

Unity Small Finance Bank

Credit Card Policy

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INTRODUCTION

Unity Small Finance Bank Limited (“Unity Bank/ the Bank/ USFB”) proposes to issue Credit cards including virtual cards (digital credit cards that function like physical credit cards—but without the plastic) in line with the business objective and opportunity. This Credit Card policy aims to establish comprehensive guidelines for the issuance, management, and usage of credit cards in compliance with the Reserve Bank of India’s (RBI) Master Directions and any/all other applicable/relevant regulatory guidelines. The policy seeks to ensure responsible lending practices, protect customer interests, and maintain regulatory compliance.

SCOPE

This policy applies to all credit card products offered by USFB, all departments involved in credit card operations, and all customers applying for or holding a credit card. It covers eligibility criteria, application process, credit limits, interest rates, fees, billing, payments, customer rights and obligations, security measures, and grievance redressal.

DEFINITIONS/IMPORTANT TERMS/REFERENCES

1. **Credit Card:** The term “Credit Card” generally is referred to a physical or virtual payment instrument containing a means of identification, issued with a pre-approved revolving credit limit, that can be used to purchase goods and services or draw cash advances, subject to prescribed terms and conditions.
2. **Credit Risk Management:** Assist the Bank to manage credit risks associated with providing credit limit to customers applying for credit cards. The policy assists in mitigating the risk of defaults and potential losses by determining eligibility requirements, credit limits, and interest rates consistent with creditworthiness of the prospective customer.
3. **Customer Protection:** The policy will protect the interests of credit cardholders by defining their rights and obligations with respect to credit cards in detail, ensure fairness and transparency, and establishing processes for dispute resolution and fraud protection.
4. **Policy Compliance:** The policy will ensure that the Bank complies with relevant laws, regulations, and industry standards related to credit card issuance, usage, and consumer protection.
5. **Security and Fraud Prevention:** The Bank will ensure full security of the credit card. The security of the credit card shall be the responsibility of the Bank, and the losses incurred by any party on account of breach of security or failure of the security mechanism shall be borne by the bank. However, if the security breach occurs because of the cardholder's oversight, the responsibility shall rest with the cardholder.
6. **Fee and Interest Transparency:** The policy will enhance customer transparency by precisely defining all applicable fees, charges, and interest rates, thereby decreasing the possibility of unforeseen expenses. Any new changes will be intimated to the customer well in advance. However, statutory (if any) for which implementation must be immediate, the Bank may not be able to intimate the customer in advance.
7. **Enhancing Customer Experience:** By offering straightforward terms, effective dispute resolution procedures, and attractive rewards programs, a well-designed credit card policy will be catalytic to create a positive customer experience.
8. **Establishing Trust:** The policy will encourage openness, ethical behaviour, prompt communication, and hopes to establish trust between cardholders and the Bank.
9. **Operational Effectiveness:** The policy will standardize credit card operations inside the Bank, streamlining internal procedures and enhancing operational effectiveness and service delivery.

10. **Managing Credit Card Program Performance:** The policy will assist in monitoring the performance of the credit card program, enabling the Bank to assess profitability, customer satisfaction, and overall program effectiveness.

REGULATORY FRAMEWORK:

This policy is primarily governed by the RBI's Master Directions on Credit Card and Debit Card – Issuance and Conduct Directions, 2022. The policy will be updated periodically to reflect changes in regulations and industry best practices.

POLICY OWNERSHIP AND REVIEW:

The credit card business is responsible for the implementation and maintenance of this policy. The policy will be reviewed annually or as may be required basis certain requirements including statutory, on an ad hoc basis, and any amendments will require Board approval. Further, program/product specific policies will be approved by the Executive Committee (EXCO) /New Product Committee as and when any new product/program will be introduced in conformity with the Board approved policy in place.

CREDIT CARD VERTICAL:

The Bank has a dedicated business vertical comprising of sales, growth, product and portfolio teams & will collaborate with other verticals like operations, credit risk and other departments on a regular basis for day-to-day management of credit card business. The teams will be responsible for designing and implementing the product strategy including launch of new variants /features of credit cards and driving customer engagement on product features, product pricing, business acquisition, scalability, managing co-branded credit card relationships and enter new partnerships, oversight and governance etc.

TYPES OF CREDIT CARD:

The Bank may issue credit cards/charge cards for specific uses and purpose as may be permitted under the applicable law and the RBI Directions in effect from time to time. The newer varieties of the product or changes in existing product shall be in line with the policy and approved by Process/Product Approving Committee (PAC).

A charge card is a type of credit card where the user must pay the billed amount in full on due date after the billing cycle, and no rolling over of credit to the next billing cycle is permitted. The Charge cards don't have a preset spending limit, but instead, purchases are approved based on the cardholder's spending and payment history, financial resources, and credit records. Further, credit cards/charge cards can be issued to below categories:

- A. **Individual liability:** The responsibility of repaying the card dues rests with the Individual. The cards issued under this segment are:
- Secured credit card: The card limit is assigned basis a Fixed/Recurring deposit account lien to the Bank. These cards can also be issued by lien marking to savings bank account of the card holder with the Bank.
 - Retail Unsecured Cards: Individual's repayment ability is assessed basis the income assessment in line with the Master Direction regulation 6(b) that includes surrogates such as documented income, lifestyle indicators (airline membership, association memberships such as Chartered Accountants, Doctors etc) and a card limit assigned to these applicants' basis the fore-

mentioned information. Offering of credit card along with limit is at bank's discretion. Based on internal policies, the Bank reserves the right to reduce the credit limit and close the card as per regulatory guidelines/ Bank's internal policies/SOPs.

- Business Cards to sole proprietors to carry out day to expense related to their business activity. These could be offered as secured or unsecured cards depending on the credit assessment done the Bank.
- Credit Card linked CC/OD: - These are cards issued and linked to CC/OD of the customer with the Bank
- Add on Card: - A supplementary credit card to the principal or primary credit card, issued to person/s with predefined relationship with the primary cardholder, within the credit limits and liability of the latter, subject to such terms and conditions as stipulated by the Bank. The liability for dues shall rest solely with the principal cardholder and not with the add-on cardholders. However, settlement of dues towards international credit card shall also be governed as per FEMA regulations.

B. **Corporate Liability:** The responsibility of repaying the card dues rests with the Corporate or employee basis agreement with the Corporate. A credit limit is assigned to the corporate and the corporate can in turn assign the limit to its employees. While issuing corporate credit cards, the responsibilities, and liabilities of the corporate and its employees shall be clearly specified. The liability of the corporate/business entity shall form part of its assessed credits. The sum of all cards outstanding will not exceed the total limit assigned to the Corporate. The Limit to the corporate is based on:

- Unsecured cards: wherein the corporate's financials are obtained, and the limits assigned post underwriting the corporate, basis the financials.
- Secured credit card: where the card limit is assigned basis fixed deposit under lien to the Bank/Bank Guarantee
- Credit Card linked to CC/OD

The liability of the corporate/business entity on account of corporate cards shall form part of their total assessed credits for compliance to instructions issued by the RBI on Exposure Norms as well as Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances.

ADDITIONAL BENEFITS ON CREDIT CARDS:

- **Balance transfer on EMI:** A customer either applying for, or holding the Bank's credit card, can transfer the entire outstanding amount minus ineligible transactions on credit cards / loans given on credit cards from other banks/financial institutions to the Unity Bank credit cards, and pay back in EMIs. Loan Tenure/Interest and processing/pre-closure fees are fixed based on competition/industry practices, business, and strategy recommendations.
- **Loan on credit card:** The Unity Bank credit cardholders can apply for loan against the credit limit as well as over and above credit limit which shall be subject to suitable credit assessment of the Bank and pay back in Equated Monthly Instalments (EMI). The cash limit gets zeroed once the customer avails the loan, and he cannot withdraw cash till the completion of this loan. Loan tenure, interest and processing/pre-closure fees are fixed based on competition/industry practices, business, and strategy recommendations.
- **EMI Facility:** The Unity Bank's credit cardholder can repay for their purchase over certain tenure in EMIs. Processing fee and foreclosure charges are based on competition/industry practices and business recommendation. The Bank may offer facility to convert entire statement outstanding to EMI with the consent of the customer. This may be launched as separate product as per the business strategy.

- **Rewards:** The Unity Bank's customers will be enrolled to the card/ bank specific rewards programme that supports accrual of points based on spend and/ or milestones. Customers will be able to redeem the accumulated points through multiple channels.

ISSUANCE OF CREDIT CARDS:

a. Customer Acquisition:

- i. The Bank will mandatorily provide a Key Fact Statement (KFS) along with the credit card application containing the important aspects of the card such as rate of interest, quantum of charges, among others. In case of rejection of a credit card application, the Bank shall convey in writing to the customer with the specific reason/s which led to the rejection of the application.
- ii. The MITC as given in Annexure 1, shall be highlighted, and published/sent separately to the customers, at the acceptance stage (welcome kit) and in important subsequent communications. The MITC shall be provided to the customer at the time of onboarding and each time, a condition is modified with notice to the customer. The MITC and copy of the agreement signed between the card-issuer and cardholder shall be sent to the registered email address of the cardholder or postal address as per the choice of the customer or as may be permitted by regulator from time to time.
- iii. The Bank may choose to offer insurance cover to take care of the liabilities arising out of lost cards, card frauds, etc. In case any insurance cover is offered in tie-up with insurance companies then the explicit consent in writing or in digital mode from the cardholders along with the details of nominee/s shall be captured.
- iv. The Bank will not issue any unsolicited cards or upgrade existing cards without explicit consent from the customer.
- v. There have been instances where unsolicited/applied-for cards have been misused before reaching the persons in whose names these have been issued. Any loss arising out of misuse of such unsolicited cards shall be the responsibility of the Bank only and the person in whose name the card has been issued shall not be held responsible for the same.
- vi. The Bank shall seek One Time Password (OTP) based consent from the cardholder for activating a credit card, if the same has not been activated by the customer for more than 30 days from the date of issuance or as may be prescribed by regulator from time to time. If no consent is received for activating the card, the Bank shall close the credit card account without any cost to the customer within seven working days from date of seeking confirmation from the customer. In the case of a renewed or replaced card, the closure of an inactivated card shall be subject to payment of all dues by the cardholder.
- vii. The Bank will not report any credit information relating to a new credit card account to Credit Information Companies (CICs) prior to activation of the card. Any credit information relating to such inactivated credit cards already reported to CICs shall be withdrawn immediately.
- viii. The written consent of the applicant shall be required before issuing a credit card. Alternatively, the Bank may use other digital modes with multifactor authentication to obtain explicit customer consent. Such alternative digital modes, if any used by the card-issuer, shall be communicated to the Department of Regulation, RBI.
- ix. The Bank shall ensure that the telemarketers engaged for purposes other than customer service, comply with directions/regulations issued by the Telecom Regulatory Authority of India (TRAI) from time to time while adhering to guidelines issued on "Unsolicited Commercial Communications – National Customer Preference Register (NCPRI)". The Bank's representatives shall contact the customers only between 10:00 hrs and 19:00 hrs.

- x. The decision-making power for issue of credit card to a customer shall remain only with the Bank and the role of the Direct Sales Agent (DSA)/Direct Marketing Agent (DMA)/other agents shall remain limited to soliciting/servicing the customer/ account.

b. Underwriting Standards

- i. The Bank shall ensure prudence while issuing credit cards and independently assess the credit risk while issuing cards to persons, considering the independent financial means of applicants.
- ii. As holding several credit cards enhances the total credit available to any consumer, the Bank shall assess the credit limit for a credit card customer taking into consideration all the limits enjoyed by the cardholder from other entities based on self-declaration/credit information obtained from a CICs, as appropriate.
- iii. The Bank will ensure complete transparency in the conversion of credit card transactions to Equated Monthly Instalments (EMIs) by clearly indicating the principal, interest and upfront discount provided by the merchant/card-issuer (to make it no cost), prior to the conversion. The same will also be separately indicated in the credit card bill/statement. EMI conversion with interest component will not be camouflaged as zero-interest/no-cost EMI.
- iv. The Bank shall ensure that any loans offered through credit cards are in compliance with the instructions on loans and advances issued.
- v. The Bank shall ensure that the credit limit as sanctioned and advised to the cardholder is not breached at any point in time without seeking explicit consent from the cardholder.

CLOSURE OF CREDIT CARD

- i. Any request for closure of a credit card shall be honoured within seven working days by the Bank, subject to payment of all dues by the cardholder. After the closure of credit card, the cardholder shall be immediately notified about the closure through email, SMS, etc. Cardholders shall be provided option to submit request for closure of credit card account through multiple channels such as helpline, dedicated e-mail-id, Interactive Voice Response (IVR), prominently visible link on the website, internet banking, mobile-app or any other mode. The Bank shall not insist on sending a closure request through post or any other means which may result in the delay of receipt of the request. Failure on the part of the Bank to complete the process of closure within seven working days shall result in penalty of Rs. 500 per calendar day of delay payable to the customer, till the closure of account provided there is no outstanding in the account.
- ii. If a credit card has not been used for a period of more than one year, the process to close the card shall be initiated after intimating the cardholder. If no reply is received from the cardholder within a period of 30 days, the card holders account shall be closed by the Bank, subject to payment of all dues by the cardholder. The information regarding the closure of card account shall also accordingly be updated with the CICs within a period of 30 days.
- iii. Subsequent to closure of credit card account, any credit balance available in credit card accounts shall be transferred to the cardholder's bank account given the cardholder provides the bank account details on being notified by the bank.

INTEREST RATE AND OTHER CHARGES

- i. Interest charged on credit cards shall be in line with regard to the overall cost incurred and the extent of reasonable expected return. The Bank shall put a ceiling on interest rate charged and should be in line with other unsecured loans, including processing and other charges. In case interest rates which vary based on the payment/default history of the cardholder, the Bank will

ensure transparency in levying such differential interest rates in line with the MD Interest rate on advances. The Banks shall publicise through website and other means, the interest rates charged to various categories of customers. Cardholder shall be made aware of the methodology of calculation of finance charges with illustrative examples, particularly in situations where only a part of the amount outstanding is paid by the customer as part of KFS / MITC.

- ii. Further the Bank shall adhere to following guidelines relating to interest rates and other charges on Credit Cards
- iii. The Bank to quote Annualized Percentage Rates (APR) on credit cards for different situations such as retail purchases, balance transfer, cash advances, non-payment of minimum amount due, late payment etc., if different. The method of calculation of APR to be given with clear examples for better comprehension. The APR charged, and the annual fee to be shown with equal prominence. The late payment charges, including the method of calculation of such charges and the number of days, to be prominently indicated. The manner in which the outstanding unpaid amount has been arrived at for calculation of interest shall also be specifically shown with prominence in all the billing statements. These aspects also be shown in the Welcome Kit in addition to being shown in the billing statements.
- iv. The terms and conditions for payment of credit card dues, including the minimum amount due, to be stipulated to ensure there is no negative amortization. The unpaid charges/levies/taxes shall not be capitalized for charging/compounding of interest.
- v. The Bank shall also inform the cardholders of the implications of paying only 'the minimum amount due'. A legend/warning to the effect that "Making only the minimum payment every month would result in the repayment stretching over months/years with consequential compounded interest payment on your outstanding balance" to be prominently displayed in all the billing statements to caution the cardholders about the pitfalls in paying only the minimum amount due. The MITC to specifically explain that the 'interest-free credit period' is suspended if any balance of the previous month's bill is outstanding. The Bank will specify in the billing statement the level of unpaid amount of the bill i.e., part payment beyond 'minimum amount due', at which the interest-free credit period benefits would not be available to cardholders. For this purpose, the Bank shall work out illustrative examples and include the same in the welcome Kit sent to the cardholders and place it on their website.
- vi. The Bank shall report a credit card account as 'past due' to CICs or levy penal charges, viz. late payment charges and other related charges, 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, as specified under the regulatory instructions on 'Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances' amended from time to time. Penal interest, late payment charges and other related charges are to be levied only on the outstanding amount after the due date and not on the total amount.
- vii. Changes in charges shall be made only with prospective effect giving prior notice of at least one month. If a cardholder desires to surrender his/her card on account of any change in charges to his/her disadvantage, he/she shall be permitted to do so without levying any extra charge for such closure, subject to payment of all dues by the cardholder.
- viii. There shall not be any hidden charges while issuing credit cards free of charge.

BILLING

- i. The Bank must ensure that there is no delay in sending/dispatching/emailing bills/statements and the customer has enough days (at least one fortnight) for making payment before the interest starts

getting charged. The Bank shall provide bills and statements of accounts through internet/mobile banking with the explicit consent of the cardholder. The Bank shall put in place a mechanism to ensure that the cardholder is in receipt of the billing statement.

- ii. The Bank shall ensure that wrong bills are not raised and issued to cardholders. In case, a cardholder protests any bill, the Bank must provide explanation and, wherever applicable, documentary evidence to be provided to the cardholder within a maximum period of 30 days from the date of complaint.
- iii. No charges to be levied on transactions disputed as 'fraud' by the cardholder until the dispute is resolved.
- iv. The cardholders will be provided a one-time option to modify the billing cycle of the credit card as per their convenience.
- v. Any credit amount arising out of refund/failed/reversed transactions or similar transactions before the due date of payment for which payment has not been made by the cardholder, to be immediately adjusted against the 'payment due' and notified to the cardholder.
- vi. The Bank must seek explicit consent of the cardholder to adjust credit amount beyond a cut-off, one percent of the credit limit or ₹ 5000, whichever is lower, arising out of refund/failed/reversed transactions or similar transactions against the credit limit for which payment has already been made by the cardholder. Notwithstanding the cut-off, if a cardholder makes a request to the Bank for reversal of the credit amount outstanding in the card account into his/her bank account then same shall be done within three working days from the receipt of such request.
- vii. The Bank shall provide the list of payment modes authorised by them for making payment towards the credit card dues, in the websites and billing statements. Further, the Bank shall advise cardholders to exercise due caution and refrain from making payments through modes other than those authorised by the Bank.
- viii. Any debit to the credit card account shall be done as per the authentication framework prescribed by the RBI from time to time, and not through any other mode/instrument.
- ix. For business credit cards wherein the liability rests fully with the corporate or business entity (principal account holder), timeframe provided for payment of dues and adjustment of refunds may be as agreed between the card-issuer and the principal account holder.

Any changes/amendment to the charges structure of a credit card and any new or existing program can be added/amended after getting prior approval from the Business Head – Credit Cards or above.

WRONGFUL BILLING

In case, a customer protests any bill, the Bank shall provide explanation and, if necessary, documentary evidence may also be provided to the customer within a maximum period of 30 days with a spirit to amicably redress the grievances.

OVERLIMIT UTILIZATION

Customers can use the card up to the credit limit provided on the card. However, there could be instances where the transaction may lead to the outstanding of the customer going beyond the credit limit. The need for a higher limit could be due to medical emergency requirements, travel etc. The Bank may approve such transactions based on the customer's past repayment track, type of spend category, value of the transaction etc. Such a facility will be enabled by the Bank after obtaining consent from the cardholder.

The Bank will allow usage of a credit card beyond the sanctioned credit limit (i.e., overlimit) with prior explicit consent of the cardholder. Further, a cardholder shall be given an option to enable or disable the option of overlimit through transaction control mechanism available on the Bank's platform as may be made available from time to time.

Further, interest or any charges/fees on the credit card shall not be factored in for the purpose of computing a cardholder's credit limit usage and levying overlimit charges.

ISSUE OF UNSOLICITED FACILITIES

The issue of unsolicited cards/upgradation is strictly prohibited. In case, an unsolicited card is issued/existing card upgraded and activated without the explicit consent of the recipient and the latter is billed for the same, the card-issuer shall not only reverse the charges forthwith, but also pay a penalty without demur to the recipient amounting to **twice the value of the charges reversed**. In addition, the person in whose name the card is issued can also approach the RBI Ombudsman who would determine the amount of compensation payable by the card-issuer to the recipient of the unsolicited card **as per the provisions of the Ombudsman Scheme**, i.e., for loss of complainant's time, expenses incurred, harassment and mental anguish suffered by him/her.

REPAYMENTS

Customers can ensure timely repayment of their obligations by utilizing the Bank's approved methods and procedures. Repayment options encompass electronic settlement via Bank's net banking or mobile application, a dedicated application, automatic debiting from accounts through BBPS, e-NACH, payment gateways (NEFT, UPI, IMPS, RTGS, Debit Card), by issuing cheques or by cash.

1. The bank will establish the minimum due and full repayment amounts based on robust economic and business standards and will be mentioned in MITC. Customers will receive notifications regarding the charges and implications associated with:
 - i. Failure to repay the minimum dues by the due date.
 - ii. Payment of only the minimum due amount.
 - iii. Payment exceeding the minimum due but less than the total due.
 - iv. Payment surpassing the total due amount.
2. The credit card statement's specified payment due date will be used to compute the 'days past due' and late payment charges, following regulatory instructions on 'Prudential norms on Income Recognition, Asset Classification, and Provisioning pertaining to Advances.'

USE OF DIRECT SALES AGENT (DSAS)/DIRECT MARKETING AGENTS (DMAS) AND OTHER AGENTS

- i. If the Bank decides to engage with sourcing agents/ service providers, care will be taken to ensure the Bank's ability to manage credit, liquidity, and operational risks. In the choice of the service provider, the Bank will be guided by the need to ensure confidentiality of the customer's records, respect customer privacy, and adhere to fair practices in debt collection.
- ii. The Bank will prescribe a Code of Conduct for various DSAs whose services are engaged by us for marketing products/services.
- iii. The Bank will ensure that the DSAs/ service providers engaged by the Bank for marketing the credit card products scrupulously adhere to the fair practice code for credit card operations of the Bank which will be displayed on the website of the Bank and be available easily to any credit card holder.
- iv. The Bank will have a system of random checks and mystery shopping to ensure that its agents have been properly briefed and trained to handle with care and caution their responsibilities, particularly in the aspects included in these guidelines like soliciting customers, hours for calling, privacy of customer information, conveying the correct terms and conditions of the product on offer, etc.

- v. The Bank shall directly/indirectly through DSAs engage telemarketers who comply with directions/regulations on the subject issued by the TRAI from time to time while adhering to guidelines issued on “Unsolicited Commercial Communications – National Customer Preference Register (NCPR)”.
- vi. The engagement with DSAs/ service providers shall be approved by Competent Authority.
- vii. The Bank may engage third parties to remind, follow up and collect dues. Any third party so appointed, shall adhere fully to the code of conduct on debt collection. The name and contact details of the recovery agent shall be provided to the cardholder upon assigning the agent to such cardholder.
- viii. The Bank shall strictly ensure that they or their agents do not resort to intimidation or harassment of any kind, either verbal or physical, against any person in their debt collection efforts, including acts intended to humiliate publicly or intrude upon the privacy of the debtors' family members, referees and friends, sending inappropriate messages either on mobile or through social media, making threatening and/ or anonymous calls, calling the cardholder before 8:00 a.m. and after 7:00 p.m. for recovery of overdue loans, making false and misleading representations, etc.

REPORTING TO CREDIT INFORMATION COMPANIES

- i. The Bank shall ensure that information relating to credit history/repayment record of the cardholder to a CICs (that has obtained Certificate of Registration from RBI). The Bank shall explicitly bring to the notice of the customer that such information is being provided in terms of the Credit Information Companies (Regulation) Act, 2005.
- ii. Before reporting default status of a credit cardholder to a CIC, the Bank shall ensure that they adhere to the procedure, approved by the Board, and intimate the cardholder prior to reporting of the status. In the event the cardholder settles his/her dues after having been reported as defaulter, the card-issuer shall update the status with CIC within 30 days from the date of settlement. The Bank shall be particularly careful in the case of cards where there are pending disputes. The disclosure/release of information, particularly about the default, shall be made only after the dispute is settled. In all cases, a well laid down procedure shall be transparently followed and be made a part of MITC

CO-BRANDING ARRANGEMENT

USFB may offer Credit Cards as Co-branded cards which is arrangement between the Partner (Airlines, E-commerce merchants, Life Insurance Companies etc) and a Bank. All new arrangements shall be approved by a competent authority and in line with the regulatory guidelines and this policy.

Introduction to Co Brand Credit Cards: Co-branded Card is a card that is issued jointly by a card issuer and a co-branding entity bearing the names of both the partnering entities. USFB shall engage in Co-branding arrangements with various entities to enable growth of its customer base and to offer an enhanced customer value proposition including access to the loyalty program of the co-branding entity. USFB will look after Underwriting, Operations, Acquisitions, Card Management, Portfolio Management, Collections and Product Management for the card. The USFB shall ensure adherence to the guidelines on ‘Managing Risks and Code of Conduct in Outsourcing of Financial Services by banks,’ as amended from time to time.

- i. **Co-brand Participant (CBP):** the role of the Co brand Participant entity under the tie-up arrangement will be limited to marketing/distribution of the cards or providing access to the cardholder for the goods/services that are offered by the co-brand partner. The Post issuance of the card, the cobranding partner shall not be involved in any of the processes or the controls relating to the cobranded card, USFB would be the initial point of contact in case of grievances. In the event of the co-brand card program offering benefits and privileges available solely on the co-brand entity’s platforms then information needed to set-up such an arrangement shall be provided to the co-brand entity only after cardholder consent. CBP shall not have access to

information relating to transactions undertaken through the co-branded card. CBP shall not be permitted to access any details of customer's accounts that may violate the Bank's secrecy obligations. For the purpose of customer convenience, card transaction related data may be drawn directly from the USFB's system in an encrypted form and displayed in the CBP's platform with robust security. The information displayed through the CBP's platform shall be visible only to the cardholder and shall neither be accessed nor be stored by the CBP.

- ii. **Assessment/Selection of the Co-brand participant:** USFB will be responsible for ensuring customers are serviced as per the service quality standards. Hence, due importance will be given in selection of right co-brand participant. Selection of Co-brand participants should consist of the following mandatory checks.
 - a. The co-branding participant shall be a company incorporated in India and registered under the Companies Act 1956 / Companies Act 2013.
 - b. In case the co-branding partner is a Bank, then the same shall be a bank licensed by RBI.
 - c. Proper due diligence will be carried out in respect of the co-branding participant to protect USFB bank against the risks which bank is exposed to in such an arrangement.
 - d. In case of proposed tie-up with a financial entity, it shall be ensured that the co-brand entity has the approval of its regulator for entering into such arrangement.
- iii. **Roles and Responsibilities:** - USFB will be entitled to administer and operate the Co-Branded Cards as per its internal practices and policies and the Co-Branded Card Terms. USFB will be entitled to suspend or cancel any particular Co-Branded Card(s), in its discretion in compliance with its internal practices and policies, the Co-Branded Card Terms and the regulatory guidelines.
- iv. **Review of Co-brand participants:** USFB will conduct a review of the actual performance versus the base case sales targets set out onset of the agreement annually.
- v. **Termination and transition period:** On expiry or earlier termination of Co brand Credit Card arrangement, USFB shall put in place SOP to manage the existing portfolio and announcement and ensure smooth Transition Period.
- vi. USFB shall also be liable for the acts of the co-branding partner and shall ensure that cash backs, discounts and other offers advertised by a co-branding partner are delivered to the cardholder on time. Bank shall be liable for any delay or non-delivery of the same to the cardholders.
- vii. USFB to disclose information relating to revenue sharing between the card-issuer and the co-branding partner entity to the cardholder and also displayed on the website.

GOVERNANCE FRAMEWORK

USFB shall put in place a mechanism for review of credit card operations on half-yearly basis by the Audit Committee of the Board of Directors. The review shall include, inter-alia, customer service, frauds, complaints and grievance redressal, card usage analysis including cards not used for long durations and the inherent risks therein. The same will be done by Business team in conjunction with Operations department.

OUTSOURCING OF ACTIVITIES

USFB has to ensure adherence to the guidelines on “Managing Risks and Code of Conduct in outsourcing of financial services by banks” as contained in the circular DBOD.No.BP.40/21.04.158/200607 dated November 3, 2006, as amended from time to time.

All the outsourcing activity to be complied with USFB outsourcing policy. USFB shall ensure adherence to the Master Direction DoS.CO.CSITEG/SEC.1/31.01.015/2023-24 dated April 10, 2023 on 'Outsourcing of Information Technology Services' and guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services, as amended from time to time. Further, the USFB shall not share card data (including transaction data) of the cardholders with the outsourcing partners unless sharing of such data is essential to discharge the functions assigned to the latter. In case of sharing of any data as stated above, explicit consent from the cardholder shall be obtained. It shall also be ensured that the storage and the ownership of card data remains with the card-issuer.

COMPLIANCE WITH KNOW YOUR CUSTOMER (KYC) NORMS/ANTI-MONEY LAUNDERING (AML) STANDARDS/COMBATING OF FINANCING OF TERRORISM (CFT)/OBLIGATION UNDER THE PMLA, 2002

The instructions/Directions on KYC/AML/CFT issued by RBI from time to time and the KYC/AML policy of the Bank, shall be strictly adhered to in respect of all cards issued, including co-branded cards. USFB has its own KYC policy as per the regulatory guidelines which will be strictly followed.

CUSTOMER CONFIDENTIALITY

USFB should not reveal any information relating to customers obtained at the time of issuing the credit card to any other person or organization without obtaining customers specific consent, as regards the purpose/s for which the information will be used and the organizations with whom the information will be shared. The application form for credit card must explicitly provide for consent the same. Further, in case where the customers give his consent for USFB sharing the information with other agencies, banks should explicitly state and explain clearly to the customer the full meaning/implications of the disclosure clause. The information being sought from customers should not be of such nature as will violate the provisions of the laws relating to secrecy in the transactions. USFB would be solely responsible for the correctness or otherwise of the data provided for the purpose.

FAIR PRACTICE CODE

The Fair Practice Code is a voluntary Code, recommended by Indian Banks' Association for adoption by Credit Card issuing member banks/institutions or their associates. It covers marketing ethics, confidentiality of accounts, code of conduct of collection of dues, grievance redressal etc. which is hosted on the USFB's website.

INTERNAL CONTROL AND MONITORING SYSTEMS

The Operations team should review the credit card operations including reports of defaulters to a Credit Information Company which has obtained Certificate of Registration from RBI and of which USFB is a member and credit card related complaints on a monthly basis and take measures to improve the services and ensure the orderly growth in the credit card operations.

REPORTING OF UNAUTHORISED TRANSACTIONS BY CUSTOMERS TO BANKS

Customer must be asked to mandatorily register for SMS alerts and wherever available register for e-mail alerts, for electronic banking transactions. The SMS alerts shall mandatorily be sent to the customers, while email alerts may be sent, wherever registered. The customers must be advised to notify USFB of any unauthorised electronic banking transaction at the earliest after the occurrence of such transaction, and informed that the longer the time taken to notify USFB, the higher will be the risk of loss to customer. To facilitate this, banks is required to enable customers with 24x7 access through multiple channels like mobile and internet banking, website, toll free helpline for reporting unauthorised transactions that have taken place and/ or loss or theft of card, etc. Further, a direct link for lodging the complaints, with specific option to report unauthorised electronic transactions has to be provided by banks on home page of the website.

LIMITED LIABILITY OF A CUSTOMER

Zero Liability of a Customer:

A customer's entitlement to zero liability shall arise where the unauthorised transaction occurs in the following events:

- i. Contributory fraud/ negligence/ deficiency on the part of the bank (irrespective of whether or not the transaction is reported by the customer).
- ii. Third party breach where the deficiency lies neither with the bank nor with the customer but lies elsewhere in the system, and the customer notifies the bank within three working days of receiving the communication from the bank regarding the unauthorised transaction.

Limited Liability of a Customer:

A customer shall be liable for the loss occurring due to unauthorised transactions in the following cases: (i) In cases where the loss is due to negligence by a customer, such as where he has shared the payment credentials, the customer will bear the entire loss until he reports the unauthorised transaction to the bank. Any loss occurring after the reporting of the unauthorised transaction shall be borne by the bank. (ii) In cases where the responsibility for the unauthorised electronic banking transaction lies neither with the bank nor with the customer, but lies elsewhere in the system and when there is a delay (of four to seven working days after receiving the communication from the bank) on the part of the customer in notifying the bank of such a transaction, the per transaction liability of the customer shall be limited to the transaction value or the amount mentioned in Table 1, whichever is lower.

Table 1
Maximum Liability of a Customer

Type of Account	Maximum liability (₹)
Credit cards with limit up to Rs.5 lakh	10,000
Credit cards with limit above Rs.5 lakh	25,000

Further, if the delay in reporting is beyond seven working days, the customer liability shall be determined as per the bank's Board approved policy. Banks shall provide the details of their policy in regard to customers' liability formulated in pursuance of these directions at the time of issuance of card. Banks shall also display their approved policy in public domain for wider dissemination. The existing customers must also be individually informed about the bank's policy.

Overall liability of the customer in third party breaches, where the deficiency lies neither with the bank nor with the customer but lies elsewhere in the system, is summarised in the Table 2:

Table 2

Time taken to report the fraudulent transaction from the date of receiving the communication	Maximum liability (₹)
Within 3 working days	Zero liability
Within 4 to 7 working days	The transaction value or the amount mentioned in Table 1, whichever is lower
Beyond 7 working days	As per the Bank's Policy

The number of working days mentioned in Table 2 shall be counted as per the working schedule of the Bank excluding the date of receiving the communication.

Reversal Timeline for Zero Liability/ Limited Liability of customer

On being notified by the customer, USFB shall credit (shadow reversal) the amount involved in the unauthorised electronic transaction to the customer's account within 10 working days from the date of such notification by the customer (without waiting for settlement of insurance claim, if any). Banks may also at their discretion decide to waive off any customer liability in case of unauthorised electronic banking transactions even in cases of customer negligence. The credit shall be value dated to be as of the date of the unauthorised transaction.

Further, USFB shall ensure that:

- i. a complaint is resolved and liability of the customer, if any, established within such time, as may be specified in the bank's Board approved policy, but not exceeding 90 days from the date of receipt of the complaint, and the customer is compensated as per provisions of paragraphs above.
- ii. where it is unable to resolve the complaint or determine the customer liability, if any, within 90 days, the compensation to be paid to the customer.

- iii. The burden of proving customer liability in case of unauthorised electronic banking transactions shall lie on the bank.

To further align with the harmonization of TAT and customer compensation on failed transaction, Bank shall ensure that

- i. Automated Teller Machines (ATMs) including Micro- ATMs: Customer's account debited but cash not dispensed- Pro-active reversal (R) of failed transaction within a maximum of T + 5 days. Compensation- ₹ 100/- per day of delay beyond T + 5 days, to the credit of the account holder.
- ii. Card Transaction: Point of Sale (POS) (Card Present) including Cash at POS, Account debited but confirmation not received at merchant location i.e., charge-slip not generated- Auto-reversal within T + 5 days.
- iii. Compensation- ₹ 100/- per day of delay beyond T + 5 days.
- iv. Card Transaction: Card Not Present (CNP) (e-commerce), Account debited but confirmation not received at merchant's system- Auto-reversal within T + 5 days. Compensation- ₹ 100/- per day of delay beyond T + 5 days

REDRESSAL OF GRIEVANCES

The Bank should constitute Grievance Redressal machinery within the bank and give wide publicity about it through electronic and print media. The name and contact number of designated grievance redressal officer of the bank should be mentioned on the credit card bills. The designated officer should ensure that genuine grievances of credit card subscribers are redressed promptly without involving delay. USFB should ensure that their call centre staff is trained adequately to competently handle all customer complaints. Generally, a time limit of 30 (thirty) days may be given to the customers for referring their complaints/grievances. USFB should also have a mechanism to escalate automatically unresolved complaints from a call center to higher authorities and the details of such mechanism should be put in public domain through their website.

REGULATORY GUIDELINES:

Master Direction: -RBI/DBR/2015-16/18 Master Direction DBR.AML.BC. No.81/14.01.001/2015-16
Master Direction - Know Your Customer (KYC) Direction, 2016 Master Direction – RBI/2022-23/92 DoR.AUT.REC. No.27/24.01.041/2022-23 on Credit Card and Debit Card – Issuance and conduct Directions, 2022 dated April 21, 2022.

Master Direction: RBI/DBS/2016-17/28 Master Directions on Frauds – Classification and Reporting by commercial banks and select FIs (Updated as on July 03, 2017)

Master Direction: RBI/2020-21/74: Master Direction on Digital Payment Security Controls

Master Direction: RBI/2023-24/102: Master Direction on Outsourcing of Information Technology Services

Master Direction: RBI/2023-24/107: Master Direction on Information Technology Governance, Risk, Controls and Assurance Practices

Master Direction: RBI/CEPD/2023-24/108: Master Direction - Reserve Bank of India (Internal Ombudsman for Regulated Entities) Directions, 2023

Master Circular No. DBOD.No.FSD.BC.4 / 24.01.011/ 2013-14 dated July 1, 2015

Master Circular No. RBI/2015-16/31 DBR.No.FSD.BC.18/24.01.009/2015-16 dated July 1, 2015

Master Circular No. RBI/2017-18/15 DBR.No. Leg.BC.78/09.07.005/2017-18 dated July 6,2017

Master Circular No. RBI/2023-24/06 - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances

Master Circular No. RBI/2015-16/85 - Prudential Guidelines on Capital Adequacy and Market Discipline New Capital Adequacy Framework (NCAF)

Master Circular No. - Master Circular on Customer Service in Banks

Master Circular No. RBI/2015-16/42 – Know Your Customer (KYC) norms / Anti-Money Laundering (AML) standards/Combating Financing of Terrorism (CFT)/Obligation of banks and financial institutions under PMLA, 2002

Master Circular No. RBI/2016-17/17 – Mobile Banking transactions in India – Operative Guidelines for Banks (Updated as on November 12, 2021)

RBI/2022-23/108 DOR.ORG.REC.65/21.04.158/2022-23 - Outsourcing of Financial Services - Responsibilities of regulated entities employing Recovery Agents Dated: August 12, 2022

Notification on General Credit Card (GCC) Facility – Review (Ref No. RBI/2023-24/19 FIDD.MSME & NFS.BC.No.06/ 06.02.31/ 2023-24) dated April 25, 2023

Notification on Harmonisation of Turnaround time (TAT) and customer compensation for failed transactions using authorised payment systems (Ref No. RBI/2019-20/67 DPSS.CO.PD No. 629/02.01.014/2019-20) dated September 20, 2019.

GENERAL CONDITIONS

- a. USFB 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 prescribed under 'Master Direction on Know Your Customer', as amended from time to time.
- b. The cardholder shall be provided with a record of the transactions after he/she has completed it, immediately in the form of receipt or another form such as the bank statement/email/SMS.
- c. With a view to reducing the instances of misuse of lost/stolen cards, it is recommended to the USFB that they may consider issuing cards with advanced features that may evolve from time to time.
- d. In case USFB, at their discretion, decides to block/deactivate/suspend a credit card, it shall be ensured that a standard operating procedure is followed as approved by the Board. Further, it shall also be ensured that blocking/deactivating/suspending a card or withdrawal of benefits available on any card is immediately intimated to the cardholder along with reasons thereof through electronic means (SMS, email, etc.) and other available modes.

- e. USFB shall block a lost card immediately on being informed by the cardholder and formalities, if any, can follow within a reasonable period clearly defined in this policy.
- f. USFB shall provide the cardholder the detailed procedure to report the loss, theft or unauthorized use of card or PIN. We shall provide multiple channels such as a dedicated helpline, dedicated number for SMS, dedicated e-mail-id, Interactive Voice Response, clearly visible link on the website, internet banking and mobile-app or any other mode for reporting an unauthorized transaction on 24 x 7 basis and allow the customer to initiate the blocking of the card. The process for blocking the card, dedicated helpline as well as the SMS numbers, shall be adequately publicized and included in the billing statements.
- g. USFB shall immediately send a confirmation to the cardholder subsequent to the blocking of a card.
- h. USFB shall not dispatch a card to a customer unsolicited. In case of renewal of an existing card, the cardholder shall be provided an option to decline the same if he/she wants to do so before dispatching the renewed card. Further, in case a card is blocked at the request of the cardholder, a replacement card in lieu of the blocked card shall be issued with the explicit consent of the cardholder.
- i. Any discounts, cashbacks, reward points, loyalty points or any other benefits offered by the card-issuer shall be provided in a transparent manner including the source of such benefits. The accounting process for the same shall be verifiable in the books of USFB. Detailed information regarding these benefits shall be displayed on the website of the card-issuer and a copy of the same shall also be provided to the cardholder.
- j. In case of an insurance cover provided with a card, USFB shall ensure that the relevant nomination details are recorded by the Insurance Company and the availability of insurance is included, along with other information, in every statement. The information shall also include the details regarding the insurance cover, name/address and telephone number of the Insurance Company which will manage the claims relating to the insurance cover.
- k. The Bank can use the credit customer data for cross-sell related activities.

UNDERWRITING STANDARDS:

To ensure prudence while issuing credit cards; and ensure independent assessment of the credit risk while issuing cards to persons, bank will include an underwriting policy in alignment with this policy framework

Credit Card Risk Management Policy will have the framework of the various credit card underwriting standards/approaches that the bank shall follow. It will also detail out the various credit card risk management approaches the Bank shall follow to manage/mitigate the underlying risks emanant from this product/business.

ANNEXURE 1 – MITC

Bank will publish Most Important Terms & Conditions (MITC) for the customers along with the credit card welcome kit either in physical and/ or digital form. MITC will also be available on Bank website.

MITC will cover the below points:

1. Eligible customer: Both, salaried and self-employed
 2. Fees, Rewards and Charges
 - a. Joining fees for primary card holder and for add-on card holder
 - b. Annual membership fees for primary and add-on card holder
 - c. Cash advance fee
 - d. Service charges levied for certain transactions.
 - e. Interest free (grace) period
 - f. Finance charges for both revolving credit and cash advances
 - g. Overdue interest charges - to be given on monthly & annualized basis.
 - h. Charges in case of default.
 3. Drawal Limits
 - a. Credit limit
 - b. Available credit limit
 - c. Cash withdrawal limit
 4. Billing
 - a. Billing statements - periodicity and mode of sending.
 - b. Minimum amount payable
 - c. Method of payment
 - d. Billing disputes resolution
 - e. Complete postal address of card issuing bank.
- Toll free number, email-id and dedicated telephone number for SMS for customer care services, contact details of Grievance Redressal Official
5. Default and Circumstances
 - a. Procedure including notice period for reporting a card holder as defaulter.
 - b. Procedure for withdrawal of default report and the period within which the default report would be withdrawn after settlement of dues.
 - c. Recovery procedure in case of default
 - d. Recovery of dues in case of death/permanent in capacitance of cardholder
 - e. Available insurance cover for card holder and date of activation of policy
 6. Termination/Revocation of Card Membership
 - a. Procedure for surrender of card, by card holder - due notice
 - b. Link provided exclusively for the above on the website
 - c. Contact details for the cardholder to initiate closure – email-id, dedicated telephone number for SMS, IVRS
 - d. Procedure for closure of card account if the card has not been used for more than one year
 7. Loss/Theft/Misuse of Card
 - a. Procedure to be followed in case of loss/theft/ misuse of card - mode of intimation to card-issuer.

- b. Prominently visible web-site link, phone banking, SMS, e-mail, IVR, a dedicated toll-free helpline, reporting to home branch, etc. for reporting unauthorised transactions and initiating blocking of card.
 - c. Liability of cardholder in case of (i) above in terms of RBI circular ref. DBR.No. Leg.BC.78/09.07.005/2017-18 dated July 6, 2017, on 'Customer Protection – Limiting Liability of Customers in Unauthorised Electronic Banking Transactions' as updated from time to time.
8. Grievance Redressal and Compensation Framework
- a. Grievance redressal and escalation process
 - b. Timeline for redressal of grievances
 - c. Compensation framework for unsuccessful/failed transactions, delay in redressal of grievance, delay in closing of account/blocking of lost or stolen cards, etc.
 - d. Contact particulars of card-issuer - 24-hour call centres, email-ids, helpline, other important telephone numbers
9. Disclosure
- a. Disclosure related to type of information relating to card holder that can be disclosed with and without approval of card holder to be clearly mentioned in the terms & conditions.
 - b. Disclosure of MITCs - Items to be disclosed in stages:
 - i. During marketing - Item no. - 1
 - ii. At application – all items 1 to 8
 - iii. Welcome kit – all items 1 to 8.
 - iv. On billing - Item no's: 1,2,3 & 4
 - v. On an ongoing basis, any change of the terms and conditions
 - c. MITC to be mentioned in an appropriate minimum font size of Arial 12.
 - d. The normal terms and conditions communicated by the card-issuer to the cardholder at different stages shall continue as hitherto.