



Central Bank of Oman

Dispute Management System (MpClear & ACH)

Version 1.0 – July 2018



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1 Change Control Table

Release	Author	Date	Changes
0.1	CBO - PSD	07 th June 2018	Working first draft
0.2	CBO - PSD	11 th July 2018	Working second draft (Incorporating banks comments)
1.0	CBO - PSD	19 th July 2018	Operating rules released to stakeholders



2 Key Terms

Key terms used in the guide are defined in the following table.

Term	Description
ACH System	Automated Clearing House System.
Business Day	Official working hours as declared by the Central Bank of Oman in which all participant banks perform their financial transactions and the financial transactions are settled in the bank's settlement accounts with the CBO.
Mandate	Mandate is a legal contract authorized by the debtor allowing a creditor to debit an amount from the specified debtor's account at the debtor's bank at predefined date fixed in the mandate.
Net Clearing Position (NCP)	The financial position for each Participant at the closure of each clearing session arrived at by offsetting of the mutual obligations on a multilateral basis to arrive at the net debit or net credit positions of the participants.
RTGS	Real-Time Gross Settlement System.
TAT	The duration of time provided to raise/complete a dispute/dispute action.
Dispute	Dispute is a situation in which a customer questions the correctness of a transaction and or seeks clarity or resolution.
Auto Accepted	In the event of a dispute that is un-attended till the expiry of the TAT period the system automatically closes the dispute and is deem accepted.
Auto Rejected	In the event of a dispute that is un-attended till the expiry of the TAT period the system automatically closes the dispute and is deem rejected.
Good Faith Collection Request	Good Faith Collection request is a provision for participant banks to raise a request for collection of funds when a transaction/dispute is outside of the TAT defined for the respective payment.
Mobile	An electronic payment service approved/licensed, regulated and overseen by the Central Bank of Oman for customers to



Payments	send/receive payments, and the under lying account might be a normal bank account or a wallet.
MpClear	An interoperable mobile payment switching and clearing central infrastructure that connects the customers through their PSPs for the smooth exchange of mobile payment financial transactions.
Push Payment	A kind of payment that is initiated by a payer by debiting his own account/wallet for the interest of a payee, and it is a form of a direct credit.
Pull Payment	A kind of payment that is initiated by a payee by debiting the payer account/wallet for his own interest, and it is a form of a direct debit.
MPIN	A personal identification number or a password that prevent an unauthorized people to access the mobile banking/mobile wallet applications.
Payer	A party of a financial transaction whose account/wallet will be debited.
Payee	A party of a financial transaction whose account/wallet will be credited.
Merchant	A person involved in a financial transaction who provides good or service, and in turn receives money.



3 Introduction

Central Bank of Oman as an operator of national payment systems has implemented multiple payment systems like ACH, MpClear, ECC and RTGS. In payment system, disputes may arise as a result of the payer claiming not executing/authorizing a specific transaction or not receiving the service/ goods as agreed or any other discrepancy that may arise due to technical & human error. Over the period of time CBO and other stakeholders felt the necessity of implementing a standalone core dispute payment system that can provide a platform for raising disputes pertaining to all financial transactions emanating from all the payment systems, with proper tracking, well defined SLA and mechanism to formally raise disputes and arbitration.

The objective of Dispute Management System (DMS), is to provide a flexible system that allows payment system participants in Sultanate of Oman to register a dispute/claim related to financial transactions processed in national payment system for faster resolution with well-defined rules and TAT. The System by virtue of being a Payment system will generate required financial entries based on the outcome on disputes raised and create a NCP file to be processed in the RTGS system.

Currently the DMS will be a platform to address disputes and claims related to the MpClear and ACH systems. As and when the new payments are integrated and configured in DMS this operating rules book will be updated with relevant information. Depending on the different payment system, the eligibility of a transaction for raising dispute will vary.



3.1 Introduction

Central Bank of Oman (CBO) in its capacity as the financial regulator and operator of national payments system in the Sultanate of Oman, and in accordance with the powers vested in it by the Banking Law issued by Royal Decree 114 of 2000 to regulate banking business and the National Payment Systems Law (NPSL), hereby, promulgates the following operating rules to govern the usage of Dispute Management System in the Sultanate of Oman.

The CBO reserves the right to modify these operating rules as deemed necessary and notify all the participants accordingly.

EFFECTIVE DATE OF IMPLEMENTATION

The operating rules stated in this document shall become effective on the first day of system go live as declared by the Central Bank of Oman.



4 Scope of the DMS

Dispute management system will provide following functionality for member banks and CBO.

4.1 Member Banks

1. Payer bank shall raise “Chargeback request” on all successful debit transactions (that are not reversed or canceled) provided the dispute is raised within the defined TAT period of the respective payment system.
2. Payee Bank shall act on the dispute raised by the Payer banks by either accepting the dispute or rejecting it with proper dispute reason code provided. Depending on the Payment system configuration, dispute will either be “Auto Accepted” or “Auto Rejected” please refer to the respective Payment System section in this document.
3. Payer bank and Payee Bank shall use a Good Faith Collection request when a transaction/dispute is outside of the TAT defined for the respective payment system, good faith collection request can be initiated in two scenarios:
 - a. After expiry of TAT defined for Chargeback Request duration for the respective payment System.
 - b. Good faith request can be initiated on a disputed transaction within 10 business days from the date of last dispute action (either accepted from Payee or when TAT expires and Chargeback become Auto Accepted).

The Good Faith Collection process is not mandated by CBO/competent authority, although a TAT is defined in this document. Thus the acceptance or rejection of a Good Faith Collection request is the member banks discretion.

4. The payer bank will have an option to raise arbitration for a given dispute (not applicable for Good Faith Collection), in case the bank is not satisfied with the clarification/justification provided by the payee bank.
5. Good Faith Advance Refund: Good Faith Advanced Refund can be passed by payee member bank. Applicable only to successful transaction that has no



dispute initiated by the payer bank. Payer bank will not be allowed to raise a dispute on a transaction that has a successful good faith refund processed.

6. Download settlement report and make necessary entries in the core-banking/back office system.
7. Download Standard Dispute & Good faith Reports.
8. A provision to raise a dispute by a payee bank will be implemented in due course of time after analyzing the feasibility and the impact for implementing such a feature.

4.2 Central Bank of Oman.

1. Configure Payment System
 1. Configure dispute reasons (for each payment system)
 2. Dispute reject reasons (for each payment system)
 3. Configure arbitration charges for each payment system
 4. Configure TAT for different stages of disputes
 5. Providing Arbitration Verdict for all Arbitration raised by member Banks
 6. Generate and Process NCP file
 7. Post Manual Adjustment Entries
 8. Standard Dispute & Good faith Reports



4.3 General Rules in DMS.

1. Since DMS will be a platform for processing disputes for multiple national payment system DMS users profile will have provision to link a particular user to single or multiple payment system. Based on this configuration the user will be able to view and process disputes and reports.
2. The Member banks are expected to create a user email group on their respective email server for which will be configured on DMS for sending alerts and notification, it will be the responsibility of the member banks to ensure the group email id is updated with the current active team members of the bank.
3. The DMS system will have a provision to configure TAT period for various dispute cycle for each payment System, with a provision to define an extended TAT for disputes with transaction amount greater than a certain pre-configured amount, this configuration will be enabled in due course of time based on feedback & practical scenarios .
4. There will be a single NCP file and settlement reports generated in the DMS for all payment system linked. The settlement report will have section/fields to identify the corresponding payment system. Member banks are expected to use this files/reports to process the required entries in the core banking and back office system.

Arbitration verdict provided by CBO or the authorized entity will be in accordance to applicable Omani Laws and based on circulars and directives issued by CBO from time to time. In the absence of documented rules, arbitration verdict will be based on industry best practices. The losing party is debited with the disputed amount (if applicable) and incur additional arbitration fees to CBO/ authorized entity, as prescribed by CBO. To start with, no arbitration fees will be charged to the banks. However, CBO reserves the right to stipulate Arbitration fees at the right time. The arbitration decision by CBO or the authorized entity does not impede the right of either parties (payee & Payer) to take legal recourse under the Omani laws to appeal such decision should they deem necessary.

5. Note: Network fee/Charges of the transaction will not be refunded in any type of disputes or Good Faith collection.



6. The DMS is a 24/7 payment system which facilitates raising of disputes throughout the day. Disputes raised before 2:00 PM will be settled on the same business day. Any disputes raised after 2:00 PM will be settled on the next business day.

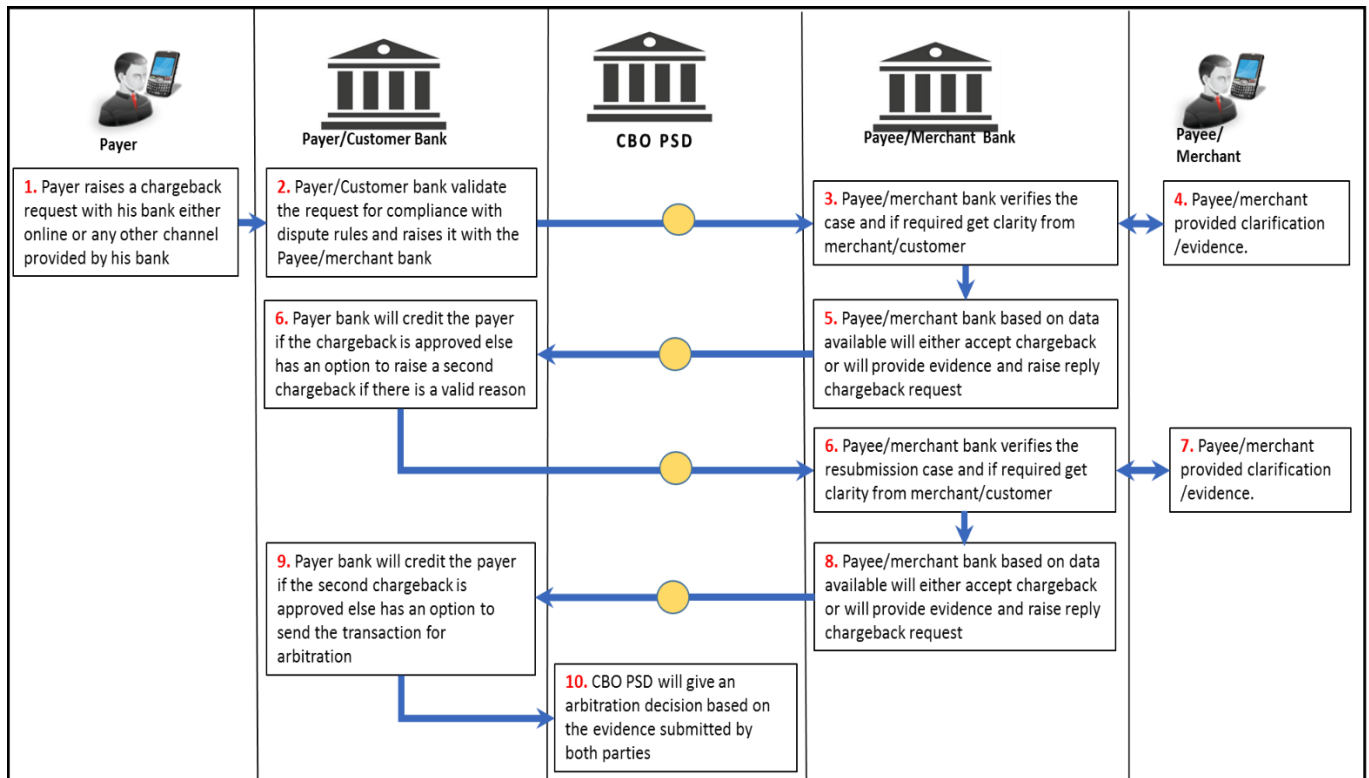
5 MpClear Dispute Rules.

5.1 Dispute Cycle

The customer/payer disputing the transactions typically initiates the Dispute Cycle. The customer/payer contacts the bank where they hold the account or wallet (payer/customer bank), with the disputed transaction. The bank is responsible for deciding the eligibility of dispute.

The payee/merchant bank is required to respond to the dispute either by accepting the dispute claim or initiate re-presentation with required evidence as defined in this book within a stipulated timeframe.

The following illustration shows the dispute cycle.



 Through DMS Application



5.2 Dispute Cycle process constitutes below steps:

1. Chargeback request: A Chargeback request is initiated by the payer bank either on request of customer dispute or by the payer bank based on internal (technical & operational) reasons. The chargeback request should be made in line with the valid reason code defined in this document.
2. Reply on chargeback request: The payee (Merchant) or the payee Bank under certain conditions has the right to reject the Chargeback request, provided the merchant or payee Bank can adequately provide evidence in line with reply to charge back request reason code as defined in this document. The reply on chargeback request in essence is to accept or reject the Chargeback request.
3. Second Chargeback request: The payer bank is allowed to raise a second chargeback request in case they have valid reason to do so; this can be done after the reply on the chargeback request is received from the payee bank.
4. Reply on second chargeback request: The payee (Merchant) or the payee Bank under certain conditions has the right to reject the second Chargeback request provided the merchant or payee Bank can adequately provide evidence in line with reply to charge back request reason code as defined in this document. The reply on chargeback request in essence is to accept or reject the second chargeback request.
5. Arbitration: When both the Payer Bank and the Payee Bank fail to resolve a dispute, the Payer Bank may request CBO or the authorized entity to review the dispute and provide a verdict to the Payer Bank and the Payee Bank.
6. Payer bank and Payee Bank shall use a Good Faith Collection request when a transaction/dispute is outside of the TAT defined for the respective payment system.
7. Good Faith Advance Refund: Good Faith Advanced Refund can be passed by payee member bank. This is applicable only to successful transaction that has no dispute initiated by the payer bank. Payer bank will not be allowed to raise a dispute on a transaction that has a successful good faith refund processed.



5.3 Dispute Turnaround Time (TAT)

The submission of claims and tracing requests shall be subject to the following limitation in time as shown in the following table.

Dispute Step	P2P & P2B payments
Chargeback request (CR)	The payer Bank can initiate chargeback within 45 business days from the transaction date.
Reply on First Chargeback request (RCR)	The payee Bank should reply on the CR (by either accepting it or rejecting it) within 18 business days from the charge back request date, failing to do this, the system will auto accept the dispute and the amount will be debited to the payee bank.
Second Chargeback request (SCR)	The payer Bank will be allowed to initiate SCR within 18 business days from the RCR date, in case the payer bank/customer is not satisfied with the RCR.
Reply on Second Chargeback request (SRCR)	The payee Bank should reply on the SCR request (by either accepting it or rejecting it) within 18 business days from the SCR date, failing to do this, the system will auto accept the dispute and the amount will be debited to the Payee bank.
Raise Arbitration (payer)	Wherever applicable, the payer may raise arbitration within 10 business days from the SRCR date.
Arbitration by CBO/competent authority.	CBO shall take 30 calendar days for taking a decision on the arbitration request. After 30 days the case will not be closed, the DMS system will send a daily reminder till the action is taken by CBO.
Good Faith Collection request	Good faith collection request can be initiated in two scenarios: a) On expiry of TAT for chargeback: The chargeback request has not been raised within the allowed TAT period, hence the payer bank will be allowed to raise a good faith. However, such transaction should not be older than 180 days of the transaction.



Dispute Step	P2P & P2B payments
	<p>b) After raising chargeback:</p> <p>Good faith request can be initiated within 10 business days from the date of last dispute action (either accepted from Payee or when TAT expires and Chargeback become Auto Accepted).</p> <ul style="list-style-type: none"> Once a good faith collection request is raised, the party expected to reply to the good faith collection request should reply no later than 18 business days. Interchange fee will not be reversed in case of good faith collection. Good Faith can only be raised once for a given transaction.

5.4 Allowed chargeback request & reply reason code

The below reason code will be periodically updated based on the new scenarios that emerge from time to time.

Chargeback request		Reply on chargeback request		
Code	Reason	Code	Description	Supporting Evidence
100	Transaction Amount incorrect	200	Credit previously issued	If appropriate credit has been processed to the customer, evidence should be provided. Provide a legible or complete copy of the receipt.
		201	Chargeback remedied with explanation	Provide a legible or complete copy of the receipt, or information that was previously missing.
		202	Dispute TAT expired	
101	Duplicate Processing	203	Credit previously issued	If appropriate credit has been processed to the customer, evidence should be provided. Provide a legible or complete copy of the receipt.
		204	Chargeback remedied with explanation	If customer participated in multiple transactions, provide appropriate documentation, such as sales receipts, invoices, .etc.
102	Goods and services did not conform	205	Credit previously issued	Provide proof of information that credit (refund) was processed, if merchandise was returned or services were cancelled. Provide a legible or complete copy of the receipt.



Chargeback request		Reply on chargeback request		
Code	Reason	Code	Description	Supporting Evidence
	to their description	206	Chargeback remedied with explanation	Provide details of the merchandise information and invoices to refute the customer's claim.
103	Non Receipt of Goods or Service	207	Chargeback remedied with explanation	If Chargeback issued before the delivery date, the sales receipt indicating the delivery date should be provided.
		208	Chargeback remedied with explanation	Proof of Delivery or proof that the service has been provided by expected delivery date.
104	Customer does not recognize transaction	209	Requested documentation supplied	Provide copy of the invoice/receipt related to the transaction.
105	Customer claims did not do this transaction	210	Chargeback remedied with explanation	Provide copy of the invoice/receipt related to the transaction.
		000	Dispute accepted by the Payee/merchant	The Transaction Payee/merchant accepts the dispute.



5.5 Accounting Entries

Accounting entries for any disputed transaction is done after the dispute receiving party accepts the dispute or when the dispute receiving party has not acted on the particular transaction within the defined TAT period. DMS for MpClear system will operate as a payment system which means for all approved disputes, good Faith transactions & Arbitration cases fund effecting will be done by creation of an NCP through the RTGS system and corresponding entries will be reflected in the Settlement report. However fund effecting for end customer is participant banks responsibility.

No	Type of Dispute	Transaction Amount	Interchange fee
1	Full transaction amount dispute	Completely reversed on approval of dispute	Completely reversed on approval of dispute
2	Partial transaction amount dispute	Requested amount reversed on approval of dispute by the other party	Not reversed
3	Good Faith Collection request	Requested amount reversed on approval of dispute by other party	Not reversed
4	Good Faith Advance Refund	Transaction amount reversed on approval of dispute by Payer Bank	Completely reversed
5	Arbitration raised by the payer/debit bank and dispute won by Payer bank	Debit Payee Bank RTGS and Credit payer bank account with the disputed amount Debit Payee Bank RTGS account and Credit CBO revenue account with the arbitration charges	Completely reversed
6	Arbitration raised by the payer/debit bank and dispute won by Payer bank	Debit Payer Bank RTGS account and Credit CBO revenue account with the arbitration charges	Completely reversed



5.6 Transaction Liability

Since the mobile payment processed will be largely based on the customer-authenticated push or pull transaction, it is the payer banks responsibility to ensure that the customer initiated transaction is authenticated sufficiently. In the event of a fraudulent transaction the below liability shift will be applicable.

Banks have to ensure that the mobile application provided to the customers and merchants are secure and must implement all information security control as per industry best practice and any future CBO recommendation.

Transaction Type	Mode	Authentication	Liability
P2P	Push/pull	Login Authenticated & Transaction PIN Verified	Payer Bank
P2B	Push/pull	Login Authenticated & Transaction PIN Verified	Payer Bank
P2P	Push/pull	Login Authenticated & Transaction PIN not Verified	Payer Bank
P2B	Push/pull	Login Authenticated & Transaction PIN not Verified	Payer Bank
P2B from a Fake merchant/website	Push/Pull	Login Authenticated PIN Verified	Payee Bank

Note: The Liability Shift does not apply for Good Faith Collection Request.



6 ACH Dispute Rules.

Disputes in ACH will mainly be of the following category:

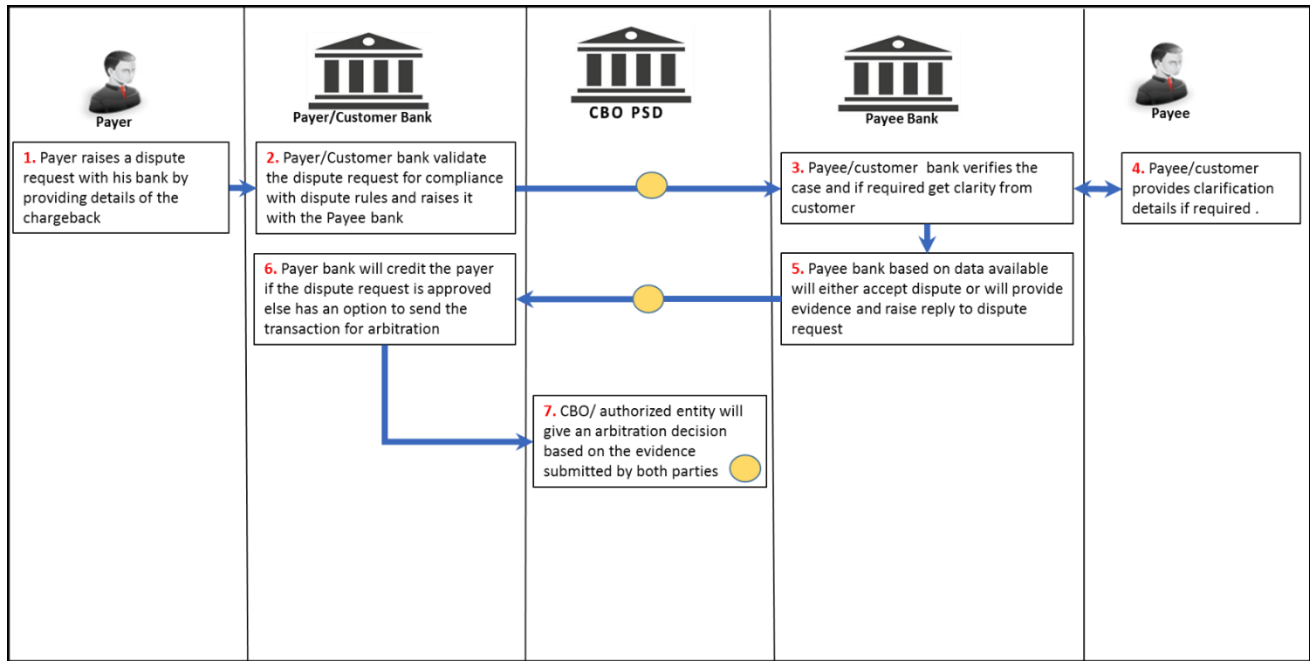
1. Direct credit – Where the payer raises a request for charge back for a transaction that is processed erroneously.
2. Direct Debit- Where the payer raises request for charge back for an amount debited to his account based on a Mandate.

A dispute process will be initiated by payer bank submitting a claim attached with the appropriate supporting documents.

6.1 Dispute Cycle

The customer/payer disputing the transactions typically initiates the Dispute Cycle. The customer/payer contacts the bank where they hold the account (payer/customer bank), with the disputed transaction. The bank will raise a dispute through the dispute management system on behalf of its customer. The bank is responsible for deciding the eligibility of dispute.

The payee bank is required to respond to the dispute either by accepting the dispute claim or reject it based on a reason code defined in the DMS system.



Through DMS Application

6.2 Dispute Cycle process constitutes below steps:

1. Dispute request: A Dispute request is initiated by the payer bank either on request of the customer/payer or by the payer bank itself based on internal (technical & operational) reasons. The Dispute request should be made in line with the valid reason code defined in this document.
2. Reply on dispute request: The payee bank can verify the case/get confirmation from the payee/customer and under certain conditions has the right to accept or reject the dispute request, provided the payee Bank can adequately provide evidence in line with reply to dispute request reason code as defined in this document. The reply on dispute request in essence is to accept or reject the dispute request. Only in case a dispute is accepted by the payee bank the payee bank will be debited and the payer bank will be credited.
3. Arbitration: When both the Payer Bank and the Payee Bank fail to resolve a dispute, the Payer Bank can request CBO or the authorized entity to review the dispute and provide a verdict to the Payer Bank and the Payee Bank.
4. Good Faith Advance Refund: Good Faith Advanced Refund can be passed by payee member bank. Applicable only to successful transaction that has no dispute initiated by the payer bank. Payer bank will not be allowed to raise a dispute on a transaction that has a successful good faith refund processed.



6.3 Dispute Turnaround Time (TAT)

The submission of claims and tracing requests shall be subject to the following limitation in time as shown in the following table.

Dispute Step	Direct Credit & Direct Debit payments
Dispute request	The payer Bank can initiate chargeback within 30 Business days from the transaction date.
Reply on Dispute request	<p>The payee Bank should reply on the CR (by either accepting it or rejecting it) within 10 business days from the charge back request date.</p> <p>Payee bank failing to act on dispute, the system will be auto rejected the dispute with no financial entries passed.</p>
Raise Arbitration (payer)	Wherever applicable, the payer bank may raise arbitration within 10 business days from the RCR date.
Arbitration by CBO/authorized entity.	<p>CBO shall take 30 business days for taking a decision on the arbitration request.</p> <p>After 30 days the case will not be closed, the DMS system will send a daily reminder till the action is taken by CBO.</p>
Good Faith Collection request	<p>Good faith collection request can be initiated in two scenarios:</p> <p>c) On expiry of TAT for chargeback:</p> <p>The chargeback request has not been raised within the allowed TAT period, hence the payer bank will be allowed to raise a good faith. However, such transaction should not be older than 180 days of the transaction.</p> <p>d) After raising chargeback:</p> <p>Good faith request can be initiated within 10 business days from the date of last dispute action (either accepted from Payee or when TAT expires and Chargeback become Auto Accepted).</p>



Dispute Step	Direct Credit & Direct Debit payments
	<ul style="list-style-type: none">• Once a good faith collection request is raised, the party expected to reply to the good faith collection request should reply no later than 18 business days.• Interchange fee will not be reversed in case of good faith collection.• Good Faith can only be raised once for a given transaction.



6.4 Allowed dispute request & reply reason code

Dispute request		Reply on dispute request		Supporting Evidence
Code	Reason	Code	Description	
300	Direct Credit: The payer has credited erroneous amount to payee	401	Evidence provided for correctness of transaction	The payer bank may submit any legitimate document that provides evidence to prove the transaction was erroneous. The payee bank may submit any legitimate document that provides evidence to prove the transaction was legitimate.
301	Direct Credit: The payer has sent duplicate transaction and request of refund extra amount	402	Evidence provided for correctness of transaction	The payer bank may submit any legitimate document that provides evidence to prove the transaction was duplicate.
302	Direct Credit: The transaction was processed due to Technical or operational issues	403	Evidence provided for correctness of transaction	The payer bank may submit legitimate document that provides evidence to prove the transaction was processed due to technical / operational error.
303	Direct Debit: Direct debit instruction cancelled by payer , but Amount was debited without mandate available	404	Dispute rejected	The payer bank may submit any legitimate document/mandate copy that provides evidence to prove the transaction was incorrect. The payee bank may submit any legitimate document /mandate copy that provides evidence to prove the transaction was legitimate.
304	Direct Debit: Payer disputes time, amount or frequency of advance notice and has requested single payment to be countermanded	404	Dispute rejected	The payer bank may submit any legitimate document/mandate copy that provides evidence to prove the transaction was incorrect. The payee bank may submit any legitimate document /mandate copy that provides evidence to prove the transaction was legitimate.
		000	Dispute accepted by the Payee bank	



6.5 Accounting Entries.

DMS for ACH system will operate as a payment system which means for all approved disputes, good Faith transactions & Arbitration cases fund effecting will be done by creation of an NCP through the RTGS system and corresponding entries will be reflected in the Settlement report. However fund effecting for end customer is participant banks responsibility.

No	Dispute result	Accounting entries
1	Dispute raised by the payer/debit bank and accepted by Payee bank	Debit Payee Bank RTGS account and Credit payer bank RTGS account with the disputed amount
2	Dispute raised by the payer/debit bank and rejected/auto rejected by Payee bank	No financial entries
3	Good faith raised by the initiating bank and approved by the accepting bank	Debit initiating Bank’s RTGS account and Credit accepting Bank’s RTGS account with the disputed amount
4	Good faith raised by the initiating bank and rejected/auto rejected by accepting bank/system	No financial entries
5	Arbitration raised by the payer/debit bank and dispute won by Payer bank	Debit Payee Bank RTGS account and Credit payer bank RTGS account with the disputed amount Debit Payee Bank RTGS account and Credit CBO revenue account with the arbitration charges
6	Arbitration raised by the payer/debit bank and dispute won by Payee bank	Debit Payer Bank RTGS account and Credit CBO revenue account with the arbitration charges