Retail Credit Card Policy 2021

Version 1.0

Risk Management Department
Central Office
Karur

RETAIL CREDIT CARD POLICY 2021

INDEX

01. Introduction :

It is felt necessary to have a well-defined Retail Credit Card Policy for retail customers of the bank and it spells out in detail about credit card issuance and other guidelines of the bank.

Reserve Bank of India vide their master circular DBR.No.FSD.BC.18/24.01.009/2015-16 dated July 01, 2015 has advised Banks to formulate policy guidelines for Credit cards issued by Banks. This Retail Credit Card Policy aims at providing risk appetite for retail credit card, ceiling on our exposure to this segment, general policy guidelines on issuing norms, margin, security norms, interest rate, delegation of powers etc and the systems and controls expected of them in managing the credit card business and the best practices that should be ensured.

This document, **The Retail Credit Card Policy**, will be the guiding document for all Policies and Procedures related to the Retail Credit Card within the bank. This document will be jointly owned by PBAG and Retail Credit Risk department, who will take inputs from the RMD/Retail Credit Risk Department to ensure that the policy also is in line with the changes in the competitive landscape and considers the changes in the Economic and Regulatory environment.

The Policy will cover all aspects of the customer journey in the bank from the time he/she is targeted for acquisition to the time that he/she completes the journey which will culminate till the customer surrender the Credit Card to the bank.

The policy will be published at RMD and IAD websites and available for use only after it has been approved by the Board. The policy will be updated as and when required and the revisions will need to be approved by MD, President&COO upon the recommendation of the Product and Risk department and the same will be it will be ratified by the Board of Directors. A catalogue of all the Credit Card Circulars issued during this interim period will be kept by the PBAG with each of the circulars being numbered chronologically. At the time of updating the policy, the policy changes issued through the circulars will be incorporated into the policy document.

02. Issue of Cards:

Each variant of retail credit card shall have separate set of guidelines on eligibility, quantum of Limit, method of assessment, rate of interest, repayment terms etc. However, the following broad guidelines shall be followed by the Bank while designing RCC.

Retail credit card shall be issued ‘only’ to individuals and add-on cards will be issued to their ‘relatives as given below’.

1. Spouse
2. Father
3. Mother (including step mother)
4. Son (including step son)
5. Son's wife
6. Daughter
7. Daughter's husband
8. Brother (including step brother)
9. Brother's wife
10. Sister (including step sister)
11. Sister's husband
12. Brother (including step brother) of the spouse
13. Sister (including step sister) of the spouse

Issue to Directors/relatives of Directors:

Issue of cards need to follow the guidelines as per Section 20 of the Banking Regulation Act 1949

Retail Cards to our employees:

Employees of the Bank shall be issued cards, subject to complying with the eligibility norms. Further, in respect of cards to the spouse/children of our employees working in other organization etc., the co-obligation/guarantee/joint application of our employee concerned shall be considered.

- The Bank may undertake Credit card business either departmentally or through a subsidiary company set up for the purpose.
- The Bank may undertake domestic credit card business by entering into tie-up arrangement for issue of credit cards.
- Bank has adopted the “Code of Bank’s commitment to customers” (Code) of The Banking Codes and Standards Board of India (BCSBI) in which the principles enunciated are incorporated.
- The Fair practices Code is made available in the website of the Bank.

- Bank shall ensure prudence while issuing credit cards and independently assess the credit risk while issuing cards to persons, especially to students and others with no independent financial means.
- Bank shall convey in writing the main reason/s which in the opinion of the bank have led to the rejection of the card applications.
- Banks shall assess the credit limit for a customer having regard to the limits enjoyed by the cardholder from other banks on the basis of self-declaration/credit ion information obtained from a Credit Information Companies (CIC).
- The Terms and conditions for issue and usage of a credit card shall be mentioned in clear and simple language (Preferably in English, Hindi and the Local Language) comprehensible to a card user. The Most and Important Terms and Conditions (MITCs) termed as separately to the prospective customers at all the stage (from Marketing to acceptance stage).
- If the Bank is offering any insurance cover to their credit card holders, in tie-up with insurance companies, the banks may consider obtaining in writing from the credit card holders the details of nominee/s for the insurance cover in respect of accidental death and disablement benefits.
- Banks can issue credit cards including co-branded credit cards.
- No risk rating will be done. All digital applications will run through score cards.

Documentation:

When the Application process is digitally started and feeding the details completes, preapproved templates are generated by the system and the same will be available to the customer for verification and subsequent electronic signature (e-sign).

03. <u>Product Offering:</u>

As a start-up, we will be offering two variants of Credit Cards:

- Signature Credit Card
- Platinum Credit Card

This document will review and cover the requirements for the cards:

Exposure to Individuals

Card Type	Minimum Exposure	Maximum Exposure
Signature Credit Card	1.50 Lakhs	10 Lakhs
Platinum Credit Card	0.25 Lakhs	5 Lakhs

04. Credit Policy Criteria/Parameters:

a) Credit card offered to the following product holding customers:

1) Liability: CA,SA,TD
2) Retail Assets: Auto-loan, business loan, Personal Loan, LAP & Housing loan
3) Overdraft accounts
4) Demat accounts
5) Third party products(Insurance and Mutual funds)
6) Any other customer as approved by MD and President from time to time.

b) Retail Customers Segmentation:

Salaried	Customers whose monthly salary credited at Bank (KVB/Non-KVB)
Self-employed	Professional, proprietors and Partners
Retired	Retired professional and pensioners
Housewife	House wives receiving regular income
Student	Students from premier institutes
Agriculturist	Agriculture income
Others	Other segment of retail customers

Sl.no	Category	Description
1.	**Target Segment**	Initially it will be existing liability, FD only and asset customers of the bank. Later it will be concentrated to NTB also.
2.	**Business Case**	Pre-approved offers help in better customer penetration and superior customer experience. Through the use of information that is available through the banking behavior and the bureau track of the customer. Objective of sourcing through pre-approved programs will help us in bring down the cost of acquisition and processing.
3.	**Risk assessment and Mitigants**	Assessment of Risk done based on Experian score, Bespoke acquisition score of each customer Mitigant: 1)Experian Score>=776 considered for sourcing, Experian >750 for vintage customers and 2) Bespoke score >=62, >56-61 if Bureau vintage>36months will be considered based on additional filters

<table>
<tr>
<td>4.</td>
<td>Portfolio exposures and impacted Geographic's</td>
<td>

Sourcing only in Metro, Urban and Semi urban areas
Any other customer segment approved by MD and President from time to time
Company category as per RMD classification or as per below

<table>
<tr><th>Balance Sheet Size (in Crores)</th><th>Category</th></tr>
<tr><td><1</td><td>E</td></tr>
<tr><td>1-25</td><td>D</td></tr>
<tr><td>25-50</td><td>C</td></tr>
<tr><td>50-100</td><td>B</td></tr>
<tr><td>>=100</td><td>A</td></tr>
</table>
</td>
</tr>
<tr>
<td>5.</td>
<td>Sourcing Channels</td>
<td>

Branches/Sales Team
DSA / Third Party Sourcing
Co-Branded cards - tie-up with corporates / other NBFCs on co-branded cards
Any other channels approved by MD & President from time to time

</td>
</tr>
<tr>
<td>6.</td>
<td>Any Impact on Delinquency/ Portfolio quality</td>
<td>
Portfolio 30+ delinquency expected to be 2.5%,

<u>Expected Delinquency:</u>

Credit Card journey designed based on unsecured retail PL journey, expected the similar delinquency trends.

<table>
<tr><th rowspan="3">Products</th><th colspan="4">February'2020</th></tr>
<tr><th>Regular</th><th>30+</th><th>NPA</th><th>Total</th></tr>
<tr><th>O/S Balance (₹ in Cr)</th><th>%</th><th>%</th><th>O/S Balance (₹ in Cr)</th></tr>
<tr><td>Digital Loan - Unsecured - EMI</td><td>283.34</td><td>1.70%</td><td>0.80%</td><td>290.63</td></tr>
<tr><td>Insta Loan - Unsecured - EMI</td><td>167.81</td><td>1.20%</td><td>1.10%</td><td>171.83</td></tr>
<tr><td>Co Lending - Hcin Personal Loan</td><td>10.39</td><td>1.20%</td><td>0.10%</td><td>10.52</td></tr>
<tr><td>Personal Loan Sec - EMI</td><td>56.54</td><td>8.30%</td><td>5.80%</td><td>65.81</td></tr>
<tr><td>Personal Loan - Unsecured - EMI</td><td>4.98</td><td>2.50%</td><td>5.30%</td><td>5.4</td></tr>
<tr><td>Total</td><td>529.26</td><td>2.40%</td><td>1.50%</td><td>550.54</td></tr>
</table>

<u>Benchmark:</u> 30+ 3MOB is 0.50%, revise the guidelines when 30+ 3MOB breaches 1.00% in consecutive 2 months
</td>
</tr>
</table>

		Expected Early mortality rate (EMR) is <3%, Trigger when breaches 3% in consecutive 2 months
7.	**Changes to existing credit policy**	Changes to the policy kept as a separate addendum(s) approved by MD & President from time to time.

c) Policy Conditions

Surrogate	Salaried	Self Employed-Professional, proprietors and Partners	FD only	Card for Card
Age	Between 21 and 65	Between 23 and 65	Between 21 and 69	Between 23 and 65
Vintage	> 12 months , 3 months if KVB Staff	> 12 months	No vintage check if FD value >=100K and tenure>=12 months	> 24 months
Cheque Returns	<= 1 (Annualized) and No recent 6 months	<=2 (Annualized) and No recent 6 months	<=2 (Annualized)	No Cheque return
Bureau/Experian Score	**Experian** score >= 776, >=700 above for KVB Staff , >=751 where Account Vintage>=36 months	**Experian** score >= 776, >=751 where account vintage >=36 months	**Experian** score >= 700	**Experian** score >= 751
BeSpoke Acquisition Score	>=62, >56-61 if Bureau vintage>36months	>=62,>56-61 if Bureau vintage>36months	>56	>=62
Income Calculation	KVB perfios for Staff/Salary credit with KVB, Non-KVB perfios for Others	KVB perfios, Non-KVB perfios for professionals	Only basis KVB FD value	Non-KVB perfios
	Minimum Salary Credit Income: >=25K	Minimum NMI : >=25K,	FD value>100K and FD Tenure >12 Months	Minimum NMI : >=50K,
Autopay /NACH mandate	Autopay mandatory to NRO/PIO customers			
Credit Limit		**<u>AQB Only</u>**:	• 80% of FD value subject to	Bureau Band / Credit Limit / Maximum Cap a. >=776 / 120% of the OBC limit / 500K b. >=751 / 100% of the OBC limit / 300K

Salary Credit/Staff

Account Vintage	Salary Credit Income	Maximum Limit
6-12M	1.5 times	300K, 5 lac for HNI
12-24M	2 times	300K, 5 lac for HNI
24-36M	2.5 times	500K, 10 lac for HNI
>=36M	3 times	500K, 10 lac for HNI

* NMI as per perfios approach

* Limits for KVB staff shall be enhanced to Rs. 10 Lakhs subject to fulfillment of other criteria

*HNI:Overall relationship value is >15lacs

CASA Vintage Months	AQB Band			
	20-30K	30-50K	50-75K	>75K
6-12 M	1.0 times	1.5 times	2.0 times	2.5 time
12-24 M	1.5 times	1.5 times	2.0 times	2.5 time
>24 M	2.0 times	2.5 times	3.0 times	3.0 time

ACB Limit:

Liability Account Vintage	ACB 35-75K	ACB75-150K	ACB >150K
12-24 Months	1.5 times	2.0 times	2.5 times
24-36 Months	1.5 times	2.5 times	2.5 times
>36 Months	2.0 times	3.0 times	3.0 times

Self-employed Income assessment basis ITR

Account Vintage	Assessed Income Multiplier	Maximum Limit
6-12M	2 times	300K, 5 lac for HNI
12-24M	2.5 times	300K, 5 lac for HNI
>=24M	3 times	500K, 10 lac for HN

* Exclude existing EMI amount from assessed income

* Maximum 50% of income to be factored if income source through Dividend or Interest income

* Exclude customer profile from Hedge funds, Stock exchange and Commodity exchange

* AQB- 12 months average balance

* ACB= AQB * Multiplier+ 70% FD+70% RD+ 50% of Mutual Fund+ 20% of Demat balance

* One lac and above FD/RD with >=12 Months tenure to be considered

FD tenure >12 months

• 70% of FD value in case of NRI customers

• Minimum FD value is 100K

• FD lien marking documentation is mandatory

CPV	1.Contact Point Verification waived for KVB staff 2. Residence / Communication address verification (FI) to be done if customer has changed it in the last 12 months 3.Mobile number verification mandatory 4. In Pre-approved program OTP and e-sign is mandated in-lieu of CPV.Pre-approved program E-sign & OTP are mandated in-lieu of CPV	1. Residence / Communication address verification (FI) to be done if customer has changed it in the last 12 months 2.Mobile number verification mandatory 3.Office Landline/extn verification mandatory (or) Branch managers FI is accepted 4) In Pre-approved program E-sign & OTP are mandated in-lieu of CPV	1.Mobile number verification mandatory 2. OTP and e-sign is mandated in-lieu of CPV	1. Residence/communication address verification (FI) to be done 2. Mobile number verification mandatory 3. Office Landline/extn verification mandatory (or) Branch managers FI is accepted 4) In Pre-approved program E-sign & OTP are mandated in-lieu of CPV

d) <u>Experian Bespoke Acquisition scorecard Bad definition:</u>

- Ever 90+ once in the last 18 months
- Account status – Written off, Wilful default, Suit filed etc.
- Outstanding balance >10000

Re-calibrated Score Bands	***Bad Rate***	***Populatiion %***
11-41	11.7%	11%
42-46	8.8%	10%
47-49	7.0%	8%
50-53	6.0%	12%
54-56	5.7%	8%
57-61	4.2%	12%
62-65	3.5%	9%
66-70	2.7%	10%
71-76	2.2%	10%
77-91	1.5%	11%
Total	5.3%	100%

e) Lien Marking

- Lien placement in CBS is mandatory for FD backed cards
- Lien documentation is mandatorily approved by the primary account holder or joint account holder(through e-sign)
- Documents required: KYC, Latest Passport size photo, E- FD will be prepared and e-Lien will be marked
- FD lien to be released only post confirmation from Credit Card cell (FRS Utility)
- Cards which are delinquent/ which have outstanding: FD to be released post set off the outstanding.

f) CPV validations

- KYC updated accounts only to be sourced
- Contact numbers should match with CBS or LOS
- Residence/office/mailing address: One of the address should match with CBS or LOS address.
- CPV waived for KVB staff
- Residence / Communication address verification (FI) to be done if customer has changed it in last 12 months
- Mobile number verification mandatory
- In pre-approved program OTP and e-sign is mandated in-lieu of CPV

g) General Conditions

- Sourcing only in Metro, Urban and Semi urban areas
- PAN India for Staff & FD only customers.
- **Dedupes:**
    - Internal bad customers database(if any)
    - Bureau bad list (if any)
    - Any other list as may be specified by the Regulator/s from time to time
    - Fraud List/MCA deregistered companies/ SARFAESI Acted list (if any)
    - AML/FATF list (if any)

h) Roll out Plan:

Pre-approved/pre-eligible base will be culled out by business analytics through data mining.

Credit card pre-approved/pre-eligible base will be rolled out to Branches, Tele-calling and DSA/DSM channel through LOS

i) Policy Triggers:

- Benchmark: 30+ 3MOB is 0.50%, revise the guidelines when 30+ 3MOB breaches 1.00% in consecutive 2 months
- Expected Early mortality rate (EMR) is <3%, Trigger when breaches 3% in consecutive 2 months

j) Documentation

Application & Photograph	1. Digitally completed Application form duly signed digitally. 2. Name of the Applicant on the KYC document should match the name mentioned in the application. 3. Address of the applicant on the KYC document should match the address entered in the application.
Proof of Identity	1. Aadhaar 2. Passport which is not expired 3. Voters ID 4. Driving License with photograph which is not expired 5. Job Card issued by NREGA duly signed by the officer of the state government 6. Letter issued by the national population register (NPR) containing details of name and address (Document should be valid at the time of submission)
Age Proof	1. Passport 2. Driving license 3. Life Insurance Policy 4. Birth Certificate 5. Election ID 6. School leaving certificates 7. Employee ID 8. Pan Card 9. Domicile certificate 10. Ration Card. (Document should be valid at the time of submission)
Income Proof	1. IT Returns for the last 2/3 years. 2. Latest bank statement (12 months) of salary account. 3. Form 26 AS

Proof of Residence	1. Utility Bill. The bill date should not be older than 2 months from the application date. 2. Property or Municipal tax receipt 3. Pension or family pension payment orders (PPOs) issued to retired employees by Gov. Departments or Public Sector Undertaking if they contain the address 4. Letter of allotment of accommodation from employer issued by state or central govt. department's statutory or regulatory bodies PSUs scheduled commercial banks FYs and listed companies and leave and license agreements with such employers allotting official accommodation.
Proof of Office/Business	1. Identity card 2. Appointment Letter 3. Salary Slip 4. Utility bill telephone bill, electricity bill (Maximum 2 months old) 5. Shop & establishments act certificate Sales tax certificate
Bank Statement	Last 12 months of operative account
Customer Verification	For existing customers (ETB of greater than 6 months) Customer Verification is not required (this does not apply for Personal Cards- 100% verification) In addition to the collection of the KYC documents, the customer's identity and address to be confirmed by way of field verifications and telephonic verifications. Existence of an applicant at the given address to be confirmed by physically visiting the address. During the physical visit, the person met and his/her relation with the applicant is to be captured. On site verification of foreign addresses is waived for NRI Cards. Mandatory checks to include- 1. Correctness of address 2. Third party confirmation from either neighbor or security guard of the society.
Consent Form	Approved consent form signed digitally by the customer either through OTP or E-sign

j) Card Status: Card is sent to customers on deactivated mode, customer can activate the card by calling call center, mobile banking and internet net banking. International transaction Limit enabling /setting options through mobile banking or calling call center can be enabled. However, Card comes with high security features and two factor authentication is required to carryout transactions. Option is given to customers to choose.

k) Card to NRI/PIO: Presently we don’t intend to issue Credit Cards to NRIs & PIOs. However in future if International Credit Cards are issued to NRIs & PIOs, the debits of which are subject to the conditions for use of the ICCs by residents. Charges on the use of ICCs should be settled by the NRI/PIO out of inward remittances or balances held in NRE/ FCNR(B)/ NRO accounts. Settlement of charges out of balances held in NRO accounts are subject to the limits for repatriation of balances held in NRO accounts specified in regulation 4(2) of Foreign Exchange Management (Remittance of Assets) Regulations, 2016.

05. **Target Market – Segments**:

For any product to succeed it is important that it is designed for the right customer/target segment. There are enough examples around the world where good products have failed because of it being offered to the wrong segment or not meeting the needs of that segment. It is for this reason that the Bank needs to understand the needs of its customers and tailor make products to meet those needs.

Customers can be segmented based on different attributes or parameters including Psychographic, based on who the Decision maker is, Behavioral (from a product usage perspective), Geographic, Distribution (Store, Online, Advertisements) or Demographic attributes.

Given the large distribution of the branches across different states and cities with different types of population (Metro, Urban, Semi Urban, Rural, Millennial) it is important to have different cards for different segments

Following are the illustrative sources of customer acquisition

- Branches/Sales Team – All branches will follow the Credit Policy for customer acquisition
- DSA / Third Party Sourcing – will strictly follow the guidelines
- Co-Branded cards - tie-up with corporates / other NBFCs on co-branded cards

- Any other channels for sourcing as approved by MD and President from time to time

The Bank with its wide distribution of branches has a presence across India and a fit for purpose technology platform to onboard the right customers using its Digital System. The digital system which an end to end digital platform will bring down the Turn Around Time for the customer, in need of a credit card, substantially.

The Bank's USP is to meet the needs of the credit worthy customers in the catchment area of its branches, by offering the right variant. This will be done while keeping the interests of the customer in mind by being transparent and ensuring the highest standards of customer service.

06. Compliance with KYC/AML standard / CFT / Obligation of banks under PMLA, 2002.

All employees must refer to the specific requirement / policy manuals that cover these topics in detail and ensure compliance. Employees must also have knowledge and understanding of the Legal, Regulatory and Compliance requirements regarding their business

Business must take steps to comply with various rules and regulations applicable for the BANK including but not limited to

- Circulars and Notices issued by the Regulator and the corresponding internal standards
- Decrees and orders issued by the court
- Ethical standards
- Internal corporate policies
- and must consult and coordinate with Legal and Compliance

Business must consult and coordinate with legal and compliance for all new variant launches, changes, updates and in all situations that has a Legal and Regulatory impact.

Regulatory Requirements

Refer to compliance department for detailed list of regulatory requirements.

Lending Practices

Internal processes and controls should be implemented to ensure compliance to applicable credit card laws and protect the reputation of the organization

Business must ensure steps to comply with fair lending requirements, every customer to receive a fair, equal and customer friendly response from the Bank without discrimination. All credit decisions must be taken in an objective manner.

Data protection

Business must ensure compliance to data protection and privacy laws that affect the collection and use of personal customer information.

Refer to information security policy of the IT department.

Anti-Money Laundering

Business must ensure compliance to the Know Your Customer Policies, Processes and controls. There must be steps taken to ensure verification of customer identity, obtain and document accurate information on customers for mitigation of fraud and money laundering risks.

Necessary steps must be implemented to ensure training of staff on internal processes and controls regarding KYC standards to ensure clear understanding of customers profile as well as source of funds.

For further information, refer the AML and KYC policy / contact the respective Anti Money Laundering officer or Compliance Officer

Control and Escalation

Business along with compliance and control functions take steps to

- Implement monitoring and oversight to ensure ongoing compliance to the Legal, Regulatory and Compliance requirements.
- Ensure adequate resources are allocated to execute the necessary controls on a timely, comprehensive and accurate manner
- Where required testing parameters and rationale must be clearly defined
- Provide timely escalation of issues and concerns as per the internal escalation process.
- Where necessary a root cause analysis must be conducted, and necessary correction action must be identified including revisions to policies and procedures.

For any additions/deletions also refer the KYC-AML-CFT Policy / Standard Operating Procedures (SOP) of the Bank as amended from time

07. Interest Rates and other charges:

- Bank to be guided by the instructions on interest rate on advances issued by RBI and as amended from time to time, while determining the interest rate on credit card dues.

- Bank should also prescribe a ceiling rate of interest, including processing and other charges, in respect of credit cards.

- Banks/NBFCs should upfront indicate to the credit card holder, the methodology of calculation of finance charges with illustrative examples, particularly in situations where a part of the amount outstanding is only paid by the customer. The method of interest calculation under different scenario to be illustrated in MITCs.

- Bank should quote Annualized Percentage Rates (APR) on card products (separately for retail purchase and for cash advance, if different) in MITCs. The method of calculation of APR should be given with a couple of examples for better comprehension.

- A legend/notice to the effect that “Making only the minimum payment every month would result in the repayment stretching over years with consequent interest payment on your outstanding balance" should be prominently displayed in all the monthly statements so as to caution the customers about the pitfalls in paying only the minimum amount due.

- As per RBI guidelines, the bank should follow a uniform method of determining overdue status for credit card accounts while reporting to credit information companies and for the purpose of levying penal charges viz., late payment charges, etc., if any as amended from time to time.

- Currently, ‘past due’ status of a credit card account for the purpose of asset classification would be reckoned from the payment due date mentioned in the monthly credit card statement. A credit card account will be treated as non-performing asset if the minimum amount due, as mentioned in the statement, is not paid fully within 90 days from the payment due date mentioned in the statement.

- Bank shall report a credit card account as ‘past due’ to credit information companies (CICs) or levy penal charges, viz. late payment charges, etc., if any, only when a credit card account remains ‘past due’ for more than three days. The number of days past due’ and late payment charges shall, however, be computed from the payment due date mentioned in the credit card statement.

- All the charges in the Credit card attracts GST as rule 6 of valuation rules are not applicable. The Credit Card statements shall be used as a tax invoice also. Hence all the applicable terms and conditions for the tax invoice are applicable for Credit Card statements for the Card Statements to be GST compliant.

08. <u>Use of Direct Sales Agent (DSAs)/Direct Sales Team (DSTs) and Other Agents ;</u>

While outsourcing various credit card operations, Bank shall be careful that the appointment of such service Providers does not compromise with the quality of the customer service and the bank’s ability to manage credit, liquidity and operational risks.

DSA should not have blacklisted by any of the institutions for any wrongful service.

DSA shall understand the financial products and schemes of the Bank in order to be in a position to explain and highlight the beneficial aspects of the financial products and schemes of the Bank to the prospective card borrower/customer.

It shall be the endeavor and duty of the DSA to identify genuine customer/s based on the standards and norms prescribed by the Bank from time to time for availing the financial facility from the Bank, under the schemes opted by such customer/s.

Upon completion of sourcing of applications, all documents collected by the DSA from such prospective customers should be handed over to Branch/Office of the respective area of the Bank, within one business day.

DSA shall under no circumstances either share in part or in full the commission received with the prospective customers, or shall provide to the prospective customer any incentive either in cash or kind.

DSA shall not carry out any transactions in cash.

DSA shall not launch any promotion scheme pertaining to any product of the Bank without prior written approval of the Bank.

DSA shall not accept any payments from customers of the Bank in the firm name of DSA or in the name of its employees/associates

DSA during the performance of its duties does any collection on behalf of the bank should strictly follow their own code which should be in conformity with the IBA's code for collection and further DSA should refrain from doing any action that could damage the integrity and reputation of the bank and that DSA should observe strict customer confidentiality

DSA hereby confirms that they have received copy of BCSBI Code of July, 2006 (Banking Codes and Standards Board of India) as amended from time to time and which is specifically in relation to Code of Bank's Commitment to Customers from the Bank and further confirms that DSA will strictly comply and adhere to the said BCSBI Code

There shall be a system of random checks and should ensure that the agents are properly briefed and trained in order to handle with care and caution their responsibilities, particularly in the aspects included in those guidelines like soliciting customers, hours for calling, privacy of customers information, conveying the correct terms and conditions on the product of offer, etc.

DSA confirms that they would register themselves with the DNCR (Do not call registry) and calls will be made only from those numbers which have been so registered and after carrying out the screening of the calling list as stipulated by Telecom Regulatory Authority of India. DSA further confirms that they would only call on those telephone numbers who have not been registered with DNCR and would not call on those telephone numbers who have registered with DNCR.

Service charges for the DSAs will be decided by business team from time to time.

09. Issue of unsolicited Cards / Facilities :

Unsolicited cards should not be issued. In case, an unsolicited card is issued and activated without the written consent of the recipient and the latter is billed for the same, the Bank shall reverse the charges forthwith and also pay a penalty without demur to the recipient amounting to twice the value of the charges reversed.

10. Customer Confidentiality

- The Bank shall not reveal any information relating to customers obtained at the time of applying the credit card to any other person or organization without obtaining their specific consent, as regards the purposes/for which the information will be used and organizations with whom the information will be shared.
- The disclosure to the DSAs / recovery agents shall also be limited to the extent that will enable them to discharge their duties.
- The Bank shall ensure that the DSAs / DSTs do not transfer or misuse any customer information during marketing of credit card products.

11. Reporting to Credit Information Companies (CICs)

If the Card Member fails to pay the Minimum Amount Due by the date indicated in the billing statement, it shall be treated as default. In case of default, the Bank can forward the default report to the Credit Information Bureaus or to such other agencies as approved by law.

The time period between the payment due date and the billing date indicated on the billing statement is considered as the notice period for reporting a Card Member as a defaulter. Terms and Conditions governing Credit Card Facilities shall be applicable to the Supplementary Card Holders as well. Balance outstanding for a period greater than 6 months will result in the Cardholder being reported as a 'willful defaulter'.

The Card member acknowledges that as per existing business practices, the Bank can disclose from time to time any information relating to the Credit Card(s), to any credit bureau (Existing or Future) without any notice to the customer. The Credit Information Companies is an initiative of the Government of India and Reserve Bank of India to improve the functionality and stability of the financial system. All banks and financial institutions participating in this initiative are required to share customer data with CIBIL / credit bureaus and this information is being provided in the terms of the Credit Information Companies Regulation Act, 2005.

The bank informs the Card member through the "Most Important Terms and conditions" shared with customer and through Bank's website that the bank can disclose any information relating to credit card(s) default by the customer to CIBIL and to any other credit bureau (Existing and Future) in case the card is overdue, with due notice. Any refresh / updation of data on receipt of payment towards overdue card accounts will reflect in CIBIL / other credit bureaus within a period of 60 days from the date of receipt of payment by the bank.

Bank also inform that the bank will, at its own discretion, record specific conversations between the Card member and the representative of the Bank, in cases of grievance-related conversation or payments recovery related conversations or any other conversations, that the Bank may deem fit. The Bank reserve the right to retain the application forms and documents provided there with, including photographs, and will not return the same.

12. Fair Practice Code:

- Bank shall adhere to the Fair Practice Code guidelines in the matter of processing and sanction of credit cards.
- In the matter of recovery of dues, bank should ensure and also the recovery agents have to adhere to the extant instructions on Fair practice code for lenders (as also BCSBI's code of Bank's commitment to customers).
- In Particular in regard to appointment of third party agencies for debt collection it is essential that such agents refrain from action that could damage the integrity and reputation of the Bank and that they observe strict customer confidentiality.
- The engagement of recovery agents shall be in line with the guidelines issued by RBI, as amended from time to time.

13. Redressal of Grievances / Complaints / Escalation:

- A time limit of 60 (sixty) days may be given to the customer for referring their complaints / grievances.
- The Banks shall give wide publicity about the grievance redressal mechanism through electronic and print media.
- The Grievance redressal procedure of the bank and the time frame fixed for responding to the complaints shall be placed 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 may be displayed on the website.
- If a complainant is lodged by the complainant, satisfactory response shall be provided within a maximum period of thirty (30) days from the date of the complaint.
- Credit card cell will be maintaining all the details of the complaints received.
- Redressal mechanism needs to be updated if required, to fall in line with the guidelines issued by RBI, as amended from time to time.

Complaints/Escalation Matrix:

Customer can register complaints by

(i) visiting "Complaint Form" at www.kvb.co.in or
(ii) Calling at our Customer Care number or
(iii) email to customersupport@kvbmail.com or
(iv) Writing to The Manager, Nodal Officer, The Karur Vysya Bank Ltd, Credit card Cell, 338/1, Uffizi Building - Basement Floor Avinashi Road, Peelamedu, Coimbatore, Tamil Nadu, 641004.

In all the communications to us, Customer to indicate complete Credit Card number

If the complaint is not resolved within 30 days of receipt at the Bank then the said complaint can be escalated to Banking Ombudsman. The details of the Banking Ombudsman for concerned location are displayed at KVB branches.

14. Reversal Timeline for Zero Liability / Limited Liability

On being notified by the customer, the bank shall credit (shadow reversal) the amount involved in the unauthorized electronic transaction to the customer's account within 10 working days from the date of such notification by the customer. Banks may also at their discretion decide to waive off any customer liability in case of unauthorized electronic banking transactions even in cases of customer negligence. Further, banks shall ensure that: (i) a complaint is resolved within 90 days from the date of reporting; and (ii) the customer does not bear any additional burden of interest.

15. Internal Control and Monitoring Systems:

- Standing Committee on Customer Service in the bank shall review the credit card operations including reports of defaulters to a Credit Information Company in order to ensure the quality of customer service rendered.
- A detailed quarterly analysis of credit card related complaints shall be put up to the Top Management.
- A comprehensive review report on credit card business on half-yearly basis as at the end of September and March of each accounting year, should be placed before the Board / Management Committee which should cover essential data on credit card business, such as category and number of cards issued and outstanding, the 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.

16. Fraud Control – Security and other Measures:

Apart from Credit losses, another reason for losses to a financial institution is on account of fraudulent applications or fraudulent customers who apply for a credit card with no intention of repaying the dues. To ensure that the bank is not hit with these kinds of losses, it is important that the bank has a fraud risk and mitigation policy to ensure that any fraud application is caught before it enters the system. It should also have processes to deal with situations where a fraudulent application has entered the banks books and a credit card has been approved by the bank.

The Fraud Unit of the bank should have systems to identify the following kinds of frauds before it enters the bank's systems:

1. Fraudulent Applications (Impersonation)
2. Fraudulent Sales/Support Staff
3. Incorrect FV reports

1. **Fraudulent Applications (Impersonation)** – A strong KYC process will ensure that such types of applications are weeded out before it enters the Bank's systems. Checking Identity proof documents in original and meeting the customer in person will eliminate this risk. OSV by the bank officer on every KYC document is critical to ensure that this risk is eliminated. The bank also needs to have a strong de-duplication process to ensure that existing customers do not apply as new customers by changing their phone number or other information.

2. **Fraudulent Sales/Support Staff** – This is another way bad accounts get into the system. When a customer wants a card and does not meet criteria some

sales/support staff manage the application to ensure that is goes through, this is either by doctoring the data or by approving bad cases. All this is done for a fee. This risk can be mitigated by instituting a Mystery Shopping process to cover the whole country and specifically targeting the Divisions which see a rise in delinquency numbers. The Mystery shopping process is described later in this section.

3. **Incorrect Field Verification reports** – Since this activity is conducted by either a bank employee or an external vendor, it is possible that sometimes the FV reports are doctored to show a different picture than the reality. This is also done to get the case approved and is done for a consideration or to improve the Sales numbers. This risk can be mitigated by instituting a sampling process and by increasing the ratio of the sampled cases when there is an increase in the portfolio delinquency in a Branch or city. The FV will have to be redone and the 2 reports will have to be compared for discrepancies.

The Fraud Control Unit also needs to have the following processes instituted in the bank to ensure that they can detect fraud cases early and prevent them from getting into the bank's systems.

1. **Sampling Process** – The FCU needs to have this process to check the authenticity of the application and the documents submitted by the potential customers. The FCU needs to have a sampling policy which covers 5% of the applications received by the bank. The applications need to be selected randomly based on a pre-approved algorithm. Based on the report the samples can be increased for specific districts where the discrepancies are higher. The reports of the sampling process need to be submitted before the case is disbursed.

2. **Mystery Shopping Process** – This is a process to try and find out whether there are any employees in the system who are customer facing and have helped customers to get a card from the bank, when they would have not been able to get the same through the normal channel. This is generally done for a consideration. The FCU needs to have a plan to cover random employees in every district by giving them a call posing as a customer who does not meet the requirements but wants a card and is willing to pay a commission to the employee. This sampling plan can also be changed based on sudden increase in non-starters or delinquency.

3. **Velocity Parameters Based Sampling** – The FCU should institute a process to track branches/districts where there is a sudden increase in the number of applications logged in or booked. They should also track branches where there is a sudden increase in the applications logged in by a sales officer or a change

in the Through-The-Door population. An increased due diligence needs to be done for all these instances.

4. **Non-Starter Analysis** – The FCU needs to review the monthly non-starter cases and review each of these applications thoroughly to ensure that there was nothing amiss in the application or the documents submitted. The monthly report of this activity will need to be sent to the RMD unit to make necessary changes in the Policy as and when required.

   The proposed retail credit cards comes with two factor authentication security features and NFC features, so customers are ensured safe to carryout electronic banking transactions

   Robust fraud detection and prevention mechanism put in place 1) @ Franchise level 2) @ Switch level to track and prevent and 3) Regular monitoring the transactions at bank end, through which It can be minimized, and beyond this fraud loss risk can be mitigated with fraud Insurance

   There is a set of designed API(s) to handle system processes and also will set a reconciliation process for each system process to minimize gaps arising out from such transactions.

   Currently the above mentioned measures are not available and shall be made available in future to have a better control over the fraud monitoring and its mitigation.

17. MIS & Reports :

The following MIS reports will be published weekly / fortnightly / monthly to ensure that the credit card processes and issues are as per plan / defined timelines.

Reports

Following reports must be generated and tracked:

- **Gating Report** – that captures new application parameters. This data must be analyzed to ensure key parameters are as per policy
  - Customer Age
  - Net monthly income
  - Card Amount
  - Experian and App Scores

- **Through the Door Analysis** – this report tracks the customer profiles that have joined the customer base variant wise.
  - Income range

- Age Range
- Gender mix
- Location (division/ branch / locality)
- App and Experian Score Ranges

- **Non-Starter Report** – this report shows trend of non-starters i.e., nonpayment of dues on the first due date itself.
- **Product-wise Division-wise CIR Report** – this is a very vital performance report and shows the delinquency trends over a period across variants and at a divisional level.
- **Product Profitability Report** – this report shows the performance of each variant. This report is vital in making pricing and performance changes across product lines. The report also shows the overall product mix and loading, allowing to make critical decision on the way forward.

- **Any other MIS/report as directed by Top Management from time to time.**

Dashboard

It is imperative to create a dashboard that tracks the trends of key metrics on a monthly / fortnightly basis. Following are some of the metrics

- No. of cards issued (variant wise)
- Stress Account, 30+ and 60+
- NPA
- Expenses
- Expenses / Asset
- Expenses / Emp
- Revenue to Expenses
- Any other Dashboard as directed by Top Management from time to time

The following Process KPIs must be tracked:

i. Variant wise TAT from file log-in to card issued.
ii. Variant wise % of applications approved
iii. Variant wise % of applications rejected with top 3 reasons for rejection
iv. Variant wise % of applications rejected during field verification with top 3 reasons for rejection
v. Variant wise % of applications rejected during document verification with top 3 reasons for rejection.
vi. Any other KPIs as prescribed by Top Management from time to time.

18. <u>Way forward :</u>

Any new segments opening/revision of existing guidelines – decision will be taken based on review of data analysis/market conditions duly obtaining note signed by MD or President through RMD. Such amendments will be updated in the main policy document every year and every change in guidelines will be updated as per Annexure (log) provided below for records.

Annexure:

Date	Segment	Change in Guidelines	Impact count	Impact value	Geography