



FINO Payments Bank

Policy on Customer Suitability and
Appropriateness

Version 10.0

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A. Policy usage guide

This section explains the structure of the policy document and the purpose of the same is to enable easy navigation and understanding of the contents of the document by various stakeholders. The Policy is organized in the following sections:

Regulatory reference

This section outlines the list of applicable regulations to the current policy document. The name of regulation issued by various regulators along with the date and reference number will be listed under this section.

The purpose of the same is to enable various stakeholders in identification of applicable regulations for the policy and act as a ready reference for the regulations.

Key stakeholders and roles

Under this section, a list of all the key stakeholders involved in the design, review, approval and implementation of the policy are identified and the major roles to be performed by them are listed. This section enables various stakeholders in understanding their respective roles with regard to the current policy document.

Policy content

This section contains various aspects of the policy design and implementation as per the applicable regulatory guidelines. This section outlines the action required by various stakeholders of the Bank in ensuring implementation of the policy.

Glossary

This section contains the definition of key terms used in the policy as per the applicable regulatory guidelines and industry standards.

B. Regulatory reference

The following key regulations are applicable to the current policy document

| Regulator | Regulation name | Regulation date | Regulation code |
|-----------|--|--------------------|------------------------------------|
| RBI | Master Circular – Para-banking Activities | July 1, 2015 | DBR.No.FSD.BC.19/24.01.001/2015-16 |
| SEBI | Master Circular for Mutual Funds | July 10, 2018 | SEBI/HO/IMD/DF5/CIR/P/2018/109 |
| BCSBI | Code of Bank's Commitment to Customers | January 2018 | NA |
| IRDAI | IRDAI (Registration of Corporate Agents) Regulations, 2015 | September 15, 2015 | IRDAI/Reg/12/102/2015 |
| RBI | Master Direction – Reserve Bank of India (Financial Services provided by Banks) Directions dated May 26 2016 | May 26, 2016 | /DBR.FSD.No.101/24.01.041/2015-16 |
| PFRDA | PENSION FUND REGULATORY AND DEVELOPMENT AUTHORITY (POINT OF PRESENCE) REGULATIONS, 2018 | 25th June, 2018 | PFRDA/12/RGL/139/3 |

C. Key stakeholders and roles

Respective Business Group, Sales & Distribution, Risk Management Department and Grievance Team.

- The criteria to be used in review of products and the periodicity of such review.
- Review of transactions, exceptions identification, escalation and resolution process by internal audit.
- Recruitment, training, certification and performance review of all personnel engaged in this business.
- Customer on boarding and relationship management process, servicing standards, enquiry / grievance handling mechanism.
- Internal/ external audit processes, their comments / observations.
- Findings of ongoing review from sample survey of investors.

D. Policy content

1. Referral Services

Bank will offer referral services to their customers for financial products subject to the following conditions:

- Bank will strictly adhere to the Know Your Customer (KYC)/Anti-Money Laundering (AML) guidelines in respect of the customers who are being referred to the third-party issuers of the products.
- Bank will ensure that the selection of third-party issuers of the financial products is done in such a manner so as to take care of the reputational risks to which the Bank may be exposed to in dealing with the third-party service provider
- Bank will make it explicitly clear upfront to the customer that it is providing purely a referral service strictly on a non-risk participation basis.
- The bank shall not follow any restrictive practices of forcing a customer to opt for any specific product of select entities by linking it with the availment of any other facility from the bank.
- Bank will adhere to the relevant regulatory guidelines applicable to them.
- While offering referral services, Bank will strictly adhere to the relevant RBI guidelines.

2. Third Party Products

The bank may distribute third party products like pension funds, mutual funds, Referral Loan and insurance etc. under corporate agency arrangements in terms of Certificate of Registration or approvals issued by respective regulators viz PFRDA (Pension fund APY & NPS) and IRDAI (insurance products) and RBI approval for Loan Referral. The Bank shall have a Board approved policy on Soliciting and Servicing insurance in line with IRDAI (Registration of Corporate Agents) Regulations 2015. The Bank also has a Board approved policy on Pension Schemes (PFRDA) and Mutual Fund. The Bank also has a Board approved policy Loan Referral Services In line with the RBI approval. The bank will sell a product to a customer only if it believes that the product is suitable and appropriate for the customer.

3. Suitability & Appropriateness: -

The products offered shall be appropriate to the needs of the customer and based on an assessment of the customer's financial circumstances and understanding.

In pursuance of the above Right, the bank shall –

- i. Ensure that it has a Board approved policy for assessing suitability of products for customers prior to sale;
- ii. Endeavour to make sure that the product or service sold or offered is appropriate to customer's needs and not inappropriate to the customer's financial standing and understanding based on the assessment made by it. Such assessment shall be appropriately documented by the Bank and records shall be maintained as per the extent guidelines.
- iii. Sell third party products only if it is authorized to do so, after putting in place a Board approved policy for marketing and distributing third party financial products;

- iv. Not compel a customer to subscribe to any third-party products as a quid-pro-quo for any service availed from the bank;
- v. Ensure that the products being sold or service being offered, including third party products, are in accordance with extant rules and regulations;
- vi. Inform the customer about his responsibility to promptly and honestly provide all relevant and reasonable information that is sought by bank to enable them to determine the suitability of the product to the customer.

4. Insurance agency Business

Bank has taken insurance corporate agency license from IRDAI: -

A Comprehensive Board approved policy regarding undertaking insurance distribution, whether under the agency model is formulated and services will be offered to customers in accordance with this policy. The policy will also encompass issues of customer appropriateness and suitability as well as grievance redressal.

While undertaking insurance distribution business, Bank will ensure to the following:

- All employees dealing with insurance agency will possess the requisite qualification prescribed by IRDA.
- Pure risk term products with no investment or growth components that are simple and easy for the customer to understand will be deemed universally suitable products. More complex products with investment components will require the Bank to necessarily undertake a customer need assessment prior to sale. It will be ensured that there is a standardized system of assessing the needs of the customer and that initiation/transactional and approval processes are segregated.
- Bank will treat their customers fairly, honestly and transparently, with regard to suitability and appropriateness of the insurance product sold.
- Bank will ensure that no incentive (cash or non-cash) will be paid to the staff engaged in insurance broking/ corporate agency services by the insurance company. There will be no violation either of Section 10(1) (ii) of the BR Act, 1949 or the guidelines issued by IRDA in payment of commissions/brokerage/ incentives which will be ensured while formulating a suitable performance assessment and incentive structure for staff.
- The instructions/ guidelines on KYC/AML/CFT applicable to Banks, issued by RBI from time to time, will be adhered to, in respect of customers (both existing and walk-in) to whom the services of insurance broking/agency are being provided.

Transparency and Disclosures

- The Bank will not follow any restrictive practices of forcing a customer to either opt for products of a specific insurance company or link sale of such products to any banking product. It will be prominently stated in all publicity material distributed by the Bank that the purchase by a Bank's customer of any insurance products is purely voluntary, and is not linked to availment of any other facility from the Bank.
- Further, the details of fee/ brokerage received in respect of insurance broking/agency business undertaken will be disclosed in the 'Notes to Accounts' in the Balance Sheet.

Customer Grievance Redressal Mechanism

- A robust internal grievance redressal mechanism will be put in place for resolving issues related to services offered.
- Bank will ensure that the insurance companies whose products are being sold have robust customer grievance redressal arrangements in place.
- Further, the Bank will facilitate the redressal of grievances.

Compliance with IRDA guidelines

- The IRDA (Licensing of Corporate Agents) Regulations, 2015 and the code of conduct prescribed by IRDA, as amended from time to time, as applicable, will be complied with by the bank while undertaking these activities.

5. Loan Referral Services

Bank has received approval from RBI to undertake Loan Referral Services under a non-risk participation basis.

A Comprehensive Board approved policy regarding undertaking loan referral services has been formulated, in accordance with RBI's directions. Under this model, the Bank will only act as a referrer for loan products to its existing customers. The Bank will not be part of any loan process. The policy will also address issues of customer appropriateness, suitability, and grievance redressal.

While undertaking loan referral services, the Bank will ensure the following:

- a) The Bank will only refer loan products to existing customers of the Bank, based on their expressed interest and Explicit consent.
- b) The Bank will only act as a referrer for loan products to its customers on a non-risk participation basis
- c) The Bank will ensure that customers are clearly informed that the loan is being provided by the lending partner and not by the Bank.
- d) Bank staff/Merchants engaged in loan referral will not undertake any activity that amounts to loan processing, appraisal, or approval.
- e) All KYC/AML/CFT instructions applicable to Banks, issued by RBI from time to time, will continue to be adhered to for all customers referred under this arrangement.

Transparency and Disclosures

- a) The Bank will not follow any restrictive practices of forcing a customer to avail a loan product from the lending partner.
- b) It will be prominently disclosed in all publicity material and communication that the Bank is only acting as a referrer under the non-risk participation model, and the loan relationship will be exclusively between the customer and the lending partner.

E. Glossary

The bank shall ensure continuous strict compliance with Master Direction on Financial Services provided by Banks dated May 26, 2016 (updated from time to time), Master Direction on KYC and other relevant instructions issued by the Reserve Bank and other sectoral regulators from time to time

- **IRDA** - Insurance Regulatory and Development Authority
- **PFRDA** – Pension Fund Regulatory and Development Authority
- **TPSP** – Third party Service Provider
- **KYC** - Know Your Customer
- **AML** - Anti Money laundering guidelines
- **Banking Ombudsman** - An independent dispute resolution authority set up by the Reserve Bank to deal with disputes that individuals and small businesses have with their Banks.
- **Customer** - A person who has an account [including a joint account with another person or an account held as an executor or trustee or as a Karta of an HUF, but not including the accounts of sole traders/proprietorships, partnerships, companies, clubs and societies] or who avails of other products/ services from a Bank.
- **Mutual funds** - A mutual fund is a professionally managed investment fund that pools money from many investors to purchase securities
- **Insurance** - Insurance is a means of protection from financial loss. It is a form of risk management primarily used to hedge against the risk of a contingent, uncertain loss.