

Circular: NPCI/2020-21/BBPS/006

20th May 2020

To,

All BBPOUs

Dear Sir/Madam,

Sub: BBPS – Net Debit Cap (NDC) Limits for BBPOUs

Reference is drawn to the circular NPCI/2017-18/RMD/010 dated 15/03/2018 and BBPS/2019-20/007 dated 28th June 2019 regarding the above subject.

- At the scheme and conceptual level, the Net Debit Cap (NDC) assigned to individual BBPOUs ensures that unlimited risk is mitigated at the BBPOU and system level in the event of sudden surge in the volume and/or value of transactions. BBPCU as a process has been monitoring the consumption levels of all the BBPOUs on an ongoing basis.
- The NDC levels ideally must ensure that there is enough headroom to accommodate legitimate transaction volume growth and sudden surge to protect the BBPOU or its Sponsor Bank from an unlimited risk exposure.
- Akin to any online system, the fund settlement between counterparties in BBPS happens at predefined intervals. In BBPS funds are settled twice in a day except RTGS holidays. Fund settlement pertaining to transactions processed during RTGS holidays happens only on the next RTGS working day.
- Our analysis reveals that there were instances where the aggregate settlement value accumulated over weekend/ holidays for some BBPOUs had exceeded their NDC limits. From the fund settlement perspective, the current NDC on such occasions was inadequate to accommodate the transaction volumes in the said time interval.
- You would appreciate that participants in a national payments scheme like BBPS must have adequate NDC limits that takes into account the growth in transactions in the near and distant future, surges in volume over weekends, consecutive holidays etc.
- To mitigate this risk, necessary provisions will be made in the system to decline the transactions if the aggregate net debit value for a given BBPOU exceeds its configured value in the event of an RTGS holiday/ weekend when there is no movement of funds.
- In view of the above BBPOUs must ensure that their NDC values are adequately increased to comfortably accommodate transactions on holidays (when there is no movement of funds) so as to ensure that there are no transaction declines in the event of the cumulative net transaction value exceeding the NDC limit.
- Non-bank BBPOUs must ensure that necessary arrangements are made with their sponsor banks. Revised limits, if any, will be configured on the basis of advice received from their respective Sponsor banks. The non-bank BBPOUs are advised to make necessary arrangements with their respective sponsor banks on or before 30 May, 2020 forthwith the limits will be considered as final.

Yours faithfully

Viswanath Krishnamurthy
Chief Risk Officer, National Payments Corporation of India