

The Chairman and Managing Director / Chief Executive Officer
System Providers and System Participants of All Authorised Payment Systems

Madam / Dear Sir

Dispute Resolution Mechanism under the Payment and Settlement Systems Act, 2007

References are being received from system providers and system participants of payment systems seeking clarity, scope and uniformity while dealing with clearing and settlement-related disputes in various payment systems. Speedy and timely resolution of disputes is required for ensuring smooth conduct of payment system operations, providing the requisite authority to the system provider, fixing accountability for failure to adhere to expected discipline, penalising disruptive behaviour, etc. The absence of a structured and formal dispute redressal framework acts as a hindrance in the timely resolution of disputes between system participants, between system participants and the system provider, between the system providers, etc., apart from lacking necessary requirements of transparency and uniformity in such situations.

2. Enactment of the Payment and Settlement Systems Act, 2007 (PSS Act) provides the legal backing for putting in place a formal dispute resolution framework. A Dispute Resolution Mechanism has accordingly been drawn up (enclosed) for adherence by system providers and system participants of all Payment Systems authorised to operate in the country.

3. Scope of the Dispute Resolution Mechanism will generally be limited to interpretation, scrutiny and resolution of disputes within the ambit of rules, regulations, operational and procedural guidelines relating to the payment products, various instructions issued by the system providers, instructions and directions issued by RBI, etc., from time to time.

4. Use of the mechanism will not be resorted to deal with aspects relating to acts of system participants (or providers) that are prima-facie fraudulent or are internal to their operations or outside the payment and settlement system infrastructure.

5. The Dispute Resolution Mechanism will also not cover disputes between system participants and their customers (ultimate users), between members of the payment systems and their sub-members or between sub-members themselves.

6. These instructions are being issued under the powers conferred on the Reserve Bank of India by the PSS Act (Act 51 of 2007). All Authorised Payment System Providers are hereby directed to put in place the Dispute Resolution Mechanism within three months from the date of this circular.

Yours faithfully

(G Padmanabhan)
Chief General Manager

Encl. : Dispute Resolution Mechanism

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 –

- 1. 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 authorised 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 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.

2. 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 –

- a. 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.
- b. The PRD shall dispose of the dispute within 15 working days of submitting the dispute.
- c. 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.
- d. The Appellate Authority shall dispose of the appeal within 15 working days of submitting the appeal.
- e. 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.

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

- a. 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.
- b. 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.
- c. The PRD shall dispose of the dispute within 15 working days of submitting the dispute.
- d. 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.
- e. The Appellate Authority shall dispose of the appeal within 15 working days of submitting the appeal.
- f. 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.

g. 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.

4. *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 after which shall the amount be accordingly appropriated.

(Note: The term system participant has been used interchangeably with the term member banks, member of payment networks / systems. System provider means the bank operating / managing the Clearing House or entity operating the payment system).