



## POLICY ON CREDIT CARDS

(Updated as on 18.02.2022)

This master policy document gives a high-level view of all aspects of the Credit Card business. While it is imperative to link this document with additional area/domain specific policies or Standard Operating Procedures (SOPs) for a granular view, this document aims to acquaint the user with general guidelines of the Bank and also refer the users to more detailed procedures on certain aspects.

### **1. Introduction & Purpose:**

This policy shall encompass aspects of Credit Card business that are necessary to lay a strong foundation and build a guiding framework for the business. Credit Card business shall have sound practices around issuance, authorization, risk, collection etc. and partnership with various external entities which would contribute to the success of the undertaking. This document outlines aspects of Credit Card business and defines various scenarios, interactions with third parties to have clarity on such aspects in operation. The Policy along with various other policies and SOP documents shall give a complete overview of business considerations & processes.

### **2. Coverage:**

The Bank will issue both Domestic use and International Credit Cards which is affiliated to Mastercard, VISA or RuPay. This provides customers options to shop via POS & e-Com in India and abroad, withdrawal facility through ATMs etc. International card enables customers travelling overseas to meet expenses without carrying foreign currency or traveler cheques. These cards will be EMV compliant, contactless cards.

### **3. Policy Background:**

The Bank has formulated the card issuance policy closely aligning business objectives with regulatory mandates and requirements under various laws applicable. A reference of applicable regulatory and legal requirements are given below, in accordance of which the policy has been framed.

- a. Issuance of Credit Cards shall be in accordance with the instructions issued by the Reserve Bank of India from time to time.
- b. Issuance of Credit Cards as a payment mechanism shall be subject to relevant guidelines including guidelines on security issues and risk mitigation measures, card-to-card fund transfers, failed transactions, etc., issued by the Department of Payment and Settlement Systems under the Payment and Settlement Systems Act, 2007, as amended from time to time.
- c. Issuance of international Credit Cards will also be subject to directions issued under Foreign Exchange Management Act and as decided by the Bank subject to regulatory guidelines as amended from time to time.
- d. Compliance with Know Your Customer (KYC) Norms / Anti-Money Laundering (AML) standards / Combating of Financing of Terrorism (CFT) / Obligation of the banks under Prevention of Money Laundering Act, 2002 and RBI Master Direction on Know Your Customer Direction, 2016.
- e. The issuance and operations of cards shall also be subject to the rules and regulations of the card network (National Payments Corporation of India, Visa, MasterCard etc.) under which the cards are issued/ operated.

#### **4. Product types:**

It has been Bank's endeavor to offer customer convenience by issuing different cards according to the different customer segments. The Bank will issue EMV compliant contactless cards and card controls as per RBI will be applicable.

For Credit Cards, the Bank will create different Customer Value Propositions (CVPs) in terms of card offerings. These will have specific names, targeted to specific customer segment (s) and have documented benefit structure, and designs. The Bank may issue other variants as well in due course of time and may close existing variants, if and when need arises.

The Bank will be issuing cards in association with network providers MasterCard, NPCI (Rupay), VISA which can be used at various POS terminals, E-commerce websites, etc. connected to the various networks.

Bank's Credit Card product portfolio shall consist of the following types:

##### ***4.1 Secured card:***

In this product, the credit shall be secured through a Deposit (collateral) that the customer keeps with the Bank. However, the Bank will liquidate the deposit at 90 DPD. Exceptional cases will be reviewed separately.

##### ***4.2 Unsecured card:***

The Bank shall issue Unsecured Credit Cards after evaluating the customers based on various factors like their credit history, financial strength, etc. subject to satisfactory KYC / AML checks and other regulatory checks.

##### ***4.3 Add-on card:***

The Bank shall issue add-on card to be availed by the immediate family members of the primary cardholder. Bank shall take the proper operational measures to issue such cards with same properties and sharing the same credit limit as the primary Credit Card to which it is linked to.

##### ***4.4 Product Variants:***

The Bank shall offer different variants of credit cards. These will have specific names, targeted to specific customer segment (s) and having documented benefit structure, and designs. The Bank may issue other variants as well in due course of time and may close existing variants, if and when need arises. Such additions and closures will be approved by the Business Head after obtaining approval from MD & CEO.

#### **5. Credit Card Issuance:**

##### ***5.1 Eligibility:***

##### ***5.1.1 General Conditions for issuance of Credit Cards:***

- The purpose of Credit Card is to facilitate the purchasing process for customers at specific merchant points.
- The Bank shall issue the cards based on specific request of the customer. No unsolicited cards shall be issued to account holders of the Bank unless it is a replacement card for an expired card. For pre-approved cards, customers will have to accept the terms before availing the card.
- Terms and conditions governing the issue and use of Credit Cards is available on Bank's website and will be made available to cardholders on request and the relationship between the Bank and the card holder shall be contractual.
- New variants can be approved under the Bank's new product approval framework

#### ***5.1.2 Issuance of Credit Cards to various customers:***

Credit Card can be issued to following customers:

- All existing customers of the Bank meeting relevant credit conditions as per Bank's Credit Card on-boarding policy.
- New to bank customers willing to avail Credit Card from the Bank.
- Corporate Credit Card to be issued for non-individuals/corporates based on eligibility which will be decided by the Bank.
- Credit Cards issued through co-brand arrangements approved by the bank

Credit Card Product team may decide to issue Credit Cards to new to bank customers as and when deemed fit. Product team can also opt for a partnership driven approach to acquire new Credit Card customers and considering any favorable partnership can also opt to issue cobranded cards in accordance with cobranded credit card norms which forms part of this policy. Corporate card is covered in this policy for future plans subject to normal approval processes.

#### ***5.2 Customer Types:***

The Bank would issue cards to both Existing to Bank (ETB) as well as New to Bank (NTB) customers. Both of these categories of customers can also be sub-categorized as Existing to Credit and New to Credit customers. From time to time, the Bank may strategize to cater to specific sets of customers and the said strategy may change with time.

##### ***5.2.1 Existing to Bank Customers (Pre-Approved):***

Existing customer base of the Bank would be assessed by Bank's Analytics division and pre-approvals may be given to a subset of them, who may be communicated about the pre-approvals through promotional SMS/mailed with Credit Card offering. Such customers may apply for Credit Card through designated channels offered by the Bank like FedNet, FedMobile, Web on-boarding. On satisfying the pre-set parameters, the Bank shall issue Credit Card through a straight through process (STP) i.e. a digital automated process without any manual intervention. Digital acceptance of most important terms and conditions will be done by the customer during this journey.

##### ***5.2.2 Existing to Bank Customers (Non-Pre Approved):***

Existing customer base that does not form a part of Pre-Approved customer base would be categorized as Non-Pre Approved Existing to Bank (ETB). Such customers may apply for Credit Card through designated channels offered by our Bank and on satisfying the pre-set parameters, the Bank shall issue Credit Card (Straight through process). In case the customer does not satisfy any of the norms applicable for Straight through processing, such applications shall be evaluated manually by the credit underwriting team after collecting additional documents if any, and application shall be processed/ rejected accordingly.

### ***5.2.3 New to Bank customers:***

This segment shall consist of clients/prospects that do not have an account or relationship with the Bank. Such customers may apply for Credit Card through designated channels offered by our Bank and on satisfying the pre-set parameters, the bank shall issue Credit Card (Straight through process). In case the customer does not satisfy any of the norms applicable for Straight through processing, such applications shall be evaluated manually by the credit underwriting team after collecting additional documents if any, and application shall be processed/ rejected accordingly. The Bank may choose to serve Credit Cards to NTB customers, subject to verification, KYC and adherence to other regulatory checks.

The Bank reserves the right not to issue Credit Card to individuals/entities/group of entities and provide the reason for rejection of card.

### ***5.2.4 NRI Customers:***

The NRI segment are customers who reside in a foreign location (outside India). The Bank may issue Credit Cards to this segment of customers. The Bank shall issue cards secured by deposits (FD/TD/RD) kept with the Bank. If customer chooses to liquidate the deposit, the Bank reserves the right to modify the limits based on other deposits kept by the customer with the Bank, or to terminate the Credit Card account. The Bank may also choose to provide unsecured Credit Card to customers, aligned to the RBI guidelines.

### ***5.2.5 Staff (Federal Bank Employees including former employees):***

Eligibility and Limit Assignment of Credit Cards for the Bank employees will be finalised after obtaining necessary approvals from HR Department. Credit Card facility shall be without prejudice to the prevailing Service Rules, if any. HR Department will be suitably informed prior to enhancing the limits for employees.

Employees of subsidiaries and associates of Federal Bank shall be offered Credit Cards in due accordance with the regular policies of the Bank.

## ***5.3 Operations:***

The Bank will follow laid out and documented processes for running Credit Card operations. The pre-issuance operations may include but not limited to acquisition processes through different channels, documentation, inventory management, internal processes such as card and pin generation processes, third party tie-ups, vendor management, program and campaign management etc.

The post issuance processes include operations around but not limited to account maintenance, card replacement, add on cards, transaction reversals and refunds, EMI conversions, waivers / closure, rewards etc. Additionally, operational processes revolves around reconciliation and settlement, repayments through various channels etc. The Bank shall identify all such processes and lay down SOPs for manual and automated processes.

### ***Business Process Outsourcing (BPO)***

The Bank shall make use of BPO services offered by reputed agencies who have expertise in handling Credit Card operations. The Bank shall conduct a proper due diligence before engaging with entities for BPO services. All aspects of Operations, with roles & responsibilities, will be documented in a Standard Operating Procedure (SOP). Where applicable, the SOP will be signed off by both the Bank and the service provider.

## ***5.4 Channels:***

The Bank has identified some designated channels through which a customer may apply for a Credit Card. The customer category and the product type available presently is shown in the Matrix below. Customer consent will be obtained before on-boarding. As technology and processes evolve, this

matrix would evolve and changes to the matrix will be approved at the Business Head level with due concurrence from other relevant departments:

Channels	Customer Type		Card Type		
	ETB	NTB	Primary	Add-on	Secured
FedNet	No	No	No	No	No
FedMobile	No	No	No	No	No
SMS/Web Journey	Yes	Yes	Yes	No	Yes
Call Centre Inbound	Yes	Yes	Yes	No	Yes
Call Centre Outbound	Yes	Yes	Yes	No	Yes
Branch Visit	No	No	No	No	No
Bank Corporate Website	Yes	Yes	Yes	No	Yes

#### ***5.5 Use of Direct Sales Agent (DSAs) / Direct Marketing Agents (DMAs) / other agencies:***

With a view to augment and drive the sales of Credit Card business or to offer personalized services to Bank's existing clientele at their doorstep as also to reach out to new customers, third party agents may be used to provide services of sourcing Credit Card applications, as per the requirements of the Bank, and as and when need arises. Based on the application, the Bank may issue Credit Card to the applicant, subject to mandatory checks and verifications.

#### ***5.6 Postal services:***

The Bank shall be responsible for delivery of Credit Cards / PINs to customers in a timely manner. Bank may use the services of postal/courier service providers or partner with such entities to deliver cards / pins. The Bank shall identify serviceable areas / non-serviceable areas for the courier / postal partner while going for a partnership. The Bank shall make provisions to cater to customers from serviceable pin codes. In case, some areas could not be serviced by courier / postal partners, the bank shall reject applications from such areas, whilst communicating the same to the applicants.

#### ***5.7 Welcome kit & other peripherals:***

The Bank may add a welcome kit for specific variants of card, considering the product variant, issuance cost, terms of use etc. Mention of such welcome kit should be there on the brochures, the bank's website or third-party aggregator's site.

#### ***5.8 Pin / e-pin generation and activation:***

Customers may request for an e-pin or a physical PIN to activate the Credit Card. The Bank shall have provision to generate PINs corresponding to different customer requests and communicate to the customers through appropriate channels. Physical PIN shall be issued only in exceptional cases, which the Bank will define from time to time.

#### ***5.9 Charges & Penalties:***

The Bank reserves the right to issue different variants of card at different points of time. Some variants may be specific to geographies, with specific issuance cost. The Bank may also close any variant in case they decide to. The Bank reserves the right to modify the charges of existing variants from time to time with due prior notice to customers.

The Bank may provide various services for which, Bank may charge the customer on a non-discriminatory basis as decided by the competent authority from time to time. The Bank shall be entitled to charge for various card related issuance and maintenance services.

Below are the illustrative charges for Credit Card. The list is subject to revision from time to time. Revisions to the charges (including and not limited to including new categories) will be approved by MD & CEO and will be included in the Annual Review of Service Charges presented to the Board at an annual frequency:

- A. Issuance Charges
- B. Annual Charges
- C. Card Replacement Charges
- D. Cash Advance Charges
- E. Late Payment Charges
- F. Finance Charges
- G. Over limit Charges
- H. Payment Return Charges
- I. Physical Statement Charges
- J. Rewards Redemption Charges
- K. Balance Transfer Processing Charges
- L. Charges of Revolving Credit
- M. Auto EMI Conversion Charges
- N. Loan Processing Fee & Pre closure Charges
- O. Fuel Transaction Charge
- P. Railway Ticket Purchase Fee
- Q. Card Validation Charges
- R. Priority Pass Lounge
- S. Outstation Cheque Processing Charges
- T. Foreign Currency Transactions
- U. Goods and Services Tax (GST)

The Bank may impose penalties on case to case basis on grounds related to falsified claims, attempt to dupe etc.

#### ***5.10 Annual charges:***

The Bank is responsible for the annual maintenance of the customer card account. Charges associated with annual maintenance will be specified in the Most Important Terms and Conditions (MITC) and accepted by the customer as a part of the on-boarding process.

#### ***5.11 Issuance fees:***

The Bank would assign specific issuance fee with specific product variant. Post issuance, the Bank will charge stipulated annual fees from the card accounts, as per the agreed terms. However, the Bank reserves the right to waive charges on specific grounds on a case to case basis.

#### ***5.12 Add on/Supplementary Cards and Cards replacements:***

Customers may login to the Bank's Internet banking / mobile banking account and apply for an Add-on Card or a Supplementary Card. The Bank may also allow issuance of Add on cards through Direct Sales Agent (DSAs) / Direct Marketing Agents (DMAs).

In case of requests for replacement from customers, or any information on the theft/ loss / damage of cards from the customer, the Bank shall issue replacement cards to the customer. The costs of such cards shall be determined by the Bank and they may be revised from time to time.

#### **5.13 Daily cash withdrawals & Transaction Limits:**

The Bank shall define transaction limits for each card for each customer. The Bank shall define a percentage of credit limit as cash withdrawal limit. However, such limits can be changed from time to time, in which case, customers would be given information on the changes and date of effect.

#### **5.14 Interest rates:**

The Bank shall determine the Annual interest rates for the revolvers, and other interest rates based on sound financial analysis. Such rates would be clearly defined in the product features. However, the Bank may impose dynamic rates too based on several parameters, in which case, details shall be clearly mentioned. The changes and the date when the changes would be effective will be informed to the customers. The Bank shall charge interest on Credit Card outstanding dues post the payment due date.

The Bank shall assign an interest free period to all the cardholders for paying the accumulated dues of a specific time-period. Bank may choose to increase or decrease this interest free period at any point of time, provided sufficient prior notice is given to the existing cardholders.

#### **5.15 Renewals:**

The Bank would renew Credit Cards before the expiry date. Reissuance shall be done in advance, to minimize the customer inconvenience. The Bank is responsible for the delivery of the new card to the customer's registered address, close the expired card account, migrate points & other benefits to the new card account post activation of new card and PIN transfer. Customer would be responsible for activation of new card. However, the Bank would engage with the customer in case of non-activation from customer end, for completing the process and providing continuous services.

#### **5.16 Loss of card:**

- i. The Bank shall immediately block a card, whenever information on theft, loss or similar kind of misplacement news is reported. Customers shall have the facility to block a card through any of the alternate channels where the Bank has enabled such facility. Such actions would adhere to Bank's guidelines on fraud loss mitigation policy.

#### **5.17 Termination of account:**

The Bank shall terminate a card account after obtaining application and consent from the customer. Subsequent to termination of account, the Bank shall not permit any form of transaction from the particular card account. During the course of closure, the Bank must ensure, all dues are settled for the particular account. In case of pending dues, the Bank may take appropriate measures deemed fit on case to case basis. The Bank may also decide to terminate a card account due to inactivity/dormancy.

#### **5.18 KYC/AML compliance:**

Credit Cards issued either to the Bank's existing account holders or to new applicants would be KYC/ AML/ CFT compliant. The Bank would abide by applicable Prevention of Money Laundering Act/ Rules/ Regulations and RBI instructions / guidelines on KYC / AML / CFT comprising of guidelines and

Bank's Financial Crime Compliance Policy around (a) Customer Acceptance (b) Risk Management (c) Customer Identification Procedures (CIP) and (d) Monitoring of Transactions

#### ***5.18.1 Acceptable compliance:***

In case, Bank's acceptance criteria around KYC / AML / CFT are met, the Bank may issue Credit Cards to respective applicants with limits as deemed fit post risk assessments. However, the Bank shall have the authority to deny issuance of Credit Card to any entity, even with acceptable KYC / AML / CFT, based on its discretion.

#### ***5.18.2 Unacceptable compliance:***

If the Bank's acceptance criteria around KYC / AML / CFT are not met while assessing an application, the Bank reserves the right to deny Credit Cards to respective applicants. On case to case basis, however, the channel of application may re-submit requisite documents for re-evaluation. The Bank may consider the resubmitted KYC documents for re-evaluation and based on the outcome may grant or deny Credit Card to the applicant.

#### ***5.19 Use of Credit Bureaus:***

The Bank shall employ services from credit bureaus for individual credit information for taking a decision to issue or not issue a Credit Card.

#### ***5.20 Introduction of New Cards:***

The Business Head shall introduce new cards depending on the business opportunities with the approval of MD &CEO.

#### ***5.21 Introduction of RBI card controls:***

As per RBI circular released on 15th Jan 2020, RBI has directed all Banks to restrict the usage of debit/Credit Cards through multiple channels like e-com/International/contactless unless specifically requested by the customer. In accordance thereof, the applicable restrictions will be imposed on usage of our Credit Cards as well. Customers shall be able to manually enable card not present/ International/ NFC functionalities and set the Credit Card limits through multiple channels like FedMobile, FedNet or IVR.

#### ***5.22 Launch of Tokenization:***

- Bank will offer Tokenization as a feature for credit cards. Tokenization is the replacement of the card number with an alternative number, referred to as a token. With tokenization, we will be able to convert customer's card details into a token which can be further used to make secure payments via Samsung pay, Jio pay, G-pay...etc. or contactless payment using NFC (Near Field Communications), MST (Magnetic Stripe Technology) etc. This can be used to pay merchants in day to day transactions.
- Tokenization transforms card holder details into digital tokens. The purpose of tokenization is to swap out sensitive data—typically payment card or bank account numbers—with a randomized number (token) in the same format but with no intrinsic value of its own and the payment can be made with just a tap of your smartphone. The card can also be used to make payment through Bharath QR and in app merchants like Gpay and Jio pay.

#### ***5.23 Launch of Recurrent (SI) transactions through Credit Cards:***

- Bank shall offer customer the convenience to register for recurrent transactions by enabling processing of e-mandate on Credit cards in line with the conditions laid by RBI circular dated 21st Aug 2019.

## 6. Terms and conditions for issuance of cards:

- Credit Cards may be offered to customers/applicant strictly upon his / her request and the Bank shall not dispatch a card to any customer unsolicited, except for re-issuance of card upon expiry of the card.
- The relationship between the Bank and the card holder shall be contractual.
- The Bank shall document a set of contractual terms and conditions governing the issuance and usage of the cards for all the cardholders. These terms shall maintain a fair balance between the interests of the parties concerned.
- The terms of issuance of the card shall be expressed clearly and unambiguously.
- The terms shall specify the basis for all charges, but not necessarily the amount of charges, at any point of time.
- The terms shall specify the period within which the Credit Card account would normally be debited in course of a transaction.
- The Bank may choose to alter the terms at any point of time. However, a notice of the change shall be given to the cardholder with sufficient time, to enable him / her to discontinue the facility in case he / she so chooses to. A period shall be specified after which, the cardholder shall be deemed to have accepted the terms if he had not taken any action to discontinue the facility during the specified period.
- The terms shall impose responsibility on the cardholder for safeguarding of the card and the means (such as PIN or code) of its use.
- The terms would put the cardholder under obligation not to record the PIN or code, in any form, that would be intelligible or otherwise accessible to any third party if access is gained to such records, either through honest or dishonest means.
- The cardholder shall be under obligation to notify the Bank immediately after he / she becomes aware of any of the following:
  - (a) Loss, theft or copying of the card or any other means that might enable it to be used by another entity
  - (b) Record of any unauthorized transaction on the cardholder's account
  - (c) Any error or other irregularity in the maintaining of the account by the Bank
- The terms shall specify a contact point (call center number, email address, etc.) to which the customer can make such notifications. Such notifications may be made at any time of the day or night.
- The terms shall specify that the Bank shall exercise care when issuing PINs or codes and shall be under obligation not to disclose the cardholder's PIN or code, except to the cardholders.

- The Bank shall advise cardholders to provide their mobile numbers (which would be mandatory) and, email IDs (which would be optional) to which intimation/alert shall be sent whenever a transaction is made using the card.
- The terms shall specify that the Bank shall be responsible for direct losses incurred by a cardholder due to a system malfunction directly within Bank's control. However, the Bank shall not be liable for any loss caused by a technical breakdown of the payment system if the cardholder was informed of the system breakdown by a message on the device's display or otherwise. The responsibility of the Bank for the non-execution or defective execution of the transaction shall be limited to the principal sum and the loss of interest subject to the provisions of the law governing the terms.

## **7. Security and other aspects:**

- The Bank shall ensure full security of its Credit Cards in terms of data security and losses incurred, if any, by any party on account of breach of data security or failure of the security mechanism deployed by the Bank. In all other scenarios, it shall be the mutual responsibility of Customer as well as the Bank.
- The Bank shall keep internal records to enable operations to be traced and errors to be rectified (taking into account the law of limitation for the time barred cases) as instructed by RBI, Maintenance of records Rules and PML Act/ Rules.
- The cardholder shall be provided with a documented record of the transaction after he/ she has completed it, either immediately in the form of receipt or within a reasonable period, in another form such as the customary bank statement.
- The Bank shall provide means whereby the customers may, at any time of the day or night, notify the loss, theft or copying of the card.
- On receipt of notification of the loss, theft or copying of the card, the Bank shall take immediate actions to stop any further use of the card.
- A customer's entitlement towards liability for an unauthorized transaction will depend on factors like time duration in which the Bank is notified of the transaction, nature of the transaction and amount of the transaction. This will be governed as per the Bank's Board approved policy on Customer Protection - Limiting Liability of Customers in unauthorized Electronic Banking Transaction.
- With a view to reducing the instances of misuse of lost / stolen cards, the Bank shall consider any advanced methods that may evolve from time to time.

## **8. Marketing & Promotions:**

### **8.1 Branding:**

Branding shall be done in line with the branding policy of the Bank. Marketing Department of the Bank will decide on brand specifications to be carried on all cards. The Bank may choose to brand different Credit Card products with the view to access to a focused customer base, or increase average spends per card or improves customer stickiness. During the course of branding Credit Cards, Bank shall adhere to the vision, mission and values of the Bank. The Bank shall uphold the integrity and reputation of the Bank brand and in no point in time shall participate in any kind of activity, design, promotion etc. which might adversely affect the reputation of the Bank.

## **8.2 Marketing & Promotions:**

- Marketing and promotions will be in line with the Bank's marketing guidelines. Marketing Department of the Bank will decide on the quality of communications being done in association with business teams.

## **9. Partnerships:**

### **9.1 Partnership with third party service providers:**

The Bank may choose to partner with any entity to augment Credit Card sales or to inculcate any product feature. The engagement with such partners can be, but not limited to (a) Contribution to top and bottom line with shared revenue (b) Better brand visibility (c) Enhance customer loyalty.

### **9.2 Partnership with network service provider:**

The Bank and any network service provider may enter into a partnership which may include but not limited to sharing marketing expenses, waiving cost components etc. with the view to a mutually beneficial agenda.

Partnerships with all such entities can be long term, co-branding or seasonal / promotional, based on the agreement made with the Bank.

### **9.3 Co-Branding Partnership:**

In case of co-branded Credit Cards typically an issuing bank partners with corporate/merchant with features customized to benefit the users of both the bank & corporate. The Bank may participate in any such partnership as when the Management/Product team deems fit and correspondingly issue co-branded Credit Cards to the customers.

## **10. Outsourcing of Card related activities:**

All outsourcing activities of the Bank shall comply with the board approved outsourcing policy of the Bank. Sharing and transfer of data will be according to the Bank's Information Systems Security Policy (ISSP). Activities outsourced can change from time to time.

## **11. Credit Risk:**

The Bank has defined the measurement framework for credit risk, a range of acceptable credit risk profile for different sets of customers, the parameters of credit risk, and has formulated a management framework through credit risk policy to maximize the risk-adjusted rate of return by maintaining credit risk exposure within an acceptable range.

In doing so, the Bank has taken adequate measures to address the following:

- 11.1 Establishing an appropriate credit risk environment
- 11.2 Operating under a sound credit granting process
- 11.3 Maintaining appropriate credit administration, measurement and monitoring process
- 11.4 Ensuring adequate controls over credit risk

These practices shall be applied in conjunction with sound practices related to the adequacy of provisions and reserves, and the disclosure of credit risk.

### **11.1 Establishing an appropriate credit risk environment:**

1. The Bank shall be responsible for approving and periodically reviewing the credit risk strategy of the Bank. The strategy shall reflect the Bank's risk appetite and the level of profitability Bank expects to achieve for incurring the credit risks.

2. Bank's Credit Risk team shall be responsible for developing policies and procedures for identifying, measuring, monitoring and controlling credit risk. Such policies shall address credit risk in Bank's activities and operations from both individual and portfolio levels.

#### ***11.2 Operating under a sound credit granting process:***

1. The Bank shall operate within well-defined criteria for credit approval, defined within a policy for the Credit Card product. These criteria should clearly indicate Bank's target market for Credit Cards, understanding nature of borrower and their modes of repayment.
2. The Bank has laid down a clearly established process for approving new Credit Cards as well as the amendment and renewal of existing Credit Cards.

#### ***11.3 Maintaining appropriate credit administration, measurement and monitoring process:***

1. Condition of individual credits, including determining the adequacy of provisions and reserves will be monitored as a part of Retail Risk Forum on a monthly basis.
2. The Bank shall have information systems and analytical techniques that enable management to measure the credit risk.

#### ***11.4 Ensuring adequate controls over credit risk:***

1. The Bank shall establish a system of independent assessment of the Bank's credit risk management processes and the assessment results shall be communicated directly to the Bank's senior management.
2. The Bank shall ensure that the credit-granting function is being properly managed and that credit exposures are within levels consistent with prudential standards and internal limits.
3. The Bank shall have a system in place for remedial action on deteriorating credit health, managing problem credits etc.

### **12. Systems:**

The Bank shall formulate systems to ensure efficient operations of Credit Cards system. The Bank should implement systems, IT infrastructures etc. to aid such endeavors. The Bank shall get into a license model or may make any capital investment on such systems, as and when deemed fit. The Bank shall partner with different network service providers for different issuance phases, based on the agreement the Bank makes with such parties.

### **13. Transaction Authorization and Fraud Management:**

The Bank shall put in place appropriate measures to regulate electronic transactions causing debits to customer accounts/ cards, with a view to ensure customer's and Bank's protection against fraudulence. A separate comprehensive Transaction Authorization and Fraud Management policy would encompass defining various scenarios of transactions, including regulatory requirements as enunciated by Reserve Bank of India (RBI).

#### ***13.1 Types of electronic banking transactions:***

Electronic banking transactions can be broadly divided into two categories:

- (i) Remote/ online payment transactions (transactions that do not require physical payment instruments to be presented at the point of transactions e.g. internet banking, mobile banking, card not present (CNP) transactions), Pre- paid Payment Instruments (PPI), and

- (ii) Face-to-face/ proximity payment transactions (transactions which require the physical payment instrument such as a card or mobile phone to be present at the point of transaction e.g. ATM, POS, etc.)

Transaction Authorization rules shall be applicable on scenarios encompassing the following (but not limited to):

- (a) Credit Limit Availability & Card Particulars verification
- (b) Transaction from primary and add on cards.
- (c) Consecutive contactless transactions
- (d) Transactions from a discontinued BIN, Suspended card, Blocked card (cooling period to unlock), hot-listed cards, counterfeit cards
- (e) Authorization of DCC (Dynamic currency conversion) on Forex transactions
- (f) Pre-Authorized transactions
- (g) Auto Recurring transactions
- (h) QR transactions Authorization

#### **14. Repayment:**

Bank will have channels and systems in place allowing customers to repay the dues on time.

##### **14.1 Channels:**

The channels for repayment would include electronic settlement through the Bank's net banking / mobile application, dedicated online platform for Credit Cards (as and when developed), auto debit from accounts with standing instructions, NACH, payment gateways (NEFT, UPI, IMPS), cash or through cheques.

##### **14.2 Minimum due & Full repayment:**

The Bank shall formulate the minimum due and full repayment amount based on sound economic practices and industry practices. Charges/implications of the following shall be clearly communicated to the customers:

- (a) Non repayment of minimum dues by due date
- (b) Payment of just minimum due amount
- (c) Payment more than minimum due but less than total due
- (d) Payment over total due amount

##### **14.3 Late payment:**

The Bank shall clearly define the timelines of payment and corresponding fees applicable on late payments either on the product brochure or on online platforms. Any changes on the fees shall be properly communicated to the customers.

##### **14.4 Non-repayment:**

In case of non-repayment, the Bank must ensure adequate measures, including having an appropriate collection mechanism to minimize credit risk

#### **15. Collections:**

The purpose of the collection policy is to create a set of standardized policies and procedures for collection activities. An effective collection policy is essential to keep a strong control on the credit

portfolio and thereby ensuring that the credit expense of the organization is low. It is essential to adopt effective collection strategies that promote on – time repayment as well as manage delinquencies better.

#### **15.1 Scope:**

The quality and performances of advances have a direct bearing on the profitability of the Bank. Despite an efficient credit appraisal, disbursement and monitoring mechanism, problems can still arise due to various factors and Non-Performing Asset (NPA) may arise. These factors may be internal or external.

#### **15.2 Objective:**

The objective of a separate Comprehensive Collection Policy may be the following:

- a. Minimizing delayed payment post due date
- b. Ensuring lower forward flow from initial bucket (from 0-30 DPD to >30 DPD).
- c. Reducing the impact of provision and losses on different products – secured & unsecured.
- d. Rescheduling customers who have short term genuine repayment inability with the right intent of payment.
- e. Educating customers on the benefits of prompt repayment and consequences of non-payment
- f. Ensuring control on collection cost
- g. Ensuring compliance with regulations and applicable Code of conduct
- h. Managing collection of penalty fees based on Federal norms

#### **15.3 Collections Governing Structure:**

The Bank shall define a governing enterprise for collections and the same may include internal as well as external stakeholders as and when an appropriate collection partner is agreed upon.

#### **15.4 Identifying Overdue:**

The action plan for recovering defaults will vary depending on the reasons of default. The Bank shall identify and define various reasons for default & subsequently develop an action plan for arrear collections.

#### **15.5 Collections Strategy:**

Collection strategy for the Bank will be based on days past due & reasons for overdue. The Bank shall define work with collection agencies including field and tele-calling.

There shall be a time bucket-based activity structure with corresponding monitoring authority for the respective activities.

Separate norms applicable on Collections and NPA for Credit Cards are included in the NPA Management Policy maintained by Loans Collection and Recovery Department.

#### **15.6 Dunning strategy:**

The Bank shall define time bucket-based dunning strategy for debt collection purpose. Those will include calls, reminder notices for the customers etc. This shall include sending SMSs and calls on pre-defined frequencies, sending bank issued letters and field visits on case to case basis.

#### **15.7 Legal aspects:**

The collections policy shall define a time period beyond which legal actions can be taken on defaulters. The different types of legal actions will be defined in the MITC which will be accepted by the customer before on-boarding.

## **16. Customer Relationship Management:**

The Bank shall focus on a Credit Card Customer Relationship Management (CRM) to better serve the customers. Based on the functionalities of the CRM platform, the bank shall strive to create a seamless, effortless, personalized experience for customers, a consolidated and responsive Customer Relationship Management (CRM) solution. During client servicing, a bank personnel requires several customer information handy to serve the customer effectively. The Bank's CRM shall serve that purpose with a consolidated view of customer's product holdings, cases, deliverables, leads, appointments etc. in a single frame. The Bank may opt to outsource CRM module as a part of Card Management solution.

## **17. Lead Management:**

Lead Management system shall entail capture of self-generated leads (different internal or external sources) and updating the same, central upload of leads for fulfillment and assignment of leads to fulfillment unit basis predefined logic.

### ***17.1 Lead generation through Internet banking web/mobile app:***

New to bank (NTB) customers may provide inputs on the Bank's Internet Banking website / portal or Mobile Banking application with required information which in turn would become the Bank's leads for Credit Card issuance.

### ***17.2 Lead generation through third party aggregator's website/app:***

Bank may enter into formal partnership with any third-party aggregator site or application and provide an option to the customers to apply for the Bank cards through the aggregator platform. Customers may provide their details on the third-party platforms which in turn may be leads for the Bank.

### ***17.3 Lead generation through third party service provider's web/link:***

As and when any formal partnership may be dealt upon by the Bank with any third-party service provider site or application, customers may have the option to apply for the Bank cards through the service provider platform. Depending on the kind of developments, customers may have the options to provide their details on either the third-party platforms or on the Bank's platforms (once routed). Bank shall treat such applications as leads.

## **18. Reports:**

Reports being one of the most important tools to track different types of information which translates into a responsive approach towards customer service, Credit Card system shall provide information or reports to internal stakeholders in a concise fashion on various business/operations metrics. The system shall define various reports and the fields to be populated corresponding to each report.

### ***18.1 Formats & Filters:***

All the reports shall be on downloadable and computable format (in addition to any other format deemed necessary from time to time). Among the fields present in any report, filter conditions shall be available wherever deemed fit, viz. Equal, Not Equal, In, between etc. Depending on different types of the information that user might require to derive from the report, user can change the filters as per their requirement. Type of reports may vary depending on the stakeholder viewing the report.

## **19. International Credit Cards:**

Issuance of international Credit Cards shall be subject to the guidelines issued under Foreign Exchange Management Act, 1999, as amended from time to time. The Bank shall obtain membership of FEDAI, Authorized Dealer –Category 2 license from RBI, and any other membership / approval as required for completing cross-border transactions on such international Credit Cards.

The Bank reserves the right to regulate the issuance, operations, transaction authorization of international Credit Cards. The Bank also reserves the right to change such rules with time and the corresponding customers would be given prior notice.

Prohibitions on international Credit Card usage such as purchase of prohibited items, like lottery tickets, banned or proscribed magazines, participation in sweepstakes, payment for call-back services, etc. have been formulated in the transaction authorisation policy

International transactions at ATMs or POS should be carried out by the cardholder strictly in accordance with FEMA/Exchange Control Regulators. Cardholder should abide by all guidelines issued by the Reserve Bank of India and the Government of India regarding international use of the Credit Card and foreign currency transactions. Conversion of the foreign currency amount will be done at rates decided by the various parties involved. The Bank shall not be responsible for the rate of conversion or fluctuation in the exchange rate and such rate of conversion shall be binding on the customer. The Credit in the Cardholders account will be in Indian Rupees. The total amount of transaction on the card will be limited to the extent of the balance available in the Credit Card account. There is a system level check to block selected transactions (like international transactions using Credit Cards in Nepal/Bhutan.) in order to comply with FEMA regulations.

### **19.1 Forex transactions on Credit Cards:**

The Bank shall formulate policies around forex transactions for different card products. Such transaction rules shall be defined in the transaction authorization policy.

## **20. Grievance Redressal:**

In case of any complaints / grievances, the customers shall access to a variety of options to register, monitor and escalate the same as defined in the grievance redressal policy of Bank. Bank shall provide dedicated email IDs and phone number to customers as laid down in Grievance Redressal Policy.

All complaints will be acknowledged and provided a reference number. Each complaint will be investigated with due care and customer is provided with response from the Bank within the stipulated time period. The grievance redressal procedure of the bank and the time frame fixed for responding to the complaints are displayed at branches and published on the bank's website. The name, designation, address and contact number of important executives as well as the Grievance Redressal Officer of the bank shall also be displayed on the website.

The review of complaints on Credit Cards will form part of the regular reviews conducted on complaints in the Bank. This shall include and not be limited to, details presented to the Standing Committee on Customer Service, the Customer Service, Marketing Strategy and Digital Banking Committee of the Board and, where applicable, to the Board.

## **21. Review of Operations:**

The Business Department who is the owner of cards portfolio, at present Retail Assets & Cards, shall place a half yearly review, as at the end of September and March of each accounting year, before the Board / Management Committee on card operations which should cover essential data on Credit Card business, such as category and number of cards issued and outstanding, number of active cards, average turnover per card, number of establishments covered, average time taken for recovery of dues from the card holders, debts classified as NPAs and provisions held there-against or amounts written off, details of frauds on Credit Cards, steps taken to recover the dues, profitability analysis of the business, etc.