Annexure-III

POLICY

ON

THIRD PARTY PRODUCTS

2023-2024

INDEX

POLICY ON THIRD PARTY PRODUCTS

1. Introduction:

The changing era has brought in a new outlook to the field of banking. Bank is considered as a strong channel to cater customers need of financial self-sufficiency. Reach & low cost distribution model gives opportunity to Banks to distribute various investment & alternate financial products as per customer needs and, in turn, earn fee for such services. Such distribution by Banks is termed as third party distribution. Bank proposes to provide various value added products and services to attract its potential customers and increase stickiness to the relationship of its existing customers.

2. Scope & Applicability

The objective is to ensure customer retention, customer loyalty and customer delight in making available vast investment options/choices/products to the customers and pursue Banks endeavour to provide one stop financial solutions.

Forms of Business:

Bank is guided by the parabanking circulars issued by Reserve Bank of India from time to time;

- **RBI/2015-16/30 DBR.No.FSD.BC.19/24.01.041/2015-16 July 01, 2015- (Master Circular – Para Banking activities)**
- **Banking Regulation Act, 1949** and/ or any periodic amendments or guidelines issued thereon.

As per RBI Master Direction(RBI/DBR/2015-16) dated 26-05-2016, various forms of Business that can be undertaken by Banks are detailed in chapter-II, Clause 4, General guidelines and is as hereunder;

(a) Unless specified otherwise in these Directions, a Bank desirous of undertaking the business permitted under Section 6(1) of the Banking Regulation Act,1949 may, at its option, do so either departmentally or through a separate subsidiary set up for the purpose under the provisions of Section 19(1) of the Banking Regulation Act,1949.

(b) An activity undertaken departmentally shall be subject to the following conditions:

i. There shall be a Board approved Policy for the activity that shall comprehensively cover the said activity, including the various risks associated with and suitable risk mitigation measures.
ii. The instructions/guidelines on KYC/Anti-Money Laundering/Combating the Financing of Terrorism (CFT) applicable to Banks, issued by RBI from time to time, shall be complied with.
iii. The general principles as enunciated in the Charter of Customer Rights issued by RBI shall be adhered to.
iv. The specific conditions prescribed for the respective business in Chapter III shall be complied with in addition to the instructions/regulations of the respective regulators as SEBI, IRDAI and PFRDA, as applicable.
v. No Bank shall engage in a financial activity other than those stated in Chapter III without the prior approval of RBI.

This policy provides the decision framework for selling Third Party Products (TPP) by the Bank. This policy intends to provide rationale for offering of identified Third Party Products for the Bank and selection of partners in conformity with regulatory and statutory guidelines.

Regulations, scope, applicability & business are later individually discussed for the third party products as detailed herein;

Chapter	Product
1	Mutual Fund Business.
2	Depository Participant (DP) & allied activities
3	Co- Branded Credit card
4	Govt Sponsored Scheme
5	Merchant Acquiring - PoS
6	FASTag (National Electronic toll Collection)
7	Wealth Management Products

As required under IRDAI, Corporate Agent 2015 Regulations, Bank shall continue to maintain an exclusive Policy on ''Procurement of Insurance Business''

3. **<u>Selection of Partners</u>:**

Bank will tie up with only those entities which are registered with concerned regulator (RBI/SEBI etc.) & the licence is in force from respective regulators**.** Based on need identified by the Management or change in regulations, the Bank may need to change the partner or empanel additional companies (as the case maybe).

The following are the parameters that would be used to identify and shortlist the partners:

Sl.	Company Strength	Product/Service Strength	Commercials
1	Balance Sheet/ Profitability	Product Range	Product-wise commercials
2	Market Share and Brand strength	IT Strength/Support	Non-product Commercials
3	Indian Promoter Strength	Customer Retention Ratios & philosophy	Special Offer to the Bank, if any
4	Business capabilities including Digital and technology support.	Branch Network and Manpower support for business	
	Existing relationships with regard to proposed product		

- The companies will be shortlisted based on the ratings on the above mentioned parameters.
- Designated business owner department will do the due diligence & evaluate the Partner/Vendor and recommend the proposal for approval before the competent authority.
- The new product/process proposal duly covering the aspects of the Product, Business Model, Process, Compliance, risks associated, roles of the stake holders, statutory guidelines, legal agreement/SLA etc, will be presented to New Product Process Approval Committee with Risk Control Self-Assessment for approval. Further, necessary administration approval from the Board, or MD & CEO as mandated by the regulator should be obtained.

4. **<u>Suitability of the Product(s) to the customer</u>**

Product suitability assessment is a process to study and asses the customer needs, financial goals, risk tolerance, investment experience etc & accordingly suggest/refer the product to the customers. However, the customers should exercise his/her judgement in making an informed decision. Bank would not follow any restrictive practices of forcing a customer to either opt for a product of a specific investment company or link sale of such products to any Banking product.

<u>Mis-selling</u>- is a sales practice in which a product or service is deliberately misrepresented or a customer is misled about its suitability. Mis-selling may involve the deliberate omission of key information, the communication of misleading advice, or the sale of an unsuitable product based on the customer's expressed needs and preferences.

Bank has put in place the following framework for sale of para banking products to ensure there is no mis-selling.

- Complete dissemination of information of the product and its features including its benefits, charges, premium, lock in etc to the customers.
- Follow the guidelines laid as per Banks policy on " customer rights and product suitability" and
- Practise sales / code of conduct as prescribed by respective regulators.

5. **<u>Adherence to the statutory regulations:</u>**

Bank will adhere to RBI, SEBI, IRDAI, PFRDA and other applicable regulatory Regulations and guidelines issued from time to time. Bank proposes to sell Third Party Products on distribution/agency/referral models on non-risk participation basis as permitted by RBI guidelines on para banking products. Bank will receive revenue on the sale of these products in form of fees/commissions etc.

The code of conduct prescribed by regulatory bodies, as applicable and as amended from time to time, will be followed by the Bank for undertaking Third Party activities.

6. **<u>Adherence to the KYC/AML/CFT guidelines:</u>** To enable a holistic view of a customer's transactions, Bank would follow requirements as specified by RBI Circular on PMLA

guidelines and their amendments from time to time and Bank's policies on KYC/AML/CFT. 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).

7. **Data Privacy and Confidentiality:**

Bank will adhere to the Master Direction DBR.AML.BC.No.81/14.01.001/2015-16 dated 25.0.2016 - Know Your Customer (KYC) Direction, 2016 with regards to the customer data privacy and confidentiality (Chapter X, Clause 56) which is enumerated as hereunder :

Secrecy Obligations and Sharing of Information:

(a) Banks shall maintain secrecy regarding the customer information which arises out of the contractual relationship between the banker and customer.

(b) While considering the requests for data/information from Government and other agencies, banks shall satisfy themselves that the information being sought is not of such a nature that will violate the provisions of the laws relating to secrecy in the banking transactions.

(c) The exceptions to the said rule shall be as under:

- Where disclosure is under compulsion of law,
- Where there is a duty to disclose to the public ,
- The interest of Bank requires disclosure and
- Where the disclosure is made with the express or implied consent of the customer.

8. **MIS/ Records Management**

   A. **MIS**

      a) Bank will maintain MIS/Records and reports as per respective regulations and timely reporting shall be ensured in formats as specified by the respective authority.

      b) Bank will maintain the MIS details in physical/electronic format as required.

c) Branch shall maintain copy of application form, referral form & KYC records of all such customers.

d) Bank would put in place a periodic business review (monthly/quarterly etc) and report updates to the Management.

B. Record Management

Bank shall maintain records as per RBI Master Direction DBR.AML.BC.No.81/14.01.001/2015-16 dated 25.0.2016 - Know Your Customer (KYC) Direction, 2016(Chapter VII ,Clause 46) which also includes records and transactions in adherence to Prevention of Money Laundering (Maintenance of Records) Rules,2005.

The following steps shall be taken regarding maintenance, preservation and reporting of customer account information, with reference to provisions of PML Act and Rules. REs shall,

a) Maintain all necessary records of transactions between the RE and the customer, both domestic and international, for at least five years from the date of transaction;

b) Preserve the records pertaining to the identification of the customers and their addresses obtained while opening the account and during the course of business relationship, for at least five years after the business relationship is ended;

c) Make available the identification records and transaction data to the competent authorities upon request;

d) Introduce a system of maintaining proper record of transactions prescribed under Rule 3 of Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (PML Rules, 2005);

e) Maintain all necessary information in respect of transactions prescribed under PML Rule 3 so as to permit reconstruction of individual transaction, including the following:

- The nature of the transactions;
- The amount of the transaction and the currency in which it was denominated;
- The date on which the transaction was conducted; and

- The parties to the transaction.
- Evolve a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities;
- Maintain records of the identity and address of their customer, and records in respect of transactions referred to in Rule 3 in hard or soft format.

9. **Advertising and Co-Branding:** All sales support materials such as prospectus, sales brochures, sales illustrations and publicity write ups will be designed in coordination with respective Third Party Product Partners and should be in line with the guidelines issued by their concerned regulators. The marketing activity like Co-Branded leaflets, brochures etc, will be undertaken after obtaining internal approvals from Chief Business Officer. Nature of arrangement, for example Corporate Agency, referral tie up, distribution etc, should be transparent and disclosed to customers. Bank will also promote the tie up on third party product through various social media handles like Facebook, Twitter and Instagram.

10. **Business & Distance Marketing & Digital Acquisition**

A. Business

a) Aligning to corporate goals, business & income targets shall be mutually derived for Branches & Regional offices depending on products & demographic potential.

b) Sourcing, marketing & sales shall originate at Branches.

B. Distance Marketing & Digital Acquisition: Bank shall follow the guidelines of the regulators as applicable for Tele Marketing, Distance Marketing & Digital/Online sales & comply with requisite statutory guidelines from time to time

11. **Customer Grievance Redressal and Compensation:**

a) Bank's customer grievance redressal mechanism includes handling of Third Party Products/parabanking related grievance/service request.

b) The customer can lodge the grievances directly to the Branch/RO/Head Office. As an additional facility to lodge the grievances they can also use the Grievances Redressal portal on the Bank's web-site and the same will be attended by the designated Banks' official.

c) Third Party Product Service Provider /Vendor/Company should also have a dedicated Customer Grievance Redressal policy and mechanism to address customer issues within the guided time frame as per regulators.

d) Bank has put in place the customer right to grievance redressal and compensation in the "Customer Grievance Redressal Policy" and same shall be followed.

12. <u>Code of Customer Rights:</u>

This is minimum standard of Banking practice as set therein for Third Party Products which Bank will follow as a member of BCSBI while dealing with customers. Banks **"Customer Rights Policy"** also enshrines basic rights of the customer and spells the responsibilities of the Bank.

13. <u>Review of the Policy:</u>

The new policy is placed before ORMC & RCMC and subsequently to Board for approval. However, in the event of a change in regulatory guidelines, necessary changes will be effected as and when required and upon approval from MD & CEO and will be submitted to the Board for approval.

CHAPTER -1

A. REGULATIONS, SCOPE & APPLICABILITY AND BUSINESS - MUTUAL FUND

1. Regulations

A. Section 6, Sub-section 1, of Banking Regulation Act, 1949, permits Banking Companies to undertake distribution of mutual funds, which are incidental or conducive to the promotion/ advancement of the business of the Bank. In the direction of undertaking the business of distribution/marketing of Mutual Fund Products of reputed Asset Management Companies (AMCs), Bank as per the guidelines of SEBI, registered its name with Association of Mutual fund in India (AMFI), as licensed intermediary (distributor) with registration Number - ARN 36805 dated 21.03.2006. The said ARN AMFI register number was last renewed on March 21, 2020 for a further period of 3 years till 21.03-2023. **Bank is having a Distribution Agreement [Execution only]** presently, with 8 AMCs for marketing of their mutual fund products **and is acting as an agent of the customer**,

B. As per para xvi of Master Direction–RBI (Financial Services provided by the Banks)Directions, 2016 dated 26.05.2016 :
"A Referral service means the arrangement between a Bank and a third party financial product provider, for referring the customers of the Bank to the third party financial product provider"Further, Clause 19 therein states, "Banks offering referral services shall do so only for financial products other than insurance, on a non–risk participation basis."
In Bank's endeavour to provide digital solutions to customers, on 24/07/2019 Bank has tied up with FISDOM (Ms Finwizard Technologies Pvt Ltd, a SEBI and AMFI registered entity with ARN Code – 103168) for Referral Services of Mutual Funds' investments in approx. 40 AMCs to its customers.

2. Scope & Objectives in Brief- This policy document on Mutual Fund Distribution outlines the guiding principles in respect of marketing of different AMCs mutual Fund schemes/products in accordance with the guidelines issued by both RBI & SEBI.

3. Mutual Fund Business The Reserve Bank of India on reviewing the extant instructions on conduct of Mutual Fund business by Banks advised vide circular DBR.

No. FSD. BC. 19/24.01.001/2015-16 dated July 1, 2015 that Banks may undertake Mutual Fund business as per the Board Approved Policy and such policy should be in line with the guidelines as stated in the said Circular.

- Bank got registered as an ARMFA (AMFI registered Mutual Fund Advisor) and allotted with an AMFI registration number ARN-36805 in the year 2006. Since then, the registration has been renewed and is now valid for the period 21-03-2020 to 20-03-2023.

- Bank is marketing mutual fund business under **Distribution Agreement [Execution only]** with the AMCs and is acting as an agent of the customer.

- The business of mutual fund distribution includes accepting and forwarding the Investors applications/ requests for purchase/sale of Mutual Fund units. Such purchase and sale of Mutual Fund units are at the customer's risk and the Bank does not guarantee any assured returns.

- The tie-up with FISDOM facilitates Bank customers to invest in Mutual Funds digitally through Mobile App and Web Based Desktop Solution in Branches helps to refer customers for Mutual Fund investments. Business is done through FISDOM ARN – 103168, presently in approx. 40 AMCs on commission sharing basis.

- Bank is not guaranteeing any assured returns on any investments by the customers to any mutual fund schemes of the AMCs. **Bank is not acting as an Advisor and is not in the business of providing Advisory Services.**

- Bank is not acquiring any units of Mutual Funds from secondary markets.

- Bank is not buying back the units of Mutual Funds from its customers.

- Credit facilities to the customers against the security of units of Mutual Funds are granted as per the Credit Policy/Lending Policy of the Bank, as guided by the extant instructions of the RBI on advances against shares /debentures and units of mutual funds.

A) Tie up with Asset Management Companies:

To cater to the investment needs of the customers and to provide the customers a wide option of investments, Bank is distributing Mutual Fund Plans of the 8 AMCs and may enter into other AMCs in future as and when it is found necessary. The eight AMCs which Bank tied up are the following and shall continue:

1. Franklin Templeton Asset Management India Ltd
2. Tata Asset Management Ltd
3. Reliance Capital Asset Management Ltd
4. ICICI Prudential Asset Management Company Ltd
5. UTI Asset Management Company Ltd
6. LIC Mutual Fund Asset Management Ltd
7. Birla Sunlife Asset Management Company Ltd
8. HDFC Asset Management Company Ltd

Bank may also consider to empanel additional AMC that will offer more options and choice to Bank customers for mutual fund investments and broaden business opportunities for the Bank.

B) Mutual Fund business at branches of the Bank:

Bank is soliciting Mutual Fund business through AMFI Certified Staff Members as per the regulatory guidelines of SEBI.

FISDOM Digital Platform in Mobile app is self-assisted and Web based, Desktop Solution is a guided module and provides research based recommendations in Mutual Funds for referring customers to Mutual Fund investments in branches.

C) Compliance with SEBI guidelines & Code of Conduct

Bank will comply with guidelines issued by SEBI and the Code of Conduct prescribed by SEBI, as amended from time to time, as applicable.

Code of Conduct:

a) When marketing various schemes to the Investors, Bank will always ensure the client's interest is paramount and ensure the appropriateness of the products to their financial needs by following its Product Suitability Policy.

b) Bank will avoid any commission driven malpractices such as recommending ineligible/ inappropriate products and will not encourage over transacting of Mutual Fund investments to get higher commission. (The details of commission on various Funds of the respective AMCs are made available to the customers in Banks website and also in Banks Data Centre fold for the information of staff members .All commissions can be disclosed to the customer on his enquiry.)

c) The information as provided by the AMC will highlight risk factors of each scheme to avoid misrepresentation and exaggeration and the Bank will advise the Investors to go through Scheme Information Document (SID)/ Key Information Memorandum (KIM) before making investment decisions.

d) For referral to FISDOM, the disclaimer/information as regards the Referral Service is made to customers at the time of making Mutual Funds investment.

e) Bank will adopt the AMFI code of conduct for intermediary, to provide best & professional customers services.

CODE OF CONDUCT FOR INTERMEDIARIES OF MUTUAL FUNDS

1. Consider investor's interest as paramount and take necessary steps to ensure that the investor's interest is protected in all circumstances.

2. Adhere to SEBI Mutual Fund Regulations and guidelines issued from time to time related to distributors, selling, distribution and advertising practices. Be fully conversant with the key provisions of the Scheme Information Document (SID), Statement of Additional Information (SAI) and Key Information Memorandum (KIM) as well as the operational requirements of various schemes.

3. Comply with SEBI guidelines / requirements issued from time to time in preparation of sales, promotional or any other literature about any schemes. Performance disclosures should also comply with the requirements specified by SEBI. Provide full and latest information of schemes to investors in the form of SAI, SID, addenda, performance reports, fact sheets, portfolio disclosures and brochures; and recommend schemes appropriate for the investor's risk profile and needs.

4. Highlight risk factors of each scheme, desist from misrepresentation and exaggeration and urge investors to go through SAI/SID/KIM before deciding to make investments.

5. Disclose to the investors all material information including all the commissions (in the form of trail or any other mode) received for the different competing schemes of various Mutual Funds from amongst which the scheme is being recommended to the investors.

6. Abstain from indicating or assuring returns in any type of scheme, unless the SID is explicit in this regard.

7. Maintain necessary infrastructure to support the AMCs in maintaining high service standards to investors, and ensure that critical operations such as forwarding forms and cheques to AMCs/registrars and despatch of statement of account and redemption cheques to investors are done within the time frame prescribed in the SID/SAI and SEBI Mutual Fund Regulations.

8. Do not collude with investors in faulty business practices such as bouncing of cheques, wrong claiming of dividend/redemption cheques, splitting of applications in the schemes to circumvent regulations for any benefit, etc.

9. Do not undertake commission driven malpractices such as:

- Recommending inappropriate products solely because the intermediary is getting higher commissions therefrom.
- Encouraging over transacting and churning of Mutual Fund investments to earn higher commissions.
- Splitting of applications to earn higher transaction charges / commissions.

10. Abstain from making negative statements about any AMC or scheme and ensure that comparisons, if any, are made with similar and comparable products along with complete facts.

11. Intermediaries shall keep themselves abreast with the developments relating to the Mutual Fund Industry as also changes in the scheme information and information on mutual fund / AMC like changes in fundamental attributes, changes in controlling interest, loads, liquidity provisions, and other material

aspects and deal with the investors appropriately having regard to the up to date information.

12. Maintain confidentiality of all investor details, deals and transactions.

13. Intermediaries shall keep investor's interest and suitability to their financial needs as paramount and that extra commission or incentive should never form the basis for recommending a scheme to the investor.

14. Intermediaries shall not rebate commission back to investors and abstain from attracting investors through temptation of rebate/gifts etc.

15. To protect the investors from potential fraudulent activities, intermediary should take reasonable steps to ensure that the investor's address and contact details filled in the mutual fund application form are investor's own details, and not of any third party. Where the required information is not available in the application form, intermediary should make reasonable efforts to obtain accurate and updated information from the investor. Intermediaries should abstain from filling wrong / incorrect information or information of their own or of their employees, officials or agents as the investor's address and contact details in the application form, even if requested by the investor to do so. Intermediary should abstain from tampering in any way with the application form submitted by the investor, including inserting, deleting or modifying any information in the application form provided by the investor.

16. Intermediaries including the sales personnel of intermediaries engaged in sales / marketing shall obtain NISM certification and register themselves with AMFI and obtain a Employee Unique Identification Number (EUIN) from AMFI apart from AMFI Registration Number (ARN). The Intermediaries shall ensure that the employees quote the EUIN in the Application Form for investments. The NISM certification and AMFI registration shall be renewed on timely basis. Employees in other functional areas should also be encouraged to obtain the same certification.

17. Intermediaries shall comply with the Know Your Distributor (KYD) norms issued by AMFI.

18. Co-operate with and provide support to AMCs, AMFI, competent regulatory authorities, Due Diligence Agencies (as applicable) in relation to the activities of the intermediary or any regulatory requirement and matters connected thereto.

19. Provide all documents of its investors in terms of the Anti-Money Laundering / Combating Financing of Terrorism requirements, including KYC documents / Power of Attorney / investor's agreement(s), etc. with Intermediaries as may be required by AMCs from time to time.

20. Be diligent in attesting / certifying investor documents and performing In Person Verification (IPV) of investor's for the KYC process in accordance with the guidelines prescribed by AMFI / KYC Registration Agency (KRA) from time to time.

21. Adhere to AMFI guidelines and Code of Conduct issued from time to time related to distributors, selling, distribution and advertising practices.

22. Intimate the AMC and AMFI any changes in the intermediary's status, constitution, address, contact details or any other information provided at the time of obtaining AMFI Registration.

23. Observe high standards of ethics, integrity and fairness in all its dealings with all parties - investors, Mutual Funds / AMCs, Registrars & Transfer Agents and other intermediaries. Render at all times high standards of service, exercise due diligence, and ensure proper care.

24. Intermediaries satisfying the criteria specified by SEBI for due diligence exercise, shall maintain the requisite documentation in respect of the "Advisory" or “Execution Only" services provided by them to the investors.

25. Intermediaries shall refund to AMCs, either by set off against future commissions or payment, all incentives of any nature, including commissions received, that are subject to claw-back as per SEBI regulations or the terms and conditions issued by respective AMC.

26. In respect of purchases (including switch-in's) into any fund w.e.f. January 1, 2013, in the event of any switches from Regular Plan (Broker Plan) to Direct Plan, all upfront commissions paid to distributors shall be liable to complete and / or proportionate claw-back.

27. Do not indulge in fraudulent or unfair trade practices of any kind while selling units of Schemes of any mutual fund. Selling of units of schemes of any mutual fund by any intermediary directly or indirectly by making false or misleading statement, concealing or omitting material facts of the scheme, concealing the associated risk factors of the schemes or not taking reasonable care to ensure suitability of the scheme to the investor will be construed as fraudulent / unfair trade practice.

CHAPTER -2

B. REGULATIONS, SCOPE & APPLICABILITY AND BUSINESS - DEPOSITORY PARTICIPANT (DP) & ALLIED ACTIVITIES

1. Regulations.

- The Demat & Trading activity is permitted under Section 6(1) (a) of Banking Regulation Act, 1949.
- Demat & trading activity is on referral basis & within the purview of RBI Master Direction/DBR.FSD No.101/24.01.041/2015-16 dated 26.05.2016 (RBI/DBR/2015-16/25), clause no 19, which permits Banks to undertake referral services to their customers for financial products, on a non-risk participation basis.

Bank will adhere to RBI and SEBI Regulations and guidelines issued from time to time allied to DP activity business including referral model business.

2. Scope & Applicability

Under DP allied activities, presently two types of tie-ups have evolved to cater to Investors demands & requirements as below:

a) **3-IN-1- account tie-up** – Demat & Operative Bank account will be with Bank & Trading account will be with the Partner/Vendor (Stock Broker).

b) **2-IN-1 account tie-up** – Demat & Trading account will be with Partner/Vendor (DP cum Stock Broker) & Operative Bank account will be with Bank.

The above said activities are on referral, non-risk participation basis. There are two Depositories in India viz., CDSL and NSDL. Our Bank is the Depository Participant (DP) of CDSL since 16.03.2006 & offering the DP activity business to its customers as per SEBI/CDSL circulars/communiques & operating instructions updated from time to time.

3. Key terms used:

Depository:- "Depository" means a company formed and registered under the Companies Act, 1956 (1 of 1956), and which has been granted a certificate of registration under sub-section (1A) of section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992). A depository is an organization, which holds the

Beneficial Owner's (BOs) securities in electronic form, through a registered Depository Participant (DP).

There are two Depositories in India – National Securities Depository Limited (NSDL) & Central Depository Services (India) Limited (CDSL).

Securities and Exchange Board of India (SEBI) is the regulating authority and it governs the functioning of the depository.

Depository Participant (DP):-"Participant" means a person registered as such under sub-section (1A) of section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992). A "Depository Participant" (DP) is an agent of the Depository who is authorized to offer depository services to investors. Financial institutions, Banks, Custodians and Stockbrokers complying with the requirements prescribed by SEBI/ Depositories can be registered as DP.

Beneficial Owner (BO):-"Beneficial Owner" means a person whose name is recorded as such with a depository.

Issuer:-"Issuer" means an entity such as Corporate/State or Central Government organization issuing securities which can be held by Depository in electronic form.

International Security Identification Number (ISIN): A 12 digit unique alphanumeric code allotted for a security when it is admitted in depository.

4. **<u>Business Depository Participant (DP) & Allied activities:</u>**

(i) Depositories offer the following services to the investors through its Depository Participants (DP):

- Dematerialization - Process of converting physical share certificates to electronic form.
- Rematerialization - Process of converting electronic securities back into physical form.
- Maintain the holdings in the electronic form.
- Effect settlement of securities traded on the stock exchanges.
- Effect settlement of trades not done on the stock exchanges i.e. off-market trades.
- Enable the electronic credit in case of Public Issues.

- Enable the non – cash Corporate Action benefit such as bonus and rights in the electronic form.
  - Enable pledge Dematerialized securities.
  - Facilitate Securities Lending and Borrowing.

5. <u>Anti-Money Laundering and Terrorist Financing Guidelines</u>:

DP(Bank) shall adhere to the Master guidelines of SEBI (SEBI/HO/MIRSD/DOP/CIR/P/2019-/113 dated October 15, 2019) on Anti-Money Laundering (AML) standard and Combating Financing of Terrorism (CFT) time to time.

Obligation to establish PMLA policies and procedures:

Further DP(Bank) is under obligation to;

1. Issue statement of policies and procedures.

2. Regular review of policies and procedures to ensure its effectiveness. The review shall be by the different person who framed the policies and procedures.

4. Undertake Client Due Diligence (CDD) and client acceptance policy which are sensitive to the risk of ML and TF.

5. Have a system in place for identifying, monitoring and reporting suspected ML or TF transactions to the law enforcing authorities.

6. Develop staff members' awareness and vigilance to guard against ML and TF.

7. Communication of group policies relating to prevention of ML and TF to all management, departments and staff.

8. Maintenance of records.

9. Internal audit or compliance function to ensure compliance with the policies.

DP(Bank) shall comply with Section 2, detailed Directives with written procedures to implement AML under PMLA. Department shall ensure monthly concurrent audit.

Depository Participant registered under Section 12, of SEBI Act, have to adhere to client account opening procedure and maintain records of such transactions as prescribed in the Rules under the PMLA.

Client Due Diligence (CDD):

CDD is a measure to identify persons who beneficially own or control the securities account. The beneficial owner is the natural person or persons who ultimately own, control or influence a client and / or a person on whose behalf the transaction is being conducted. The CDD measure includes inter alia, the following parameters;

A. Client Identification Procedure (CIP):

DP (Bank) shall put in place Client Identification Procedure (CIP) to determine the beneficial owner of the account. The procedure shall include seeking relevant information from the client, referring to publicly available information or accessing the commercial electronic database of PEPs.

B. Policy for Acceptance of clients:

DP (Bank) shall develop client acceptance policies and procedures that aim to identify the type of clients that are likely to pose a higher than average risk of ML or TF. The following safeguards are to be followed with acceptance of clients.

(a) No accounts will be opened in a fictitious /benami name or on an anonymous basis.

(b) Factors of risk perception like location, nature of business activity, trading turnover etc and manner of making payment for transactions undertaken. The parameters shall enable classification of clients into low, medium and high risk. Special category clients may, if necessary, be classified even higher. Such clients require higher degree of due diligence and regular update of Know Your Client (KYC) profile.

(c) DP (Bank) shall ensure that an account is not opened where the intermediary is unable to apply appropriate CDD measures/KYC policies. This shall apply in cases where it is not possible to ascertain the identity of the client or the information provided to the intermediary is suspected to be non-genuine, or there is perceived non-cooperation of the client in providing full and complete information

Know Your Customer (KYC) : Bank is having Board approved Policy on Know Your Customer (KYC) Standards and Anti Money Laundering (AML) Measures with Client Identification Policy and Client Acceptance Policy. All accounts are opened with compliance to this KYC policy and such KYC complied accounts are referred for opening DP accounts. This policy is reviewed annually

Risk Based Approach:- DP (Bank) shall adopt an enhanced client due diligence process for higher risk categories of clients and simplified due diligence for low risk categories of clients. Bank carry out risk assessment regularly to identify the different category of clients and made available to the competent authorities and self-regulating bodies as and when required.

C. Suspicious Transaction Monitoring and Reporting:

DP (Bank) shall ensure that appropriate steps are taken to enable suspicious transactions to be recognized and have appropriate procedures for reporting suspicious transactions. While determining suspicious transactions, intermediaries shall be guided by the definition of a suspicious transaction contained in PML Rules as amended from time to time. Further, the compliance cell of the DP(Bank) shall randomly examine a selection of transactions undertaken by clients to comment on their nature i.e. whether they are in the nature of suspicious transactions or not.

Reporting to Financial Intelligence Unit-India :

The Suspicious Transaction Report shall be submitted within 7 days of classification as STR. Directors, officers and employees (permanent and temporary) of the DP(Bank) shall be prohibited from disclosing ("tiping off") the fact that STR or related information is being reported or provided to the FIU-IND.

DP (Bank) shall report the information relating suspicious transactions to the Director, FIU-IND at the following address.

Director,FIU-IND,
Financial Intelligence Unit,
6th Floor, Hotel Samrat,

Chanakyapuri , New Delhi – 110021.

Website: http://fiuindia.gov.in

Designation of officers for ensuring compliance with provisions of PMLA.

Appointment of Designated Officer as Principal Officer & Designated Director:

DP(Bank) shall designate Principal Officer (AGM and above) to discharge the legal obligations to report suspicious transactions to authorities. The Principal Officer to play an active role in identification and assessment of potentially suspicious transactions and shall have access to and to be able to report to the next reporting level or Board of Directors.

Record Keeping:

DP(Bank) shall maintain such records which are sufficient to permit reconstruction of individual transactions so as to provide, if necessary, evidence for prosecution of criminal behaviour (as prescribed in Rule 3 of PML Rules).

The information shall be maintained for a period of 5 years from the date of transactions between the client and intermediary.

Employees Training:

DP(Bank) shall have an ongoing employee training programme so that the members of the staff are adequately trained in AML and CFT procedures. Training requirements shall have specific focuses for frontline staff, back office staff, compliance staff, risk management staff, and staff dealing with new clients.

Investors Education:

DP(Bank) shall sensitize the clients about the objectives of collecting more personal information by creating awareness digital platform and pamphlets at the outlets.

6. **Surveillance Mechanism:**

- **Obligation to generate surveillance alerts:** Surveillance mechanism shall include generation of alerts as per the indicative themes described in the CDSL communiqué and may also include additional alerts as per the Bank's own parameters to detect any suspicious activity. Bank shall ensure review and disposal of alerts within 30 days from the date of alerts generated. Further, any abnormal/suspicious activities shall be reported to CDSL and other regulatory authorities within 7 days of the alerts received/generated. Delay in disposition of alerts, if any, shall be documented with appropriate reason.

- **Obligation regarding Client due diligence:** Client due diligence shall be carried out on an ongoing basis including the updation of Client's key KYC attributes on periodic basis as prescribed by SEBI.

- **Obligation on review and reporting of alerts:** Review mechanism shall be based on transaction rationale and other indicative themes like multiple demat accounts, frequent pledge transactions, off market transfers not commensurate with income/net worth etc. Bank shall put in place a system to review the alerts thoroughly with supporting documents and record such transactions (Physical/electronic mode). Bank shall provide the approved status of alerts on quarterly basis as per the format provided by the CDSL within 15 days from end of every quarter.

- **Obligation of Compliance Officer & Internal Auditor/Concurrent Auditor of the DP:** Designated Official shall carry out the surveillance activities on daily basis, while the Compliance officer will be the in charge of overall supervision of surveillance activities. Review on alerts generated, processed and acted upon during the quarter and details of pending cases with action plan for closure will be placed quarterly before the Board. Further, Board shall be appraised on any exceptions noticed during the disposal of alerts. Bank shall appoint an internal auditor to periodically review the surveillance policy, its implementation & effectiveness as per the CDSL guidelines.

CHAPTER -3

C. REGULATIONS, SCOPE, APPLICABILITY & BUSINESS - CO-BRANDED CREDIT CARD

1. **Regulations-** As per RBI Master Circular on Credit Card [DBR.No.FSD.BC.18/24.01.009/2015-16 dated July 1, 2015- Clause- 2), Banks in India can undertake Credit card business either departmentally or through a subsidiary company set up for the purpose. Bank can also undertake domestic credit card business by entering into tie-up arrangement with one of the Banks already having arrangement for issue of credit cards.

   Further, as per clause no 2.2 of RBI Master Direction prior approval of the Reserve Bank is not necessary for Bank desirous of undertaking credit card business either independently or in tie-up arrangement with other card issuing Bank. Bank can do so with the approval of their Boards.

2. **Scope & Applicability -** Under Co-branded arrangement, Bank will refer customer to avail Credit card facility. The Service provider will underwrite the risk and take decision on credit Limit & arrange issuance of Co-Branded Credit card by obtaining duly completed form with prescribed documents.

3. **Business**

   (i) **Business strategy:** To promote this line of business Bank will have targets each year. The target for the year will be allotted to Regions/Branches. Further, campaigns/big day will be conducted to promote the business.

   (ii) **Sourcing of Co-Branded Credit Card**: Credit card customers sourcing is done through cross selling program. Under cross –selling program, the existing customers of the Bank, who are having good banking relationship, will be referred to the service provider by making proper disclosure of features of the product. Bank will earn fees for on-boarding, renewal of cards and also on retail spends.

   (iii) **Fair Practices Code :** As per RBI Master Circular on Credit Card [DBR.No.FSD.BC.18/24.01.009/2015-16 dated July 1, 2015- Clause- 2) the Credit Card company should have well documented policy & a Fair Practices code for card operations.

CHAPTER -4

D. REGULATIONS, SCOPES AND APPLICABILITY – GOVERNMENT SPONSORED SCHEME

Section 6 (1) of Banking regulation act 1949 permits Banks to engage & undertake various forms of business activities. Section 6 (1 a), includes any other forms of business which the central Government may, by notification in the Official Gazette, specify as a form of business in which it is lawful for a banking company to engage. Bank can also offer various party products which are regulated by central Govt or any regulating authority from time to time.

Presently Banks is offering the following products to its customers:

Sl.No	Products	Regulator
1.	Sovereign Gold Bond Scheme (SGB)	RBI
2.	National Pension System (NPS)	PFRDA
3.	Jan Suraksha- Products PMJJBY PMSBY	DFS
4.	Atal Pension Yojona (APY)	PFRDA

(i) **Sovereign Gold Bond Scheme Bond- (SGB):** The Sovereign Gold Bond Scheme was issued by Government of India (GOI) in accordance with section 3 of the Government Securities Act, 2006. The eligibility condition and other terms and condition are specified in the relevant notifications of Government of India issued from time to time. The Sovereign Gold Bond Scheme was first launched by Government of India (GOI) on October 30, 2015. Bank has introduced SGB product to our customer since 2015. SGB are Govt securities denominated in grams of gold. The bond is issued by Reserve Bank on behalf of Govt of India.

(ii) **National Pension System - NPS:** The Central Government has introduced new restructured defined contribution National Pension System (NPS) with effect from January 1, 2004 (except for armed forces) vide notification Government of India, Ministry of Finance Notification F.No.5/72003-ECB&PR dated 22.12.2003. National Pension System (NPS) is a retirement benefit scheme introduced by the Government of India to facilitate a regular income post retirement to all the subscribers. PFRDA (Pension Fund Regulatory and Development Authority) is the governing body for NPS.

(iii) **<u>Jan Suraksha: PMJJBY PMSBY:</u>** With an intention to create social security among public, Department of Financial services New Delhi vide notification D.O NO.16/7/2015-PR dated on 23rd June 2015 introduced two Schemes, viz. Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY) on 9th May 2015. Bank has tied up with Life Insurance Company for PMJJBY and New India Assurance for PBSBY for offering this product to our customers.

(iv) **<u>Atal Pension Yojana (APY)-</u>** Department of Financial services New Delhi'' vide notification D.O NO.16/7/2015-PR dated on 23rd June 2015 introduced APY scheme to address the old age income security needs of the citizens in an affordable manner. Bank has implemented 'Atal Pension Yojana' pension scheme to our customers since Aug, 17 2015.

Bank will follow the regulations of respective schemes and authority served from time to time for all the aforementioned third party products.

CHAPTER -5

E. REGULATIONS, SCOPES AND APPLICABILITY – MERCHANT ACQUIRING-(PoS)

1. Regulations.

- The PoS activity is permitted under Section 18 of Payment and Settlement Systems Act, 2007.
- PoS activity is on referral model on non-risk participation basis & Bank will adhere to RBI Regulations and guidelines issued from time to time allied to PoS business.

2. Scope & Applicability

The policy document sets out on the obligations applicable on behalf of the service providers, merchants and Bank for deploying PoS terminals at merchant's locations.

PoS Business under 'Referral Model- Under this tie-up arrangement Bank will refer the merchant to the service provider (PoS vendors), who will in turn close the installation process & undertake all the necessary prerequisite formalities including Merchant Establishment Agreement, collection of merchant on-boarding documents before installing the terminal at the merchant location. All the associated risks, charge backs, reconciliation activities and collection of monthly rent will be vested with the vendor.

3. Key term used

Merchant acquiring is the process of acceptance, processing and settlement of payment transactions for merchants. A Bank that contracts or acquires with merchants is called an Acquiring /Merchant Bank/ or Acquirer. Acquiring Banks sign up merchants to accept payment cards for the network and also arrange processing services for merchants. The process is called Point of Sale (PoS) services.

Point of Sale (PoS) business involves 2 components viz., **Acquirer Bank** and **Issuer Bank**. Acquiring Bank is responsible for on-boarding customers for deploying PoS terminals. On the other hand, Issuer Bank is the cardholder Bank i.e., the Bank which issues the card to the customer. Merchant Acquiring is the process of acceptance, processing and settlement of payment transactions for merchants.

4. Business

(i) **Business strategy:** To promote this line of business Bank will have targets each year. The target for the year will be allotted to Regions/branches. Further, campaigns/big day will be conducted to promote the business.

(ii) **Target customers for availing PoS terminals -**Point of Sale terminals can be availed by all the customers who are maintaining the Current & Overdraft accounts with our Bank. However, PoS services will also be extended to Savings accounts maintained by representative capacities of Trusts, Societies, Clubs, and Professionals etc on case to case basis with prior approval from Head Office.

(iii) **Roles and responsibilities of Branches, Service Providers**

a) Service providers:

All the service providers' work under the concept called as 'Referral model' The following activities shall be handled by the service providers;

- ✓ Execution of Merchant Service Establishment Agreement with documents.
- ✓ Installation of terminals.
- ✓ Collection/follow up of monthly rentals.
- ✓ Handling of service related issues.
- ✓ Settlement of daily transactions of merchants.

b) Branches:

- ✓ The Branch will identify the customer/s for providing new PoS terminal and intimate the service provider.
- ✓ Requests for de installations shall also be routed through the Branches.

CHAPTER -6

F. REGULATIONS, SCOPES AND APPLICABILITY – KBL-FASTag

1. Regulations.

Bank has partnered with M/s Worldline for issuance of FASTag to customers. It is ensured that guidelines issued by National Highway Authority of India (NHAI) & National Electronic Toll Collection (NETC) from time to time in respect of FASTag business are followed scrupulously.

2. Scope & Applicability

The policy document sets out the obligations applicable on behalf of the service providers, customers and Bank for issuing FASTtag to the customers.

Roles & Responsibilities of the Bank

The Bank issues the FASTag to the Customers. Bank has partnered with M/s Worldline for the procurement of the Tags and also for marketing of FASTags to non-Bank customers. M/s Worldline is responsible for;

- Facilitating purchase of FASTag and recharge, integration of NETC system with Bank's CBS through APIs,
- Manage/modify exception lists on request from appropriate authorities,
- Manage blacklisted/low balance tag lists,
- Update NETC about the exception/blacklist/low balance lists,
- Provide support and toll-free helpdesk services to Tag holders, intimate customers through SMS on behalf of Bank, etc.

3. Key term used

FASTag is a reloadable device which enables automatic deduction of toll charges at toll plazas. It employs Radio Frequency Identification (RFID) technology, and is affixed to the vehicle's windshield. The device is linked to a prepaid account (Wallet) maintained at M/s Worldline. RFID readers are deployed at toll plazas by the acquirer Banks (like Axis Bank, ICICI Bank…etc) which read and validate the FASTag data. The processes of deduction of the required amount from the customer's wallet, providing debit/low balance intimation to customer, reconciliation, dispute management, etc., are carried out through the comprehensive electronic toll collection (ETC) system, which includes Toll Plaza operators, Issuers, Acquirers, NPCI, IHMCL, etc.

4. Business

(i) **Business strategy:** To promote this line of business Bank will have targets each year. The target for the year will be allotted to Regions/Branches. Further, campaigns/big day will be conducted to promote the business.

(ii) **Target customers for availing KBL-FASTag facility**

- KBL-FASTag can be marketed to customers who are availing new vehicle loans.
- Bank customers having profile of Contractors, Infrastructure providers, material suppliers and Travel agencies are identified and the KBL-FASTag may be marketed to them through Banks' CASA marketing team/Branches.
- Existing car/vehicle loan borrower who are not using KBL-FASTag are being focused for issuing KBL-FASTag.
- Non- customers will be acquired through marketing efforts of M/s. Wordline.
- Branches are being sensitized to issue KBL- FASTag' to the customers and marketing inputs will be provided in ABCD/XPAWS (Annual Branch Customer Dashboard/Xpress Profile Analysis for Wallet Share) dash board to help in marketing of the same.

(iii) **Tie up with M/s. Worldline India Pvt. Ltd-** National Highway Authority of India (NHAI) has engaged Indian Highway Management Company Ltd. (IHMCL) for implementing Electronic Toll Collection by the National Electronic Toll Collection (NETC) system at toll plazas of National Highways. To cater to the needs of the customers, Bank has tied up with M/S Worldline for issuance of FASTtag services (Service provider). The service provider will deploy all the necessary infrastructure for issuance and maintenance of FASTags, application, arranging helpdesk, Dispute management, customer grievances, reconciliation files etc.

CHAPTER -7

POLICY ON WEALTH MANAGEMENT PRODUCTS

1. **Brief on Wealth Management :**

The term Wealth Management comprises a number of aggregated financial products & services. It is a consultative process of gathering information about the client's wants and specific situation, and then to tailor a personalized strategy using range of financial products and services.

Traditionally, the wealthiest retail clients demand a greater level of service, product offering and with an increase in the number of affluent investors in recent years, there has been an increasing demand for sophisticated financial solutions and expertise.

The following categories of services offered by banks in India to their customers are generally included in the term 'Wealth Management Services' (WMS):

i) Referral Services

ii) Investment Advisory Services (IAS); and

iii) Portfolio Management Services (PMS).

In addition to the above services, banks also market and distribute third party financial products, which, though not part of WMS, is an allied activity. While marketing and distributing third party financial products, banks are acting as agents for entities regulated by other regulators. Reserve Bank has issued guidelines for banks on these matters from time to time from the perspective of permitting entities regulated by RBI to undertake these activities

2. **Regulations :**

Wealth Management Activity will be conducted on **"Referral Model"** and Bank is guided by the para banking circulars issued by Reserve Bank of India from time to time to undertake various forms of business.

- **RBI/2015-16/30 DBR.No.FSD.BC.19/24.01.041/2015-16 July 01, 2015- (Master Circular – Para Banking activities)**
- **RBI/2015-16/25 DBR.No.FSD.No.101/24.01.041/2015-16 May 26, 2016- (Master Direction –RBI - Financial Services provided by Banks)**

As per the RBI Master Directions (RBI/DBR/2015-16) dated 26-05-2016, guidelines to undertake various forms of Business are detailed in chapter-II, Clause 4. Further, Clause 4 b (v) of the guidelines also stipulates the financial activity that Banks can engage upon.

QUOTE: Section 6 (1) (a) of Banking Regulation Act, 1949.

In addition to the business of banking, a banking company may engage in any one or more of the following forms of business, namely:—

Section 6 (1) (a) the borrowing, raising, or taking up of money; the lending or advancing of money either upon or without security; the drawing, making, accepting, discounting, buying, selling, collecting and dealing in bills of exchange, hundi, promissory notes, coupons, drafts, bills of lading, railway receipts, warrants, debentures, certificates, scrip's and other instruments and securities whether transferable or negotiable or not; the granting and issuing of letters of credit, traveller's cheques and circular notes; the buying, selling and dealing in bullion and specie; the buying and selling of foreign exchange including foreign bank notes; the acquiring, holding, issuing on commission, underwriting and **dealing in stock, funds, shares, debentures, debenture stock, bonds, obligations, securities and investments of all kinds;** the purchasing and selling of bonds, scrip's or other forms of securities on behalf of constituents or others, the negotiating of loans and advances; the receiving of all kinds of bonds, scrip's or valuables on deposit or for safe custody or otherwise; the providing of safe deposit vaults; the collecting and transmitting of money and securities; }

Wealth Management activity will be on "Referral Model" and presently to include Portfolio Management Services (PMS), Alternate Investment Funds, Fixed Income Products, and Investment Advisory Services.

Applicable Regulations for the Wealth Management Products:

Sl No	Products	RBI Regulations	SEBI Regulations
1	Portfolio Management Services (PMS)	Product is covered under Chapter III, Clause 17 of RBI Master Guidelines on Para Banking and Bank proposes to undertake the activity on referral model.	The **Securities Exchange Board of India (SEBI) is the regulatory body for managing portfolio management systems in India and ensure that PMS provider will act in the best interests of the investors. SEBI (Portfolio Managers) Regulations, 2020 is** related **to registration, management, and governance of portfolio managers across the country.**
2	Alternate Investment Funds (AIF)	Product is covered as per Section 6 (1) of Banking Regulations Act'1949 and Bank proposes to undertake the activity on referral model.	AIFs are regulated by SEBI and come under the regulation **2 (1) (b) of the Regulation Act,** 2012 of SEBI.
3	Fixed Income (FI) products	Product is covered as per Section 6 (1) of Banking Regulations Act'1949 and Bank proposes to undertake the activity on referral model.	The fixed income market in India is regulated by RBI & SEBI. Government securities and issues by Banks, Institutions are regulated by **the RBI**. The issue of non-government securities & corporate Debt is regulated by SEBI.
4	Investment Advisory Services	Chapter III, Clause 16 of RBI Master Guidelines on Para Banking.	This is regulated by SEBI under the SEBI (Investment Advisers) Regulations, 2013 ("**IA Regulations**")

- **Referral service-** As per para xvi of Master Direction–RBI (Financial Services provided by the Banks) Directions, 2016 dated 26.05.2016: "A Referral service means the arrangement between a Bank and a third-party financial product provider, for referring the customers of the Bank to the third-party financial product provider". Further, Clause 19 therein states, "Banks offering referral services shall do so only for financial products other than insurance, on a non–risk participation basis."

There is no objection to banks offering referral services to their customers for financial products subject to the following conditions:

(a) The Bank/third party issuers of the financial products should 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.

(b) The bank should 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 issuers of the products.

(c) The bank should make it explicitly clear upfront to the customer that it is providing purely a referral service strictly on a non-risk participation basis.

(d) The third-party issuers should adhere to the relevant regulatory guidelines applicable to them.

(e) While offering referral services, the bank should strictly adhere to the relevant RBI guidelines.

3. Business Model and Brief on Wealth Management Products:

3. A Business Model -The Bank can obtain required licenses (if any) e.g.; Portfolio Management Distributor, AIF etc. and can distribute such financial products under referral model under tie-up with respective AMC's. Bank shall adhere to respective regulatory guidance thereupon.

3. B Brief on Wealth Management Products

(I) Portfolio Management Services (PMS) :

The investible assets class includes equities, fixed income, debt, cash, structured products and other individual securities. **Minimum ticket size for investment is INR**

50 Lakhs. The key benefit to the investor is a focused strategy with high-conviction plays on well-defined themes and investment strategies.
Portfolio management can be understood as the process of managing individuals' investments in securities. The securities would comprise of mutual funds, shares, stocks, bonds, and debentures and so on depending on the investor's income, budget and convenient time frame. PMS offerings are usually ideal for investors: who are looking to invest in asset classes like equity, fixed income, and structured products etc., who desire personalized investment solutions, who desire long-term wealth creation, who appreciate a high level of service.

Types of Portfolio Management

- **Discretionary Portfolio Management services:** In Discretionary portfolio management services, an individual authorizes a portfolio manager to take care of his financial needs on his behalf. The individual issues money to the portfolio manager who in turn takes care of all his investment needs, paper work, documentation, filing and so on. In discretionary portfolio management, the portfolio manager has full rights to take decisions on his client's behalf.
- **Non-Discretionary Portfolio management services:** In non-discretionary portfolio management services, the portfolio manager can merely advise the client what is good and bad for him but the client reserves full right to take his own decisions.

(II) <u>Alternate Investment Funds (AIFs)</u>:
AIFs are privately pooled investment vehicles that collect money from investors and invest as per the defined investment policies. The defined investment avenues include venture capital, private equity, and real estate, among others. **Minimum ticket size for investment is INR 100 Lakhs.** The key benefit is accessibility to instruments that are typically not available to general public and/or through public markets.
AIF does not include funds covered under the SEBI (Mutual Funds) Regulations, 1996, SEBI (Collective Investment Schemes) Regulations, 1999 or any other regulations of the Board to regulate fund management activities

Category I AIFs: AIFs which invest in start-up or early stage ventures or social ventures or SMEs or infrastructure or other sectors or areas which the government or regulators consider as socially or economically desirable and shall include venture capital funds, SME Funds, social venture funds, infrastructure funds and such other Alternative Investment Funds as may be specified.

Category II AIFs: AIFs which do not fall in Category I and III and which do not undertake leverage or borrowing other than to meet day-to-day operational requirements and as permitted in the SEBI (Alternative Investment Funds) Regulations, 2012. [Ref. Regulation 3(4)(b)] Various types of funds such as real estate funds, private equity funds (PE funds), funds for distressed assets, etc. are registered as Category II AIFs

Category III AIFs: AIFs which employ diverse or complex trading strategies and may employ leverage including through investment in listed or unlisted derivatives. [Ref. Regulation 3(4)(c)] Includes hedge funds, PIPE Funds, or funds which trade for short term returns, or open ended funds, for which no specific incentives or concessions are given by the government or any other regulator. Various types of funds such as hedge funds, PIPE Funds, etc. are registered as Category III AIFs.

Angel Fund: Angel fund is a sub-category of Venture Capital Fund under Category I Alternative Investment Fund that raises funds from angel investors and invests in accordance with the provisions of Chapter III-A of AIF Regulations. In case of an angel fund, it shall only raise funds by way of issue of units to angel investors.

Debt Fund: Debt fund is an Alternative Investment Fund (AIF) which invests primarily in debt or debt securities of listed or unlisted investee companies according to the stated objectives of the Fund. [Ref. Regulation 2(1)(i)]. These funds are registered under Category II. In this regard, it is clarified that, since Alternative Investment Fund is a privately pooled investment vehicle, the amount contributed by the investors shall not be utilised for purpose of giving loans

Fund of Funds: Fund of Funds, in general parlance as gathered from publicly available sources an investment strategy of holding a portfolio of other investment funds rather than investing directly in stocks, bonds or other securities. In the context of AIFs, a Fund of Fund is an AIF which invest in another AIF.

AIFs enjoy the most lenient regulatory regime compared to mutual funds (MFs) or any other pooling vehicles and the rules are lighter as only sophisticated investors, who are aware of the risks, are allowed to invest through these funds.

(III) Fixed Income (FI) Products;-

FI products include the primary and secondary Fixed Income/Debt instruments issuances made by the government, public sector entities and private corporations. These are instruments with a defined tenure and coupon. FI products are in high demand from investors who are seeking to build a strong fixed-income portfolio, diversify away from equity or use it as tactical play on interest rate or credit risk anticipations. Fixed income products – particularly bonds are extensively used by corporate customers. Instruments include:

Government Securities / RBI Bonds

State Bonds

Bank Perpetual Bonds

Non-Convertible Debentures

54EC Bonds

Fixed income Products in brief- Fixed income securities are financial instruments that guarantee a 'fixed income'. They carry a fixed rate of return and maturity period. Fixed income securities are issued by both, government and private companies. They can be short term or long term. Fixed income securities maturing before 91 days are known as money market securities.

Fixed Income Market: Fixed income market is where fixed income investments are bought and sold.

The Indian fixed income market is divided into two parts:

1) Primary fixed income market
2) Secondary fixed income market.

In the primary market, fixed income securities are directly sold to investors. Example: RBI tax free Bonds and are directly sold to investors. Once issued, these fixed income products are traded i.e. bought and sold in the secondary market. Broker's help investors buy and sell fixed income securities in the secondary market. There are two types of securities are traded in the fixed income market:

1. Government Fixed Income Securities: These securities are issued by the government. Government borrows money for economic growth. The Indian fixed income market is dominated by government securities. They are safest as they are backed by the government of India. Examples: Treasury bills, Certificates of Deposits, etc.

2. Corporate Fixed Income Securities: Bond issued by private companies carry high credit risk. Companies borrow funds for growth and expansion. Ideally, fixed income securities are investment options for retirees and senior citizens as they provide better returns (principal repayment and interest payments).

Investors who want to diversify their equity portfolio can invest in corporate bonds and can expect higher returns than the G-Secs.

Types of FI Products & Risks: Perpetual Bonds, NCD's, Corporate Bonds, SGB's, State Govt Guaranteed Bonds, Corporate Deposits, Taxable PSU Bonds, 54 EC Bonds, etc.

Credit Risks, Liquidity Risks, Interest rate Risks, Re Investment risks are some of the risks associated with Fixed Income Securities.

4. <u>Selection of Partners:</u>

Bank will tie up with only those entities which are registered with concerned regulator (RBI/SEBI etc.) & the licence is in force from respective regulators**.** Based on need identified by the Management or change in regulations, the Bank can change the partner or empanel additional companies (as the case maybe).

The following are the parameters that would be used to identify and shortlist the partners:

Sl.	Company Strength	Product/Service Strength	Commercials
1	**Balance Sheet/ Profitability** Net worth should be more than Rs 25 crores or min as per respective Regulator. Company should be a profit making company in the last 3 years.	Product Range	Product wise commercials

2	Market Share and Brand strength	IT Strength/Support	Non-product Commercials
3	Indian Promoter Strength	Customer Retention Ratios & philosophy	Special Offer to the Bank, if any
4	Business capabilities including Digital and technology support.	Branch Network and Manpower support for business	
	Existing relationships with regard to proposed product		

- The companies will be shortlisted based on the assessment of the above mentioned parameters.
- Designated business owner department will do the due diligence & evaluate the Partner/Vendor and recommend the proposal for approval before the competent authority. Bank may also empanel additional Wealth Management product provider that will offer more options and choice to Bank customers for wealth management products and broaden business opportunities for the Bank.
- The new product/process proposal duly covering the aspects of the Product, Business Model, Process, Compliance, risks associated, roles of the stake holders, statutory guidelines, legal agreement/SLA etc, will be presented to New Product Process Approval Committee with Risk Control Self-Assessment for approval. Further, necessary administrative approval for on-boarding the partner shall be obtained from MD & CEO.
- This is new line of business and as measure of control & concentration risk of business maximum business from a partner shall not exceed 5 times of the net worth of respective vendor. Further, any exception up to 10 times on this criteria shall be on obtention of approval from MD & CEO.

5. Suitability of the Product(s) to the customer

Product suitability assessment is a process to study and asses the customer needs, financial goals, risk tolerance, investment experience etc & accordingly suggest/refer the product to the customers. However, the customers should exercise his/her judgement in making an informed decision. Bank would not follow any restrictive practices of forcing a customer to either opt for a product of a specific investment company or link sale of such products to any Banking product.

Mis-selling- is a sales practice in which a product or service is deliberately misrepresented or a customer is misled about its suitability. Mis-selling may involve the deliberate omission of key information, the communication of misleading advice, or the sale of an unsuitable product based on the customer's expressed needs and preferences.

Bank shall put in place necessary framework to ensure product suitability & appropriateness to customers while pitching the wealth management products and shall ensure that there is no mis-selling.

- Complete dissemination of information of the product and its features including its benefits, charges, premium, lock in etc to the customers.
- Follow the guidelines laid as per Banks policy on " customer rights and product suitability" and sales practise / code of conduct as prescribed by respective regulators
- All wealth management products offered to the customers and the companies should be whitelisted & approved through an internal process wherein, the company, its philosophy, objective, performance, financials, reputation of the promoters, rating by CRISIL ,CARE etc., product features, risks associated, disclosures will be the brief and indicative aspects of assessment. The administrative approval for the products shall be obtained from MD & CEO by BBDC department.

Generic & Specific Risk Disclosure- Bank shall disclose to customers the inherent risks involved in the wealth management products.

6. **Adherence to the statutory regulations:**

Bank will adhere to RBI, SEBI/AMFI and regulatory guidelines issued from time to time. Bank proposes to offer Wealth Management Products on referral, non-risk participation and revenue sharing basis. Proper disclosure and customer awareness should be ensured by the Bank and Wealth Management product provider on these aspects.

The **code of conduct** prescribed by regulatory bodies, as applicable and as amended from time to time, will be followed by the Bank for undertaking wealth Management activities.

7. Promotion ,Marketing & Sales

A. Promotion & Marketing: Bank shall follow the guidelines of the respective regulators like RBI/SEBI/TRAI as applicable for Tele Marketing, Distance Marketing & Digital/Online sales & comply with requisite statutory guidelines from time to time. Bank may also undertake joint Promotional Activities through Bank's social media handles like Facebook, Twitter, Instagram etc

B. Wealth Management Business under 'Referral Model' - Under this tie-up arrangement Bank will refer the HNI customers to the Wealth Management product provider, who will in turn do the due diligence of the referred customer for risk tolerance and product suitability. The risk assessment and product suitability process will be conducted and documented by the Wealth Management products **and the same has to be held & preserved by the branches for records / audit & inspection.**

Information on the various wealth management products shall be provided to the branches through Head Office circular for guidance and referral solicitation.

C. Defined Roles and responsibilities

Bank shall ensure to lay defined roles and responsibilities of all stake holders in investors' interest, as well as for compliance by both the Bank and WM Product provider.

Indicative Role of WM product provider:

- ✓ Conducting risk tolerance , need analysis & product suitability of the referred customer,
- ✓ Transparency ,Risk and all Material Disclosures to clients during product solicitation process as laid down by regulator,

- ✓ Documentation as applicable to ensure KYC, AML, PMLI, FEMA guidelines are complied, and regulations,
- ✓ Ensure & protect Investor Interests
- ✓ Provide Business SOP from pre solicitation to post solicitation
- ✓ MIS/Reporting to Bank and record keeping for the specified period as per regulations.
- ✓ Reporting / MIS to be maintained and reported as per regulations.
- ✓ Follow sales code of conduct as laid down by regulators ,
- ✓ Customer awareness, Sales orientation, Training to own staff and Bank staff members through training, meets, seminars etc.

Branches:

- ➢ The Branch will identify the suitable HNI customer/s and refer them to the WM Product provider.
- ➢ Branch should follow the **code of conduct** laid down by regulators for intermediaries as applicable.
- ➢ Reporting / MIS / and maintain Complete Documentation of each WM product as per regulations.

D. <u>Revenue / Commission :</u>

The tie up will be on revenue sharing basis as permitted by the Regulator.

8. Customer Grievance Redressal and Compensation:

a) Bank's customer grievance redressal mechanism includes handling of Wealth Management Products/parabanking related grievance/service request.

b) The customer can lodge the grievances directly to the Branch/RO/Head Office. As an additional facility to lodge the grievances they can also use the Grievances Redressal portal on the Bank's web-site and the same will be attended by the designated Banks' official.

c) Wealth Management Product Provider /Vendor/Company should also have a dedicated Customer Grievance Redressal policy and mechanism to address customer issues within the guided time frame as per regulators.

d) Bank has put in place the customer right to grievance redressal and compensation in the "Customer Grievance Redressal Policy" and same shall be followed.

9. <u>Review of the Policy:</u>

The new policy is placed before ORMC & RCMC and subsequently to Board for approval. However, in the event of a change in regulatory guidelines, necessary changes will be effected as and when required and upon approval from MD & CEO and will be submitted to the Board for approval.

10. <u>Other Information-</u>

As per Regulation 3(3) of the SEBI (Investment Advisers) Regulations, 2013 notified on July 3, 2020 – No person, while dealing in distribution of securities, shall use the nomenclature "Independent Financial Adviser or IFA or Wealth Adviser or any other similar name" unless registered with SEBI as an Investment Adviser. Pursuant to the above regulatory amendment, mutual fund distributors (MFDs) whose registered name has the terms such as Adviser / Advisor / Financial Adviser/ Investment Adviser/ Wealth Adviser/Wealth Manager/Wealth Managers etc. are required get their registered name changed. Bank will promote **"KBL SAMRIDDHI"** as a bouquet of financial products for the top HNI customer base.