

To
All NACH Member Banks

Dispute Management System for NACH Transactions

With reference to the earlier circulars (No 26 dated-27-12-2013 and No 37 dated -20-02-2014) on the launch of Dispute Management System (DMS). The DMS is now being extended to all other products of NACH with effect from March 20, 2014. The list of products which are covered under DMS are listed as below:

- 1) APB
- 2) NACH Credit
- 3) ACH Credit
- 4) ACH Debit and
- 5) EBT

All member banks that are live on the NACH system for the respective products are requested to use DMS system.

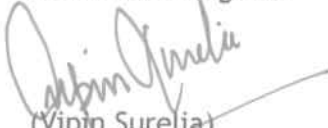
3. The DMS will help the banks in

1. Settling the disputed transactions through the system which are otherwise being settled through manual coordination.
2. Retrieving the records of disputed transactions and the status of such transactions as and when required.
3. Taking the transactions for Arbitration and settlement through Panel for Resolution of Disputes

4. The detailed process flow is provided in the Annexure I. You are requested to take a note and get in touch with NPCI for user mapping and creation of escalation matrix on priority.

For any queries/further help required, please feel free to email at ach@npci.org.in

With Warm Regards


(Vipin Surelia)
SVP Cheque Clearing and NACH

Annexure I

DMS would be available as a new module under ACH. DMS will get opened as a separate window when clicked. All the steps in DMS will involve a maker and a checker.

2. The following features are available under DMS

- a) Raising a dispute
- b) Accepting or rejecting of dispute
- c) Tracking of disputes raised/received
- d) Settlement for disputed transactions
- e) Escalations for disputed transactions
- f) Mails to the registered mail ID's on creation, modification, closure of disputes or level movements and priority changes
- g) Customized reports

3. There are 3 stages in Dispute Management System of NACH

- a) Initial Dispute
- b) Pre-Arbitration Dispute
- c) Arbitration Dispute

4. While the banks can raise the Initial dispute and Pre-Arbitration disputes from their end, for the arbitration stage, the disputes can be raised by NPCI only. For raising an arbitration request it is necessary that the bank first completes the two stages of dispute. Post that the concerned bank should send the details to ach@npci.org.in. Based on the information provided by the bank and subject to the first two legs being completed, NPCI will raise the arbitration request in the system. Arbitration will be carried out by Panel for resolution of disputes (PRD) constituted as per the circular of RBI ref no. RBI/2010-2011/213 DPSS.CO.CHD.No.654/03.01.13/2010-2011.

5. Initial dispute can be raised by the sponsor bank or destination bank. Initial disputes can be raised within the 45 days from the date of transaction. The priority level for initial dispute will be 1 and the maximum priority would be 3. After specific number of days, the dispute gets escalated to the next level in case of no response by the person receiving the dispute.

6. A dispute is available for pre-arbitration if it has been rejected at the initial stage. Only the sender bank of the initial dispute would be able to raise dispute under pre-arbitration. The priority level for pre-arbitration would be 2 and the maximum priority would be 4. After specific number of days, the dispute gets escalated to the next level in case of no response by the person receiving the dispute.

7. Arbitration is applicable only if the dispute is rejected at the pre-arbitration stage.

8. To facilitate transactions which have not been initiated within the stipulated time from the date of transaction, banks are given the option of Good Faith Disputes. The receiving bank can accept or reject the dispute. There will not be any progress post acceptance or rejection by the bank.

9. In order to participate in DMS, banks should complete the following

- a) Register their users for DMS module so as to align with the escalation matrix
- b) Escalation matrix to be defined under the DMS with priority levels and escalation levels
- c) DMS should be checked on a daily basis to action on the disputes initiated or received.
- d) Person raising the disputes or responding to disputes should provide their contact details in the column provided for correspondence
- e) Whenever a dispute is received, banks should accept the same and then decide on accepting or rejecting the dispute. In case of rejection, valid reasons to be given
- f) Banks raising the dispute should ensure closure of dispute after being convinced with the outcome of the dispute. Else the dispute to be raised for pre-arbitration or arbitration.

10. The Turn-Around Time (TAT) for resolution of disputes will be decided by NACH steering committee. In case of no action is taken within the stipulated timeline by the receiving bank, the dispute will be deemed accepted and the settlement file gets generated accordingly.