### **Policy 10: Legal and Compliance Policy**

#### **Introduction**

This policy outlines the legal and compliance requirements for cardholders and the issuer, ensuring that all operations are in line with federal and state regulations. It covers the issuer’s responsibilities, cardholder obligations, and the steps taken to comply with applicable financial laws.

#### **Section 1: Cardholder Obligations**

* **Accurate Information**: Cardholders must provide accurate and truthful information during the application process and must update the issuer if any personal or financial details change (e.g., address, income).
* **Use of the Card**: The card may only be used for lawful transactions. The issuer reserves the right to terminate accounts used for illegal activities, such as money laundering or unauthorized gambling.
* **Payment Responsibility**: Cardholders are responsible for making payments on time, as outlined in the **Cardholder Agreement Terms** (Policy 1). Failure to do so may result in legal actions for debt recovery.

#### **Section 2: Issuer Obligations**

* **Compliance with Financial Laws**: The issuer complies with all federal and state financial laws, including but not limited to:
  + **Fair Credit Billing Act (FCBA)**: Governs the procedures for handling disputes and billing errors.
  + **Truth in Lending Act (TILA)**: Ensures that all fees, interest rates, and terms are clearly disclosed to cardholders.
  + **Bank Secrecy Act (BSA)**: Requires the issuer to monitor and report any suspicious activities, such as money laundering or terrorist financing.
* **Privacy Regulations**: The issuer complies with privacy laws outlined in the **Privacy and Data Sharing Policy** (Policy 9), including safeguarding personal and financial information.

#### **Section 3: Anti-Money Laundering (AML) and Fraud Prevention**

* **Transaction Monitoring**: The issuer employs advanced transaction monitoring systems to detect and prevent fraud, money laundering, and other illicit activities. All transactions are screened based on risk factors such as amount, location, and merchant category.
* **Customer Identification Program (CIP)**: As part of the AML program, the issuer is required to verify the identity of all cardholders during the application process. Cardholders must provide government-issued identification and other supporting documentation when requested.
* **Suspicious Activity Reports (SARs)**: If suspicious activity is detected, the issuer is required to file a **Suspicious Activity Report (SAR)** with the Financial Crimes Enforcement Network (FinCEN) within **30 days** of detecting the activity.

#### **Section 4: Compliance with the USA PATRIOT Act**

* **Know Your Customer (KYC) Requirements**: In compliance with the USA PATRIOT Act, the issuer must perform due diligence to identify and verify the identity of all cardholders. This includes collecting information such as Social Security numbers, date of birth, and physical address.
* **Sanctions Screening**: All cardholder transactions are screened against the **Office of Foreign Assets Control (OFAC)** list to ensure compliance with international sanctions programs. Transactions involving sanctioned individuals, entities, or countries are prohibited and will be blocked.

#### **Section 5: Legal Recourse and Arbitration**

* **Arbitration Clause**: In the event of a legal dispute between the cardholder and the issuer, both parties agree to resolve the matter through binding arbitration, as described in the **Dispute Resolution Policy** (Policy 5). Arbitration is final and excludes the right to file a lawsuit in court, except for certain cases like small claims.
* **Legal Representation**: Cardholders have the right to seek legal representation during arbitration or mediation proceedings. The issuer will provide legal guidance regarding the arbitration process but will not cover the cost of cardholders’ legal fees.
* **Small Claims Court**: Cardholders may bypass arbitration for disputes involving small amounts (up to $5,000) and file a claim in small claims court. The arbitration clause does not apply to small claims.

#### **Section 6: Collection Practices**

* **Debt Collection**: If a cardholder defaults on their payments for more than **60 days**, the issuer may pursue debt recovery through internal collections or by assigning the debt to an external collection agency. The cardholder will be notified before the account is transferred to a collection agency.
* **Debt Settlement**: In some cases, the issuer may offer a debt settlement option, where the cardholder can pay a portion of the outstanding balance to close the account. Any settlement agreement must be approved in writing by the issuer.

#### **Section 7: Regulatory Audits**

* **Internal Audits**: The issuer conducts regular internal audits to ensure compliance with all applicable laws and regulations. These audits cover transaction monitoring, anti-money laundering procedures, and consumer protection measures.
* **Regulatory Inspections**: The issuer is subject to periodic inspections by federal and state regulators, including the **Consumer Financial Protection Bureau (CFPB)** and the **Office of the Comptroller of the Currency (OCC)**. These inspections focus on compliance with lending practices, consumer protection laws, and data security.

#### **Section 8: Reporting and Transparency**

* **Annual Compliance Reports**: The issuer provides annual compliance reports to federal regulators, detailing how the issuer adheres to consumer protection laws, privacy regulations, and anti-money laundering rules.
* **Cardholder Disclosures**: The issuer provides cardholders with regular disclosures regarding their rights and responsibilities under federal law. These disclosures include summaries of changes to interest rates, fees, and privacy policies, as required by the **Truth in Lending Act (TILA)**.

#### **Section 9: Penalties for Non-Compliance**

* **Issuer Penalties**: Failure by the issuer to comply with federal or state regulations may result in fines, sanctions, or the suspension of certain business activities. The issuer will make reasonable efforts to inform cardholders of any impacts on their accounts due to non-compliance issues.
* **Cardholder Penalties**: Cardholders who engage in illegal activities or provide false information during the application process may have their accounts terminated and be subject to legal action. The issuer reserves the right to recover any losses incurred due to cardholder non-compliance.

#### **Section 10: Amendments to the Legal and Compliance Policy**

* **Changes to the Policy**: The issuer reserves the right to amend this policy with **30 days’ notice** to cardholders. Any changes will be communicated via email or the cardholder’s online account portal. Cardholders may opt out of specific amendments by notifying the issuer within the 30-day window.
* **Cardholder Rights**: If a cardholder opts out of amendments that materially affect the terms of their account, they may be required to close the account or accept modified terms. Opting out does not exempt the cardholder from complying with federal or state laws