank will be charged Rs.25/- per dispute.

The online dispute management system will come into picture when the following situations happen:

A. No credit to customer account.
   - Sponsor Bank will lodge dispute within 5 days on receipt of complaint from client.
In the event of successful closure of dispute, destination and sponsor banks are expected to amend their records accordingly.

B. Credit transaction erroneously returned by destination bank.
   - Sponsor Bank will lodge dispute within 5 days on receipt of complaint from client.
   - In the event of successful closure of dispute, destination and sponsor banks are expected to amend their records accordingly.

C. Credit transaction returned by destination bank with wrong reason code.
   - Sponsor Bank will lodge dispute within 5 days on receipt of complaint from client.
   - In the event of successful closure of dispute, destination and sponsor banks are expected to amend their records accordingly.

D. Transaction returned despite debit to customer account.
   - Sponsor Bank will lodge dispute within 5 days on receipt of complaint from client.
   - In the event of successful closure of dispute, destination and sponsor banks are expected to amend their records accordingly.

E. Debit transaction erroneously returned by destination bank.
   - Sponsor Bank will lodge dispute within 5 days on receipt of complaint from client.
   - In the event of successful closure of dispute, destination and sponsor banks are expected to amend their records accordingly.

F. Debit transaction returned by destination bank with wrong reason code.
   - Sponsor Bank will lodge dispute within 5 days on receipt of complaint from client.
   - In the event of successful closure of dispute, destination and sponsor banks are expected to amend their records accordingly.

G. Customer mandate wrongly rejected by his bank.
   - Sponsor Bank will lodge dispute within 5 days on receipt of complaint from customer.
   - In the event of successful closure of dispute, destination and sponsor banks are expected to amend their records accordingly with the UMRN.

H. Mandate wrongly accepted by customer bank
   - Destination Bank will lodge dispute within 5 days on receipt of complaint from customer.
In the event of successful closure of dispute, destination and sponsor banks are expected to amend their records accordingly with the UMRN.

27.9. Pre-arbitration procedures

The procedures of handling pre-arbitration in the NACH network are as follows:

a. In the event of DRB refusing a dispute initiation made by DIB on the DMS module, the DIB has a right to refer the same for pre-arbitration. For all cases of pre-arbitration, the time frame for raising pre-arbitration will be 5 business days from date of closure of dispute initiation.

b. DRB has to respond to the pre-arbitration raised by DIB within 10 business days from the initiation of pre-arbitration.

c. DRB can decline the pre-arbitration along with reasons and attachments.

d. For uploading of incorrect copies of documents / records by any of the disputing banks, a flat penalty of Rs 500 will be imposed at the time of Pre-arbitration. This amount will be credited to the affected Bank.

e. Where a decline by the DRB is not acceptable to the DIB, they can refer the issue for arbitration by manual process.

27.10. Arbitration procedures

The procedures for handling arbitration in the NACH network are as follows:

a. All disputes pertaining to settlements will be referred to Panel for Resolution of Disputes (PRD)

b. The processing fee for referring dispute to arbitration is Rs 1000. These fees are subject to change as per decision taken by the NACH Steering Committee.

c. The Panel for Resolution of Disputes (PRD) as defined in the RBI circular DPSS.CO.CHD.No. 654/03.01.03/2010-2011 dated September 2010 will be constituted from the members of the steering committee

d. The PRD will comprise of 5 members, 4 members of the steering committee and the Chairman who will be either the Chief Executive Officer or the Chief Operating Officer of NPCI.

e. In case of specific disputes involving any member(s) of the PRD, the member(s) concerned shall be replaced by other member(s) of NACH steering committee for the limited purpose of looking into the specific dispute.
f. The PRD shall dispose of the dispute within 15 business days of submitting the dispute.
g. Any party aggrieved by the decision of PRD can approach the Appellate Authority for review. Relevant provisions of RBI circular DPSS.CO.CHD.No. 654/03.01.03/2010-2011 dated September 24, 2010 will be applicable.
h. The Appellate Authority shall dispose of the appeal within 15 business days of submitting the appeal.
i. Until the disposal of appeal by the Appellate Authority, the Dispute Management Committee can decide to levy the refund / compensation and hold such amount in an interim account till disposal of the appeal as per the RBI circular DPSS.CO.CHD.No. 654/03.01.03/2010-2011 dated September 24.
j. The timeframe for referring a dispute to the Arbitration is 15 business days from the date of closure of pre-arbitration process. A penalty of Rs 500 will be levied where the timeframe for referring the dispute for arbitration is exceeded. These fees are subject to change as per decision taken by the NACH Steering Committee.

27.11. Good faith Disputes

Any disputes raised after 35 business days up to 120 business days from the date of transaction will be considered as a good faith dispute. Participant banks are expected to resolve the dispute amicable in the interest of customer within a period of 10 business days from the date of good faith dispute initiation.
National Automated Clearing House Procedural Guidelines

Annexure I - Definitions

I. CBS - Core Banking Solution
II. DAD - Deposit Accounts Department, RBI
III. DCA - Direct Corporate Access provides corporate direct connectivity to NACH
IV. IFSC Code - IFSC stands for Indian Financial System Code. In the Structured Financial Messaging System (SFMS), the Indian Financial System Code (IFSC) is being used as the addressing code in user-to-user message transmission. IFSC is being identified by the RBI as the code to be used for various payment system projects within the country, and it would, in due course, cover all networked branches in the country.
V. IIN - IIN stands for Institution Identification Number. The IIN is being used as the addressing code in user to user message transmission. IIN is issued by NPCI to banks processing Aadhaar based transactions.
VI. Aadhaar - Unique Identification number allotted to resident of the country by UIDAI.
VII. UIDAI - Unique Identification Authority of India
VIII. Aadhaar Mapper - Application built in the NACH system to map Aadhaar numbers to their related IIN.
IX. MICR - Magnetic Ink Character Recognition is the special set of characters and symbols that appear at the bottom of checks and other financial documents. MICR technology was developed in mid-1950s to more efficiently process checks, which were increasing in volume and quickly overwhelming the manual processing system. The code is used to identify a bank branch in a particular city.
X. NECS - National Electronic Clearing Service
XI. NPCI - National Payments Corporation of India.
XII. Outward Files - It refers to the files submitted by Sponsor Banks for processing.
XIII. RTGS - Real Time Gross Settlement System.
XIV. Sponsor Bank - It refers to the bank which had agreed to act as the Sponsor for the User and will submit the file to NACH and will also ensure that the status of transactions are passed on the User on receipt from destination bank.
XV. **User Institutions** - It refers to the Utility Companies (telecoms, etc.), Insurance & Loan Companies, who periodically collects premium amount / bill out-standings from a large number of end customers enjoying the service.
Annexure 2 - Access criteria for payment systems


The Chairman/Managing Director/Chief Executive Officer All Scheduled Commercial Banks including RRBs/ Urban Co-operative Banks/State Co-operative Banks/ District Central Co-operative Banks

Dear Sir/Madam

Access criteria for payment systems - sub-membership to centralised payment systems

Under the overall guidance of the Board for Payment and Settlement Systems, the Reserve Bank over the last few years, has been taking a number of steps to popularise the electronic payment systems in the country. In this connection, a reference is invited to circular DPSS.CO.OD.494/04.04.009/2011-2012 dated September 21, 2011, in terms of which, liberalised revised access criteria for centralised and decentralised payment systems were announced.

2. The centralised payment systems, viz. Real Time Gross Settlement System (RTGS) and National Electronic Funds transfer (NEFT), currently provide for only direct membership. As an exception, Regional Rural Banks (RRBs) have been given access to the NEFT system through their Sponsor Banks.

3. On a review, it has been decided to expand the sub-membership route to enable all licenced banks to participate in NEFT and RTGS systems. This would be an alternate mechanism to all licenced banks which have the technological capabilities but are not participating in centralised payment systems on account of either not meeting the access criteria or because of cost considerations. This arrangement would be subject to the following conditions:
   A) The sub-member/s would participate in the centralised payment systems through their sponsor bank which is a direct member of the centralised payment system.
   B) In order to ensure compliance with the timely credit and return discipline which is of utmost importance in centralised payment systems, branches of sub-member/s that
are not under core banking system shall be kept out of the centralised payment systems till such time they are brought under core banking.

C) The sponsor banks would be responsible for sending/receiving the transactions/messages on behalf of their sub-member/s.

D) There are no restrictions on the number of sub-members a sponsor bank could sponsor. Aspects relating to operational feasibility, risk mitigation, fund settlement, collaterals etc., have to be taken care of by the sponsor banks before sponsoring sub-member/s.

E) The sponsor bank should put in place a risk management framework and a system of continuous monitoring of the risk management practices of sub-member/s that they desire to sponsor. The risk management framework should be approved by the Board of the sponsor bank.

F) The settlement of transactions by/on the sub-members would take place in the settlement accounts of the sponsor banks maintained with Reserve Bank of India. The sponsor bank under this arrangement will assume complete responsibility for the settlement of all transactions by/on the sub-members.

G) The sponsor bank at all times should ensure that their sub-member/s adhere to and abide by the rules, regulations, operational requirements, instructions, orders, decisions etc., of the centralised payment systems, as laid down by Reserve Bank of India from time to time.

H) Redressal of all customer complaints / grievance would be the responsibility of the sponsor bank. To aid in this process, the sponsor bank should ensure that the sub-member/s have put in place a transparent and robust mechanism to resolve customer complaints in a quick and efficient manner, as laid down in the procedural guidelines, business rules and regulations of the centralised payment systems.

I) All disputes between the sponsor bank and the sub-member/s will be handled bilaterally amongst them.

J) The sponsor bank should bring to the immediate notice of the Reserve Bank of India:
   (i) any involvement of its sub-member/s in any suspicious transactions, frauds, etc.,
   (ii) any of its sub-member/s resorting to any unfair practices relating to their participation in centralised payment systems;
   (iii) any of its sub-member/s not adhering to the rules, regulations, operational requirements, instructions etc., of centralised payment systems;

K) The sponsor bank is not required to take prior approval of the Reserve Bank of India for sponsoring a sub-member/s into the centralised payment systems. However, as and when they sponsor sub-member/s, they should immediately inform the Reserve Bank.
of India, the details of the sub-member/s, IFSC/MICR codes allotted to the branch/branches of sub-member/s, date of commencement of sub-membership etc.

L) The sponsor bank should inform the Reserve Bank of India in case of cessation of sponsorship arrangement between the sponsor bank and sub-member/s immediately.

M) The charges for customer transactions of sub-member/s cannot exceed the charges applicable to customers of sponsor banks/direct members of the centralised payment systems viz., RTGS and NEFT.

4. The scheme of sub-membership for centralised payment systems is effective from the date of this circular.

5. Any further rationalisation / liberalisation of the access criteria norms would be considered at a later stage based on the experience of these measures put in place.

6. Kindly acknowledge receipt of the circular.

Vijay Chugh
(Chief General Manager)
Annexure 3 - Roles and responsibilities

Sponsor Bank

- It would be the responsibility of Sponsor Banks to contribute to Settlement Guarantee Fund as may be stipulated by NPCI.
- It would be the responsibility of Sponsor Banks to ensure Anti Money Laundering (AML) related validations, if required.
- It would be the responsibility of Sponsor Banks to ensure effective Fraud Check & reporting.
- The Sponsor Bank will be responsible to ensure that all fees charged (if applicable) by NPCI for the proposed NACH system are settled with NPCI within given timelines arrived at as per consent of stakeholders and decided by NPCI.
- The Sponsor Bank would be held liable to pay penal interest from the due date of credit till the date of actual credit for any delayed credit to the User account, as per guidelines prescribed by RBI. Penal interest, if any, may be credited to the User even if no claim is lodged by the User.
- The Sponsor Bank will be responsible to ensure that the required funds for the credit into Destination Bank as per the return file submitted by them is made available to their DAD account held with the Central Settlement Agency / RBI, Mumbai, at the time of submission of said file into the NACH system.
- The Sponsor Bank will be responsible to forward the final response file generated through NACH application to the User Institution.

User Institutions

- In the proposed NACH solution User Institutions are expected to ensure accuracy of the input data with reference to the information received from the Destination Account Holders in the form of mandates.
- On receipt of mandate withdrawal instructions from its customer, it is obligatory on the part of the user institution not to include the transaction pertaining to such customers in the debit instruction input file provided.
- It will be the responsibility of the User Institution to ensure proper follow up and closure of un-processed items, i.e. records that will be rejected by
Destination Bank due to invalid destination bank information (e.g. invalid bank code).

- It will be the responsibility of the User Institution to ensure that the status of the transaction records are intimated to the customer/mandate holders on receipt of the same through their sponsor banks.
- It will be the responsibility of the User Institution to ensure that the Destination Account Holders whose accounts could not be debited / credited are informed of the same along with reasons thereof.
- The User Institutes would be responsible to ensure dispute with the end customer or any participant is sorted out amicably. In the event of otherwise, wherever applicable, the same could be brought to the attention of NPCI as per the dispute resolution mechanism guidelines (Annexure 8).

User institution portability (Corporate portability)

1) In the event the corporate/ user institution ties up with a new sponsor bank for processing the transactions pertaining to mandates already lodged through the erstwhile sponsor bank, then it is the responsibility of the corporate/ user institution to submit the required documents as may be specified by NPCI through the new sponsor bank.

2) Based on the requisite documents submitted by the corporate/user institution, NPCI will create/ map the corporate/user institution under the new sponsor bank.

3) The erstwhile sponsor bank shall preserve and keep with itself the physical mandates. The physical mandates should be retained for the period as prescribed under the RBI guidelines. The erstwhile sponsor bank should also ensure that the image copy and mandate transaction date is retained as per RBI guidelines.

4) In the alternate the physical mandates may be returned by the erstwhile sponsor bank to the corporate / user institution after making and keeping in its possession a true copy of all relevant parts of the physical mandate, such copy being made by a mechanical or other process which in itself ensures the accuracy of the copy. The erstwhile sponsor bank shall be entitled to recover from the corporate/user institution the cost of making such copies of the physical mandate. In such an eventuality the corporate/user institution shall be under a bounden duty to provide a copy of the physical mandate in any dispute resolution forum, legal proceedings or in any court of law, if required. The erstwhile sponsor bank should have clear arrangement with the corporate/user institution for retention, retrieval and submission of physical mandates as may be required from time to time.
Destination Bank

- The Destination Banks desirous to participate in NPCI proposed NACH would have to ensure that they create the capability to utilize the web based mechanism for availing the NACH facility.
- The Destination Banks should have the infrastructure & capability to support secured file exchange with NPCI for inward file and return file.
- The Destination Bank will be responsible to ensure that Aadhaars numbers seeded to account numbers in their system are uploaded onto the NPCI hosted NACH APB Mapper.
- The Destination Bank will be responsible to ensure Anti Money Laundering validations if necessary, and, Fraud Check & reporting to RBI.
- The Destination Bank will be responsible to ensure that the transaction limits, if applicable, are adhered to.
- The Destination Bank will be responsible to ensure declining of a debit, in case the customer account is on lien or blocked or debit is banned by any other regulatory reasons.
- The Destination Bank will be responsible to ensure incoming file/transaction data validation, account number verification and posting of debit instruction to the customer’s account.
- The Destination Bank will be responsible to ensure that the necessary reports required by NPCI are submitted within prescribed timelines stipulated by NPCI.
- The Destination Bank will be responsible to ensure dispute with the end customer or any participant is sorted out amicably. In the event of otherwise, wherever applicable, the same could be brought to the attention of NPCI as per the dispute resolution mechanism guidelines (Annexure 8).
- The Destination Bank will be responsible to ensure that all fees charged (if applicable) by NPCI for NACH are settled with NPCI within given timelines arrived at as per consent of stakeholders and decided by NPCI.
- The Destination Bank will be responsible to maintain data of transaction records for a period as stipulated by RBI.
- The Destination Bank will be responsible to inform their Account holders in the event of any discrepancy in the account.
- The Destination Bank will be responsible to inform their Account holders vide entry into the respective account statements, of funds debited / credited from / to their account.
The destination bank will be responsible to ensure that they provide necessary reports as may be requested by NPCI for the purpose of effective control. In the event of otherwise, the same could be brought to the attention of NPCI as dispute resolution mechanism guidelines (Annexure 8).
Annexure 4 - ACH Specification Document
Annexure 5 - Settlement and Default Handling Procedures

Enclosure to Circular DPSS.CO.CHD.No. 695 / 03.01.03 / 2010-2011
dated September 29, 2010

Directive on Settlement and Default Handling Procedures in
Multilateral and Deferred Net Settlement Systems
(Issued under section 10(2) of the Payment and Settlement Systems Act, 2007)

1. Introduction

1.1. Multilateral and deferred net settlement systems (like Cheques, ECS or NEFT) are
critical payment system components handling substantial volumes and are popular
among customers (because of convenience) and bankers (because of lower liquidity
requirements). Netting also benefits the regulators, by virtue of reducing the size of
credit and liquidity exposure of participant banks, thereby leading to containment of
systemic risk.

1.2. It is essential for all such net settlement systems to have legal certainty for
netting and settlement arrangements. It is also crucial for the transactions settled
through such a system to have finality encompassing the relevant statutory
prescriptions.

1.3. Finality, till recently, was achieved by way of adoption of Uniform Regulations
and Rules for Bankers' Clearing Houses (URRBCH) and bilateral agreements
entered into by the system providers with the system participants.

1.4. With the coming into force of the Payment & Settlement Systems Act, 2007 (the
Act) and the framing of Regulations thereunder, the process of netting has got
statutory recognition. Section 23 of the Act, provides for finality and irrevocability of
settlement effected in accordance with such procedure as soon as the payment
obligation, as a result of such settlement, is determined irrespective of whether or not
such obligation is actually paid or not.

1.5. To amplify the aspect of finality of settlement and secure the multilateral and
defered net settlement systems with a default handling procedure, it is considered
necessary to issue a directive on settlement and default handling procedures. Apart
from clarifying the finality of settlement aspects, the directive will also bring in
transparency in the default handling procedures and uniformity in default handling
procedures across all the multilateral and deferred net settlement systems approved by the Reserve Bank of India (the Bank).

1.6. The directive also intends to provide adequate protection from settlement risk in multilateral and deferred net settlement systems, as also ensure compliance with international minimum standards for netting schemes.

1.7. This directive on settlement and default handling procedures in multilateral and deferred net settlement systems is being issued in exercise of the powers conferred on the Bank by section 10(2), read with section 23 of the Act.

2. Definitions

In this Directive, unless the context otherwise require,

2.1. “Clearing house” means a collective entity of member banks for speedy and economic collection and clearance of cheques or electronic instructions, which is governed by the URRBCH / Procedural Guidelines issued by the Bank.

2.2. “Recalculcation” means a default handling mechanism in respect of payment obligations that are not settled after their record in the books of the settlement bank. In case of resort to recalculcation all dues to and obligations of the defaulting bank will be reversed by the Clearing House (on a request from the settlement bank) as if the defaulting bank did not participate in clearing.

2.3. “Settlement bank” means the bank which maintains the settlement accounts of all the member banks for settlement of clearing and / or other obligations.

2.4. Other words and expressions wherever used in this directive shall have the meanings and intent assigned to them in the Act.
3. Procedure for determining settlement in multilateral and deferred net settlement systems

3.1. Determination of settlement

3.1.1. In case of cheque clearing, after closure of the prescribed clearing window, Clearing Houses shall arrive at the net settlement position for each bank. This is based on all the instruments that have been accepted by the Clearing House for arriving at the net settlement position.

3.1.2. At Clearing Houses where processing operations are carried out in the night or at a time when the settlement bank is not open for operations, the time for arriving at the net settlement position shall be one hour before the opening of the settlement bank for daily operations. The time available between the time of completion of processing and the time of arriving at the net settlement position, is to complete the administrative requirements, including ensuring that the net settlement position has been carried out correctly, the figures are accurately posted in the vouchers (to be sent to the settlement bank), the amounts are properly conveyed to the settlement bank and the like.

3.1.3. After opening of the settlement bank, a time window of thirty minutes shall be provided to the settlement bank for posting the settlement position. This time window of thirty minutes would enable banks to fund their accounts with the settlement bank so that the clearing obligations are smoothly settled.

3.1.4. For Clearing Houses where processing operations are carried out when the settlement bank is open for operations, the maximum time window from the time of arriving at the net settlement position by the Clearing House till the time of posting the settlement position in the books of the settlement bank for settlement of clearing obligations shall be thirty minutes.

3.1.5. In case of electronic multilateral and deferred net settlement systems (like Electronic Clearing Service, National Electronic Funds Transfer and the associated variants) where processing operations are carried out in night or at a time when settlement bank is not open for operations, the time for arriving at the net settlement position shall be one hour before the opening of the settlement bank for daily
operations (as specified at 3.1.2 above). The clearing obligations will be taken up immediately for settlement as soon as the settlement bank is open for operations. The additional time window of thirty minutes provided at 3.1.3 above will not be available for electronic multilateral and deferred net settlement systems.

3.1.6. In case of electronic multilateral and deferred net settlement systems where processing operations are carried out when settlement bank is open for operations, the net settlement position after being arrived at, will be conveyed immediately to the settlement bank for settlement of clearing obligations. The time window of thirty minutes provided at 3.1.4 above will not be available for electronic multilateral and deferred net settlement systems.

3.1.7. Each Clearing House shall publicise the time at which the net settlement position will be arrived at by the Clearing House and the time at which the settlement will be posted in the books of the settlement bank for settlement. Member banks shall ensure availability of funds in their settlement account at the time of posting of the settlement position in the books of the settlement bank to meet their clearing obligations, and in any case within the time window, if any, stipulated by the settlement bank for settlement of the obligations.

3.2. Posting of net settlement position in the books of the settlement bank

3.2.1. The time between arriving at the net settlement position and the time of posting of the net settlement position in the books of the settlement bank shall, however, be as minimum as possible. This is to ensure early completion of settlement.

3.3. Default handling procedure

3.3.1. In case of inability of a member bank to fund its settlement account to meet the net settlement obligations, it is open for the settlement bank to extend clearing overdraft or accommodation (temporary or otherwise) at the request of the member banks so that the clearing obligations are settled in the books of the settlement bank. The process of extending the overdraft shall, however, be a bilateral arrangement between the defaulting member bank and the settlement bank. It shall also be open for a member bank to have bilateral arrangements for liquidity with other member banks as well. Such bilateral arrangements shall have to operate and be completed
within the time window (specified at 3.1.3 and 3.1.4), stipulated by the settlement bank for settlement of the obligations.

3.3.2. In case of inability of a member bank to fund its settlement account to meet the clearing obligations, the shortfall in the settlement account shall be dealt with as a default situation and the default handling procedure shall be put into operation.

3.3.3. In case the settlement is guaranteed, the default handling procedure shall involve utilising the margin money, invoking the line of credit extended to the defaulting bank, activating the loss sharing mechanism or any other guaranteed mechanism. Nuances of operationalising the default handling procedure shall be as per the procedural guidelines of the individual multilateral and deferred net settlement systems.

3.3.4. In situations where the settlement is non-guaranteed in nature, the mechanism of recalculation of settlement shall be applied. As part of this procedure, the settlement bank will request the Clearing House (with appropriate consent from the President of the Clearing House) to recalculate the settlement.

3.3.5. As part of the process of recalculating the settlement, the Clearing House shall „exclude” all the transactions (both receivables and payables) of the defaulting member bank as if the said bank did not participate in clearing.

3.3.6. The recalculated position shall be immediately conveyed to the settlement bank and posted in the books of the settlement bank.

3.3.7. In case any other member bank is unable to meet its clearing obligations consequent to recalculating of the settlement, the steps at 3.3.3, 3.3.4 and 3.3.5 above will be repeated.

3.3.8. The process of recalculation of settlement as above is considered part of the settlement procedure.

3.3.9. In case of default and consequent recalculation of settlement, if insolvency arises during the interregnum, the immediately preceding settlement reached shall be treated as final and binding.
4. Others

4.1. The series of steps outlined at Para 3 above shall have to be fully complied with until the entire process of settlement from the time of arriving at the net settlement position by the Clearing House till the time the settlement obligations of member banks in their accounts with the settlement bank are fully met has been completed.

4.2. If it is decided by the Clearing House to extend the clearing settlement for any reason, the Clearing House shall announce at the time of acceptance of instruments / instructions for settlement, the time up to which extension has been considered and the time at which the net settlement position is intended to be arrived at and communicated to the settlement bank.

4.3. Individual Clearing Houses may prescribe with the approval of the President of the Clearing House other measures such as net debit caps, presentation limits, etc., for mitigating risk of default by member banks. Such measures shall in no way impact the process of settlement as prescribed at Para 3 above.

5. Application of the directive

5.1. The directive shall be applicable to all multilateral and deferred net settlement systems like Cheques (at MICR-Cheque Processing Centres and other Clearing Houses, including Cheque Truncation System), Electronic Clearing Service (Debit, Credit and related equivalents, if any), National Electronic Funds Transfer system and the like.

5.2. With immediate effect, the directive shall be applicable and binding on all Clearing Houses, system providers, member banks of Clearing Houses, members of payment systems operated by the system providers and the banks maintaining settlement accounts of member banks. The directive shall be applicable to other payment and settlement products as determined by the Reserve Bank of India from time to time.

5.3. URRBCH and Procedural Guidelines as they exist for various multilateral and deferred net settlement systems shall, wherever a reference is contained, also mean and include the directive on settlement and default handling procedures contained herein.
Annexure 6 - LOA from Participating Bank

ON Rs. 100/- STAMP PAPER

Letter of Authority

To,
The Regional Director,
Reserve Bank of India
Mumbai

Dear Sir,

Our Current A/c No.______________ and Settlement A/c No______________ with the Reserve Bank of India (RBI) Mumbai.

National Payment Corporation of India (hereinafter referred to as the NPCI) has admitted us as member of the National Automated Clearing House (NACH), which is an arrangement through which upload and processing of electronic transactions over their network would be allowed.

For that purpose, we hereby authorize and request you that as and when a settlement instruction is received by you from the NPCI relating to our transactions in the said NACH Network, you may, without reference to us, debit/credit our above Current Account/s with such sums as may be specified by the NPCI in its settlement instructions, notwithstanding any dispute that may exist or arise between us and NPCI.

The settlement instruction for debiting/crediting our Current Account/s with you shall be conclusive proof of debit/credit of our Current Account/s relating to our transaction in the said NACH Network as referred to in paragraph 2 above and it shall not be necessary for us to admit and/or confirm to the fact of such debit/credit by means of separate advice to you and/or NPCI.

We hereby further unconditionally and irrevocably undertake to arrange for the requisite funds in our Current Account with Deposit Account Department, Reserve
Bank of India, Mumbai to meet the demand of NPCI. We shall be bound by this undertaking and shall be liable therefore under all circumstances.

The mandate and undertaking shall not be revoked by us except with the prior concurrence of both the NPCI and the Reserve Bank of India (the RBI) and you may act upon this mandate till such time this authority is revoked in writing and all actions taken by RBI in pursuance of this mandate shall be absolutely binding on us, without any risk or responsibility to the RBI.

Thanking you,
Yours faithfully,

For and on behalf of the Applicant
Annexure 7 - NACH Transaction processing process flow

Illustrative diagram of NACH (Debit/Credit) transaction initiation process flow.

Illustrative diagram of NACH (Debit/Credit) transaction response process flow.
**NACH PROCESS FLOW: T+0 flow:**

<table>
<thead>
<tr>
<th>S.No</th>
<th>Process flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sponsor Bank debit/credit the account of the User institution for the presentation files</td>
</tr>
<tr>
<td>2</td>
<td>Submission/ uploading of Input data by the sponsor banks</td>
</tr>
<tr>
<td>3</td>
<td>Validation of data of input files at NPCI</td>
</tr>
<tr>
<td>4</td>
<td>Product wise Settlement generation by NPCI for presentation session</td>
</tr>
<tr>
<td>5</td>
<td>Settlement accounts credited/debited in the books of RBI</td>
</tr>
<tr>
<td>6</td>
<td>Once settlement confirmation is received, the inward files are generated to the destination banks by NPCI</td>
</tr>
<tr>
<td>7</td>
<td>Service brach/back office of destination Bank/s download inward files, tally the settlement with inward received and do accounting of the transactions</td>
</tr>
<tr>
<td>8</td>
<td>Destination bank credit/debit the accounts of the beneficiaries (i.e. the destination bank account holders)</td>
</tr>
<tr>
<td>9</td>
<td>Service brach/back office of destination banks submit consolidated response data to NPCI with un-credited/credited data</td>
</tr>
<tr>
<td>10</td>
<td>Product wise Settlement generation by NPCI for return session</td>
</tr>
<tr>
<td>11</td>
<td>Banks (Sponsor/destination) accounts credited/debited in the books of RBI based on the files uploaded by the destination bank</td>
</tr>
<tr>
<td>12</td>
<td>Service brach/back office of sponsor bank/s download response files, tally the settlement with response/returns received and do accounting of the transactions</td>
</tr>
<tr>
<td>13</td>
<td>Sponsor bank credit/debit the account of the User institutions for the returns received</td>
</tr>
<tr>
<td>14</td>
<td>NPCI to provide the processed data and final report to the sponsor banks</td>
</tr>
<tr>
<td>15</td>
<td>Sponsor bank to forward the final response file to user institution</td>
</tr>
</tbody>
</table>
## T-7 flow:

<table>
<thead>
<tr>
<th>Days</th>
<th>S.No</th>
<th>Process flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>T-1 to 7</td>
<td>1</td>
<td>Submission/uploading of Input data by the sponsor banks</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>Validation of data of input files at NPCI</td>
</tr>
<tr>
<td>T-1 at EOD</td>
<td>1</td>
<td>Product wise Settlement generation by NPCI for presentation session</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>Inward files generation on one day prior to the settlement date (Settlement will posted next day)</td>
</tr>
<tr>
<td>T+0</td>
<td>1</td>
<td>Sponsor Bank debit/credit the account of the User institution for the presentation files</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>Destination bank credit/debit the accounts of the beneficiaries (i.e. the destination bank account holders)</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>Service brach/back office of destination Bank/s download inward files, tally the settlement with inward received and do accounting of the transactions</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>Destination bank credit/debit the accounts of the beneficiaries (i.e. the destination bank account holders)</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>Service brach/back office of destination banks submit consolidated response data to NPCI with un-credited/credited data</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>Product wise Settlement generation by NPCI for return session</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>Banks (Sponsor/destination) accounts credited/debited in the books of RBI based on the files uploaded by the destination bank</td>
</tr>
<tr>
<td></td>
<td>8</td>
<td>Service brach/back office of sponsor bank/s download response files, tally the settlement with response/returns received and do accounting of the transactions</td>
</tr>
<tr>
<td></td>
<td>9</td>
<td>Sponsor bank credit/debit the account of the User institutions for the returns received</td>
</tr>
<tr>
<td></td>
<td>10</td>
<td>NPCI to provide the processed data and final report to the sponsor banks</td>
</tr>
<tr>
<td></td>
<td>11</td>
<td>Sponsor bank to forward the final response file to user institution</td>
</tr>
</tbody>
</table>
Annexure 8 - Cases of Material Breach

Cases of material breach include the below mentioned. This list is not exhaustive and hence could include further instances which may be considered as cases of material breach by NPCI.

Material Breach by Sponsor Bank
- Sponsor Bank not funding their DAD accounts at RBI, Mumbai, resulting in settlement failures.
- Sponsor Bank captures wrong Account Number on the input file submitted by them, which differs from that mentioned in input file submitted by User Institution resulting in diversion of funds to other accounts or return of transactions.
- Sponsor Bank captures wrong amount on the input file submitted by them, resulting in alteration of input files submitted by User Institution and hence causing a variance in amount of funds being transferred to destination banks.
- Sponsor Bank deducting charges from the input file received by the User Institution and thereby altering the said input file, without getting written consent from the User Institution.
- Sponsor Bank removes or adds records to the input file submitted by User Institution without getting written consent from the said User Institution.
- Sponsor Bank editing information on the input file submitted by User Institution without written consent of said User Institution.
- Sponsor Banks not adopting file formats as advised in NACH procedural guidelines, resulting in frequent rejects.
- Sponsor Banks not following settlement timelines as advised in NACH procedural guidelines or vide NPCI issued circulars, resulting in frequent settlement delays.

Material Breach by Destination Banks
- Destination Bank not funding their DAD accounts at RBI, Mumbai, resulting in return settlement failures.
- Destination Bank diverting amounts to account numbers which are in difference to those provided in the Sponsor Bank Input file.
- Destination Bank marking a transaction as success in their input file but the funds not getting credited to the respective account holder.
- Destination Bank marking a transaction as failure in their input file even though the details submitted by Sponsor Bank are correct.
- Destination Banks not adopting file formats as advised in NACH procedural guidelines, resulting in frequent rejects.
- Destination Banks not following settlement timelines as advised in NACH procedural guidelines or vide NCPI issued circulars, resulting in frequent settlement delays.
Annexure 9 - Dispute Resolution Mechanism

DPSS.CO.CHD.No:654/03.01.03 / 2010-2011 dtd 24-09-10

Dispute Resolution Mechanism

The Dispute Resolution Mechanism for all payment systems, in line with the provisions of the Payment and Settlement Systems Act, 2007 (PSS Act), is advised as under:

For all Clearing House-related activities, including paper (cheques) and retail electronic (ECS) payment products:

a. All Clearing Houses shall constitute a “Panel for Resolution of Disputes” (PRD) consisting of five members - four members (system participants) from the Standing Committee of the Clearing House and the President of the Clearing House - to look into all the clearing-related disputes. The four system participants shall be different from the system provider (bank managing the Clearing House).

b. The PRD shall be chaired by the President of the Clearing House.

c. In case of specific disputes involving system participants that are members of the PRD, the members concerned shall be replaced by other system participants for the limited purpose of looking into the specific dispute.

d. The PRD shall dispose of the dispute within 15 working days of submitting the dispute.

e. At Clearing Houses where there are fewer members (system participants), five or less in all, including the system provider, and / or where, by virtue of (c) above, the number of members in the PRD becomes less than five, clearing-related disputes between system participants may be submitted voluntarily (by the concerned system participants) for arbitration under The Arbitration and Conciliation Act, 1996.

f. If any of the aggrieved parties to the dispute are not satisfied with the decision of the PRD, the dispute shall be referred to the Appellate Authority at the Reserve Bank of India, as provided under Sub-section (3) of Section 24 of the PSS Act. The reference shall be to the Regional Office of the Reserve Bank of India (RBI) having administrative
control over the activities of the Clearing House concerned. Such references will be disposed of by an officer not below the rank of a Deputy General Manager as may be specially authorized in this behalf by the concerned Regional Office of Reserve Bank of India. With respect to RBI managed clearing centres at the four metro locations, the Officer-in-Charge of Department of Payment and Settlement Systems at the Central Office of the Reserve Bank of India shall be the Appellate Authority for any aggrieved party to approach if not satisfied with the decision of the Panel.

g. The Appellate Authority shall dispose of the appeal within 15 working days of submitting the appeal.

h. Any dispute between the system participants and system provider or between the system providers, as provided under Sub-section (3) of Section 24 of the PSS Act, shall be referred to the Reserve Bank of India as indicated above. The dispute shall be disposed of within 15 working days of submitting the dispute.

i. In case of disputes where the Reserve Bank of India is an involved party (either as a system participant or as a system provider), the dispute shall be referred to the Central Government which will authorize an officer not below the rank of Joint Secretary for settlement of the dispute and the decision of such officer shall be final and binding on all parties.

j. For all products that are national in character viz. National Electronic Clearing Service (NECS), National Electronic Funds Transfer (NEFT) and Real Time Gross Settlement (RTGS) system.

k. The PRD as highlighted at 1(a) above shall consist of members from the Steering Committee (or Standing Committee as applicable) and the Chairman of the Steering Committee (or Standing Committee as applicable) shall be the Chairman of the PRD. The process highlighted at 1(c) above shall also be followed.

l. The PRD shall dispose of the dispute within 15 working days of submitting the dispute.

m. If any of the aggrieved parties to the dispute are not satisfied with the decision of the PRD, the dispute shall be referred to the Appellate Authority at the Reserve Bank of India, as provided under Sub-section (3) of Section 24 of the PSS Act. The reference to the Reserve Bank shall be to the Department of Payment and Settlement Systems, Central Office of the Reserve Bank of India. The Officer-in-Charge of the Department shall be the Appellate Authority, for any aggrieved party to approach if not satisfied with the decision of the Panel.

n. The Appellate Authority shall dispose of the appeal within 15 working days of submitting the appeal.
National Automated Clearing House Procedural Guidelines

o. In case of disputes where the Reserve Bank of India is an involved party (either as a system participant or as a system provider), the dispute shall be referred to the Central Government which will authorise an officer not below the rank of Joint Secretary for settlement of the dispute and the decision of such officer shall be final and binding on all parties.

p. For all other payment systems (other than those operated by RBI) like CCIL, NPCI, ATM networks, cross border money transfers, cards, etc.

q. The PRD as highlighted at 1(a) above shall consist of members from the Steering / Standing / Users / Members Committee (as applicable) and the Chairman of the Committee (as applicable) shall be the Chairman of the PRD. The process highlighted at 1(c) above shall also be followed.

r. In case there is no provision for Steering / Standing / Users / Members Committee, the PRD shall consist of five members - four system participants and the payment system provider. The payment system provider shall be the chairman of the PRD. The tenure of membership of the members in the PRD shall be one year.

s. The PRD shall dispose of the dispute within 15 working days of submitting the dispute.

t. If any of the aggrieved parties to the dispute are not satisfied with the decision of the PRD, the dispute shall be referred to the Appellate Authority at the Reserve Bank of India, as provided under Sub-section (3) of Section 24 of the PSS Act. The reference shall be to the Department of Payment and Settlement Systems, Central Office of the Reserve Bank of India. The Officer-in-Charge of the Department shall be the Appellate Authority, for any aggrieved party to approach if not satisfied with the decision of the Panel.

u. The Appellate Authority shall dispose of the appeal within 15 working days of submitting the appeal.

v. Any dispute between the system participants and system provider or between the system providers, as provided under Sub-section (3) of Section 24 of the PSS Act, shall be referred to the Reserve Bank of India as indicated above. The dispute shall be disposed of within 15 working days of submitting the dispute.

w. In case of disputes where the Reserve Bank of India is an involved party, the dispute shall be referred to the Central Government which may authorise an officer not below the rank of Joint Secretary for settlement of the dispute and the decision of such officer shall be final and binding on all parties.
x. Enforcement of decisions of the PRD - The PRD shall stipulate the period within which the order of the PRD is to be complied with by the system providers / system participants concerned. In case of non-compliance, the aggrieved party can approach the Appellate Authority for redressal. Non-compliance of the order of the Appellate Authority would attract the penalty prescribed under Sub-section (6) of Section 26 of the PSS Act. However, in cases where any party aggrieved by the order of the PRD approaches the Appellate Authority for review, the order passed by the PRD would be held in abeyance. It shall, however, be appropriate for the PRD to decide levy of the refund / compensation and for such amounts to be held in an interim account or in trust, until disposal of the appeal by the Appellate Authority only.
Annexure 10 - NACH Sample Standard Mandate Form

Front Side view of the Form

Back Side View of the form (Mandate Form Field description)

Instructions to fill Mandate

1. UMRN is auto generated during mandate creation and is mandatory to be updated during amendment and cancellation of mandate (Maximum Length – 20 Alpha Numeric Characters) 
2. Date is in DD/MM/YYYY format 
3. Sponsor bank IFSC/MICR code, left padded with zeroes where necessary. (Maximum length – 11 Alpha Numeric Characters) 
5. Name of Service Provider. 
6. Tick on box to select type of action to be initiated. 
7. Tick on box to select type of account to be affected. 
8. Customer’s legal account number, (Maximum length – 36 Alpha Numeric Characters) 
10. IFSC/MICR code of customer bank. 
11. Amount payable for service or maximum amount per transaction that could be processed in words 12, Amount in figures, similar to the amount mentioned in words, (Maximum Length – 13 digit Numeric, in paisa) 
13. Service Provider generated consumer reference number. 
14. Service Provider generated Scheme/ Plan reference number 15. Tick on box to select frequency of transaction 16. Validity of mandate with dates in DD/MM/YYYY format 17. Name of Customer’s and signature/s as well as seal of company (where required). (Maximum length of Name – 40 Alpha Numeric Characters) 
18. Undertaking by customer 19. Permanent ID of customer e.g. PAN/ Aadhaar No. 20. Telephone no. with STD code of customer 21. 10 digit mobile number of customer 22. Mail ID of customer
Annexure 11 - Mandate Management System (MMS) process flow

Proposed Process (Customer initiates mandate through Sponsor Bank via Corporates / Service Provider)

Step 1

1. Sponsor bank willing to avail the MMS services is required to register themselves with NPCI.

2. The Corporates / Service Providers that holds an account with Sponsor Bank send an application to the sponsor Bank for getting Unique Corporate Identification Code (UCIC), which would allow them to participate in the NACH process.

3. Step 2

1. A customer who made purchase or subscribe service from corporate/service provider and desire to pay by NACH services would fill up mandate form and sign it for authorizing debit to his bank account. Customer will hand over duly filled up mandate form to corporate/service provider, who in turn would submit the same to the sponsor bank.

Step 3

1. The sponsor bank will capture the Destination Bank IFSC / MICR details & other mandatory mandate transaction details as prescribed in.

2. The Mandate form will be scanned on front and back images as per CTS 2010 standards.

3. The scanned images of the mandate along with the data capture prescribed will be uploaded to MMS.
4. On receipt of mandate date with the scanned image, MMS will generate the Unique Mandate Reference Number (UMRN) for the individual mandates at the time of physical mandate form duly filled in processed in the system.

5. Proposed Logic for generating Unique Mandate reference number - 6 digits alphanumeric sponsor bank code from (MICR/IFSC/IIN Code + 3 digit alphanumeric filler field for future usage + 11 digits numeric code in running sequence.

6. The physical mandate can be preserved and kept with the corporate/ user institution as may be agreed to between the sponsor bank and the corporate/ user institution. In any event, the sponsor bank which has processed the transaction shall retain in its possession a true copy of all relevant parts of the physical mandate; such copy being made by a mechanical or other process which in itself ensures the accuracy of the copy.

7. The sponsor bank should have clear arrangement with the corporates/user institutions for retaining/ retrieval and submission of physical mandates as may be required from time to time.

8. The physical mandates should be retained for the period as prescribed under the RBI guidelines. The sponsor bank should also ensure that the image copy and mandate transaction date is retained as per RBI guidelines.

**Step 4**

1. The mandate image and the related mandate transaction data will be routed to the concerned destination banks over the MMS system within the timelines stated by NPCI. (The indicative timelines are subject to change and any change to the timelines will be communicated to the participant banks)

**Step 5**

1. The Destination Bank will validate the transaction date and the details given on the image of mandate before registering details of the mandate into their systems within the timelines stated by NPCI.

2. The Destination Bank will send the mandate verification and acceptance confirmation message to sponsor bank via NPCI, where the Unique Mandate reference Number (UMRN) will be generated and updates records at its end within the timelines stated by NPCI.

   1. The Destination Bank prescribed standard return reason codes for the rejected mandates.

   2. In the event of delay in response from destination banks 48 hours beyond stipulated time, the same would be considered as expired and such instances
would be considered as breach by the destination bank, which would attract penalties / fines.

Step 6
1. The Sponsor bank sends mandate information update with UMRN to corporate for their record updates to ensure the NACH transaction file carry the UMRN reference against the transactions sent for processing, after receiving from destination bank as per timelines prescribed by NPCI.

Step 7
1. The Corporate communicates the updated mandate information to customers post receipt from sponsor bank, within timelines as defined by NPCI.

Proposed Process (Customer initiates mandate request through Destination Bank)

Step 1
1. Destination bank willing to avail the MMS services is required to register themselves with NPCI. (Please refer Annexure - I)

2. The end customer that holds an account with Destination Bank sends the mandate initiation request through Internet/ IVR/ Paper (Mandate form) to the Destination bank.

Step 2
1. Destination bank receives the mandate request along with the mandate data through secured channel with customer"s e-signature.
2. Destination bank authenticates the e-signature and validates the mandate data in case of request received through internet/IVR channel.

3. Destination bank verifies the mandate form information in case the request directly comes on physical mandate form.

4. Destination bank sends the mandate information over the MMS. (e-mandate)

**Step 3**
1. The mandate transaction data will be routed to the concerned sponsor banks with UMRN generated by NACH system within the timelines stated by NPCI.

**Step 4**
1. Sponsor bank updates its record and forward it to corporate/ service provider.

**Step 5**
1. Corporate /service provider updates its record and sends the confirmation to Sponsor bank.

**Step 6**
1. Sponsor bank sends the confirmation to NPCI.

**Step 7**
1. NPCI routes the confirmation toward the Destination bank.

**Step 8**
1. Upon receiving the confirmation from Sponsor bank/ Corporate via NPCI MMS, Destination bank sends the confirmation to customer.
Annexure 12 - Diagrammatic representation of DMS Lifecycle

Dispute Creation and Resolution

1. Create DMS Dispute from Web interface by User 1
2. Dispute creation
3. Dispute create success message
4. Approve DMS Dispute from Web interface by User 2
5. Dispute approved. Automatically assign user based on escalation matrix
6. Alert receiver Participant
7. Modifying dispute (upload documents, send correspondences) one or more times.
8. Dispute updated
9. Modifying dispute (upload documents, send correspondences) one or more times.
10. Dispute updated
11. Close dispute and set Error/Info field
12. Dispute closed
13. Alert receiver Participant about closing of dispute

DMS Claim Settlement

1. Request to close dispute
2. Send settlement file
3. ACK from ACH
4. Close dispute
5. Alert assigned user
6. Alert assigned user