

NPCI/NACH/OC No.012/2023-24

December 29, 2023

To,

All NACH member banks

Master circular

Reference may be taken from our circulars listed below:

1. **NPCI/2023-24/NACH/007, dated August 18, 2023**
2. **NPCI/2023-24/NACH/008, dated August 18, 2023**
3. **NPCI/NACH/OC No.010/2023-24, dated October 31, 2023.**

It may please be noted that in view of various modifications and clarifications provided to the circulars referred above, the master circular is issued covering all the aspects:

1. **Maximum period for which a mandate can be issued:** Mandate can be issued for a maximum duration of 40 years from the date of issuance. Validation will be built in the central system to accept only the mandates that are for a duration of 40 years or below. This shall be effective from April 01, 2024.
2. **Final collection date (end date) of mandate to be mandatory in XML:** It has been decided to remove the option of "until cancelled" for all categories of mandates, it will be mandatory to provide the Final collection date (end date) for all the categories of mandates. Refer to point 1 above the end date cannot be more than 40 years from the date of the mandate.
 - a. Wherever possible end date shall be included in the physical mandate however in cases where the field level functionary is unable to calculate and write the end date the end date field can be kept blank. Although end date is not provided in the physical form, in order to make the customer aware of the period of validity of the mandate, the mandate form must explicitly state: "Maximum period of validity of this mandate is 40 years only." This change shall be implemented from April 01, 2024.
 - b. The Corporate / Bank presenting the mandate shall provide the end date in xml format while presenting the mandate.

- c. The mandate shall get rejected in the following events:
- Mandate end date is not provided in XML format.
 - Mandate end date (if mentioned in the mandate form) is not tallying with the end date provided in XML.
 - In cases where mandate end date is not mentioned on the mandate form and also the phrase “Maximum period of validity of this mandate is 40 years only” is not mentioned on the face of the mandate.
 - If the date provided in XML is greater than 40 years from the date of the mandate date.

It may please be noted that the above framework is applicable only for physical mandates. In case of electronic mandates, the limit of 40 years shall be factored in and the end date shall be displayed to the customer accordingly for taking note and authenticating.

3. Penalty for High Percentage of ACH DR Return:

a. Phase I (Effective from 1st February 2024)

Corporate shall take care of the high %age returns with immediate effect however additional charges of ₹1 will be levied on corporates with returns above 50% with effect from February 01 2024 for a period of 2 months in all providing 3 months' time from January for the eco system to improve.

b. Phase II (Effective from 1st April 2024)

₹5 per return transaction for corporates above 50% returns.

c. Phase III (Effective from 1st July 2024)

Corporates with return transactions above 50% will be barred from registering new mandates.

d. Modalities for calculation of return %age:

- Technical returns will not be considered.
- Each corporate code in combination of sponsor bank will be considered as a separate entity.
- Additional charges will be levied only on the returns above the threshold limits prescribed from time to time.

4. **Discontinuation of A001 (API Mandate) category code:** Apart from the above it has been decided to discontinue A001 (API Mandate) category code. This is a generic code and hence not serving any purpose. All the stakeholders should present the mandate with relevant category codes only.

5. **Steps to be taken to reduce returns:** It has been noticed that despite repeated advisories to all the parties concerned the return %age continue to be well beyond the tolerable limits and therefore to bring in clearing discipline the following measures shall be implemented in a phased manner as per the schedule provided. The user institutions are advised to take the following measures to ensure that their overall return %age is well below the threshold limit:
- a. Restrict the representation of the returned transactions to 2 times (1 presentation + 2 representations).
 - b. User institutions should reach out to the customers before presenting the transactions. To ensure that the customer is aware of the initiation of debit transaction / representation there off in case of returns, the entity initiating the transaction / representation shall send a due notification to the customers of such presentation / representation through SMS alert, email etc.
 - c. Representation shall be done allowing some time for the customer to arrange the funds in the account. It is suggested that 3 days cooling period may be given, from the date of notification, before representing a returned transaction. In cases the customer confirms the availability of funds in the account, representation may be done immediately as per the session availability.
 - d. Destination banks should review the operation of the account, advise the customer to maintain sufficient balance and in the event of no improvement follow the regulatory guidelines for handling such accounts.

The participants should continue to exercise utmost restraint (1 presentation + 2 representations) while representing returned transactions and ensure that return %age is brought down.

The stakeholders may please note that the returns %age of NACH debit continue to be on a very high side which is way beyond the tolerable levels for clearing system. It is important that the transaction initiating entities continue to take all the measures to ensure that the returns are brought down to the minimum %age possible.

With warm regards,

SD/-

Giridhar G.M.

(Chief – Customer Success & State Government Relations)

Annexure – I

Mandate Specimen:

NPCI <small>भुक्तान निगम</small> <small>WITHOUT RESERVING LIABILITY FOR ADE</small>		UMRN <input type="text"/>	Date <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Utility Code <input type="text"/>		<input type="radio"/> Create <input type="radio"/> Modify <input type="radio"/> Cancel	
Sponsor Bank Code <input type="text"/>	I/We authorize <input type="text"/>		
To debit (tick✓) <input type="checkbox"/> SB / CA / CC / SB-NRE / SB-NRO / OTHER	Bank a/c number <input type="text"/>		
With Bank <input type="text"/>	IFSC/MICR <input type="text"/>		
an amount of Rupees <input type="text"/>	₹ <input type="text"/>		
Debit Type <input type="checkbox"/> Fixed Amount <input type="checkbox"/> Maximum Amount <input checked="" type="checkbox"/> Frequency <input type="checkbox"/> Monthly <input type="checkbox"/> Quarterly <input type="checkbox"/> Half Yearly <input type="checkbox"/> Yearly <input type="checkbox"/> As & when presented			
Reference 1 <input type="text"/>	Reference 2 <input type="text"/>		
<p>1. I agree for the debit of mandate processing charges by the bank whom I am authorizing to debit my account as per latest schedule of charges of the bank. 2. This is to confirm that the declaration has been carefully read, understood & made by me/us. I am authorising the user entity/Corporate to debit my account, based on the instructions as agreed and signed by me. 3. I have understood that I am authorized to cancell/amend this mandate by appropriately communicating the cancellation / amendment request to the user entity / corporate or the bank, where I have authorized the debit.</p>			
From <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	Maximum period of validity of this mandate is 40 years only		
To <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	Maximum period of validity of this mandate is 40 years only		
Signature of primary account holder <input type="text"/>		Signature of account holder <input type="text"/>	
Signature of account holder <input type="text"/>		Signature of account holder <input type="text"/>	
Phone No. <input type="text"/>	1. Name as in bank records 2. Name as in bank records 3. Name as in bank records		