

NPCI/NFS/OC No.318/2018-19

21st December, 2018

To,

All Members of National Financial Switch (NFS)

Madam/ Dear Sir,

Sub: NFS ATM Network – Changes in PRD process

Background:

NPCI constitutes Panel for Resolution of Dispute (PRD) for resolving NFS ATM disputes referred by NFS member banks. PRD is constituted as per NFS Operating & Settlement Guidelines w.r.t Constitution of Dispute Management Committee, wherein PRD shall comprise of five members out of which four (4) members will be from Direct Member Banks with minimum of 50% from NFS Steering Committee members and the Chairman will be either the Chief Executive Officer or the Chief Operating Officer of NPCI to chair such meeting. The CEO of NPCI can also nominate an officer of NPCI not below the rank of Associate Vice President to Chair the PRD meetings.

Over the past few years, cases referred to PRD, have increased significantly, making it challenging to resolve the cases within a reasonable period of time thereby impacting the redressal process. On an average, 150 cases are resolved by PRD comprising of 5 members including the Chairperson from NPCI that requires one full day for disposing off the cases. Though, currently PRD is conducted every week, it is still not found sufficient to redress all cases referred to PRD in a timely manner considering the significant increase in the number of cases. The other constraint in increasing the frequency of PRD is non availability of bank officials to be part of the panel.



Page 1 of 4

Summary of PRDs constituted in the last three years and the no. of cases resolved is given below:

Year	No. of PRDs held	No. of cases resolved
2015	23	533
2016	30	1,881
2017	47	3,946
2018 (till Nov'18)	48	6,533

In view of the significant increase in the number of cases referred to PRD and to facilitate speedier disposal of cases referred to PRD, NPCI approached RBI for approving changes in the constitution of PRD (Approved by the NFS Steering Committee in the meeting held on 27th December 2017), details of which are given below:

- a) The requirement of participation of minimum 50% from NFS Steering Committee Members, be revised to 25% of the NFS Steering Committee members.
- b) The Chairman of the PRD may be an external experienced official i.e. services of ex-Banker or ex-IBA/IDRBT official. Till such time, NPCI official may continue to be the Chairperson for the PRD as per the existing provision.

RBI advised NPCI to do the following:

- a) To take steps to bring down the number of complaints/ disputes, required to be referred to PRD.
- b) To put in place a Board approved policy defining the criteria for cases that can be referred to PRD.

Changes in PRD Process:

In view of the above advise from RBI, the following changes are introduced in the PRD process:

- a) The PRD will have five members, four (4) from Direct Member Banks with minimum of 25% from NFS Steering Committee members



- b) The Chairman of the PRD may be external experienced official, such as, ex-Banker, ex-IBA/IDRBT official, etc. or NPCI official not below the rank of Associate Vice President, nominated by CEO of NPCI.
- c) The existing process of filing Arbitration remains the same. i.e. an Arbitration case not withdrawn/accepted by either Bank even after the expiry of 10 days of filing Arbitration, will be automatically referred to PRD. However, in the revised process, NPCI will introduce an additional stage 'NPCI Internal Review Panel' (NRP) before the PRD stage. Hence, in the revised process, an Arbitration case not withdrawn/accepted by either Bank even after the expiry of 10 days of filing Arbitration, will be first referred to NRP for a decision.
- d) NPCI shall nominate 3 officials not below the rank of Manager, to be part of the NPCI Internal Review Panel (NRP) including the Chairman. The Chairman of the NRP shall be the official who can be the Chairman of the PRD Panel.

This Panel will review cases referred to PRD on the basis of the documents submitted by the Acquirer and the Issuing Bank and determine such cases. NRP will refer a case to PRD where NRP is unable to take a decision for any reason pertaining to a case.

- If the decision of NRP has been given in favour of the Acquirer and the Issuing Bank wishes to pursue the case further, Issuing Bank needs to inform NPCI to refer the case to PRD within 30 days of the decision given by NRP.
- If Acquirer is not satisfied with the decision of the NRP, Acquirer can approach the Appellate authority at RBI.

PRD will decide only those cases which are referred for the scenarios mentioned above. The detailed process is given in **Annexure A** for reference.

- e) Arbitration processing fees is increased from the present ₹ 500/- plus GST per case to ₹ 5,000/- plus GST per case. The fees shall be borne by the bank against whom the decision is given by the NRP or PRD.

- Cases which are decided by NRP, the existing fees of ₹ 500/- plus GST shall be levied to the bank against whom the decision is given. Most of the cases shall be decided at this stage, except those which are referred by the Issuing Bank or NRP to the PRD.
- For cases which are decided by PRD, an additional fees of ₹ 4,500/- plus GST shall be levied to the bank against whom the decision is given.

The changes in the process of handling cases referred to PRD given in Annexure A will be incorporated in the NFS Operating & Settlement Guidelines. The changed process shall be applicable for cases referred to Arbitration with effect from 1st January, 2019 onwards.

You may please make note of the change in the process and disseminate the information contained herein to the officials concerned.

For any queries or clarification, please contact:

Name	e-mail ID	Mobile Number
Pratik Vora	pratik.vora@npci.org.in	7506446586
Miller Koli	miller.koli@npci.org.in	8879754947
Mehfooz Khan	mehfooz.khan@npci.org.in	8108122867

Yours faithfully,



Ram Sundaresan

SVP & Head – Operations

Encl: Annexure A

Annexure A

NFS Dispute Management mechanism

Change in process for handling cases referred to Arbitration (PRD)

1. Constitution of NPCI's Internal Review Panel

NPCI shall nominate 3 officials not below the rank of Manager or above, to be part of the NPCI Internal Review Panel (NRP) including the Chairman. The Chairman of the NRP shall be the official who can be the Chairman of the PRD Panel.

2. Constitution of Panel for Resolution of Disputes (PRD)

- (a) PRD consists of five members as per RBI circular no. DPSS.CO.CHD.No.654/03.01.03/2010-2011 dated September 24, 2010 and RBI Approval letter DPSS.CO.AD.No.480 /02.27.004/2013-14 dated August 26, 2013.
- (b) The PRD will have five members, four (4) from Direct Member Banks with minimum of 25% from NFS Steering Committee members. The Chairman of the PRD may be external experienced official, such as, ex-Banker, ex-IBA/IDRBT official, etc. or NPCI official not below the rank of Associate Vice President, nominated by CEO of NPCI.
- (c) In case of specific disputes involving system participants who are members of the PRD, the members concerned would be replaced by other system participants for the limited purpose of looking into the specific dispute.

3. The process to be followed for cases referred to Arbitration is given below:

- (a) If the customer or Issuer/Remitter is not satisfied by the evidences / documents provided by the Acquirer/Beneficiary at the time of Representment and while rejecting the Pre-arb, Issuer/Remitter may refer the dispute to arbitration, within specified time period.
- (b) In the event of Arbitration dispute not being resolved amicably between the Issuer/Remitter and Acquirer/Beneficiary bank, the dispute will be referred to the NRP.
- (c) List of documents / supporting to be submitted by members as Issuer and as Acquirer is given in OC 151.

(d) Arbitration processing fees shall be 5,000/- plus GST per case, However, for cases decided by NRP, Arbitration processing fees levied shall be ₹ 500/- plus GST shall be levied.

The Arbitration fees shall be levied as given below:

- Cases which are decided by NRP, the existing fees of ₹ 500/- plus GST shall be levied to the Bank against whom the decision is given.
- Cases which are decided by PRD, revised fees of ₹ 5,000/- plus GST (reduced by the amount paid at NRP stage) shall be levied to the Bank against whom the decision is given.
- The Arbitration fees shall be finally borne by the member against whom the decision is given by the NRP or PRD.

Note:

- If no documents are uploaded in DMS within 10 days for arbitration case as mentioned above, the documents already uploaded in DMS by Acquirer at the time of representment and rejection of pre-arbitration will be retrieved by NPCI and placed before NRP / PRD.
- NPCI may seek clarification/additional documents that may assist the Panel to take an informed decision.
- Non-submission of complete set of documents may result in NRP / PRD decision going against the Acquirer on technical grounds.
- For disputes referred to the NRP / PRD, EJ/JP logs submitted by the Acquirer during the representment and Pre-arbitration rejection / Arbitration, will be considered by the Panel. However, if correct/proper EJ/JP logs are not provided at the time of representment, it may result in the NRP / PRD decision going against the Acquirer on technical grounds.

(e) Members can either withdraw OR Accept the case referred to NRP / PRD, until it is referred to NRP / PRD.

(f) Case reviewed by NPCI's Internal Review Panel (NRP)

- NRP shall review the documents / supporting submitted by members for case referred. NRP may seek further documents / clarification from the members, if required, for deciding on the case.
- NRP shall either –

- (1) Decide the case based on the documents / clarifications submitted by the members, OR
- (2) Refer the case to the PRD Panel.

(g) Decision by NRP

- If the case is decided in favour of Acquirer/Beneficiary Bank, no fund movement will happen as the funds are already available with the Acquirer/Beneficiary Bank. If Issuer/Customer is not satisfied with the documents / clarifications submitted by the Acquirer/Beneficiary Bank, Issuer can request NPCI to refer the case to PRD within 30 days from the date of decision by NRP.
- If the case is decided in favour of Issuing Bank, the disputed amount, Interchange fee, customer compensation (if applicable), etc. will be debited to the Acquirer/Beneficiary Bank and credited to the Issuing Bank. If Acquirer is not satisfied with the decision of the NRP, Acquirer can approach the Appellate authority at RBI as per the existing process for cases decided by PRD.

(h) Decision by PRD

- If the case is decided in favour of Acquirer/Beneficiary Bank, no fund movement will happen as the funds are already available with the Acquirer/Beneficiary Bank.
- If the case is decided in favour of Issuing Bank, the disputed amount, Interchange fee, customer compensation (if applicable), etc. will be debited to the Acquirer/Beneficiary Bank and credited to the Issuing Bank.

Any party aggrieved by the decision of the PRD can approach the Appellate authority at RBI.

*****End of Document*****



