

**KOTAK MAHINDRA BANK**

**Credit card issuance policy and amendment to the Master Direction – Credit Card and Debit Card – Issuance and Conduct Directions, 2022**

**RBI Advisory number: RBI/2022-23/92 DoR.AUT.REC.No.27/24.01.041/2022-23**

**Dated: April 21, 2022 and March 07,2024**

**CHAPTER – II CONDUCT OF CREDIT CARD BUSINESS**

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**Please Note:**

<b>Review Frequency of the Policy</b>	This Board Policy will be reviewed annually or as and when required according to the RBI regulatory guidelines
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## **1. Introduction**

The bank has been issuing credit cards in its specified locations and to its target customer base. The bank has been actively curating, engaging customer offerings and consistently working towards improving its service standards to serve its customers better. It is our endeavour to be a systemically responsible and customer centric bank. This policy document is intended to specify the policies and procedures governing the operations of credit card business of the bank.

## **2. Types of Credit Cards**

The bank currently issues retail, business and corporate credit cards. These products are issued on VISA, MasterCard and Rupay networks.

### **2.1 Retail Credit Cards:**

These are credit cards which are issued for individuals for their personal use. The bank issues these cards based on the individual credit worthiness of the applicant.

### **2.2 Corporate Credit Cards:**

It is a credit card that is issued to nominated employee/s of a commercial entity to make payments on behalf of the commercial entity or to pay for expenses incurred by the employees in the course of their day-to-day business activities. The liability of such a card could rest with the corporate entity or the employee or jointly, as per the product specifications.

### **2.3 Business Credit Cards:**

These are issued to individuals and business entities for the purpose of business expenses with specified terms and conditions.

## **3. Add on Cards –**

The primary cardholders may choose to extend their credit facility to members of their family by means of an add-on-card.

## **4. Eligibility**

The Bank issues credit card to individuals in the retail and business segment and to commercial entities in the corporate segment. The Credit Card Applicant should be within a specific age bracket. Any deviation to this should be approved by the relevant approving authority as designated by the bank. Credit cards are sourced within the sourcing locations defined by the bank from time to time.

## **5. Issuance of Credit Cards**

### **5.1 Customer acquisition channels**

The bank offers credit cards through various channels including digital medium, telesales, branches, direct sales agents/direct marketing agents and through its affiliated entities.

Bank may add more acquisition channels from time to time as per business requirement.

Direct sales agents appointed for marketing of credit card offerings must necessarily be guided by the Code of Conduct prescribed by the bank. Telemarketers engaged in the process of marketing credit cards will be obligated to comply with the relevant guidelines issued by TRAI and other competent authorities from time to time.

## **5.2 Sourcing of Cards**

Bank representatives and agencies involved in marketing credit card products take explicit consent from cardholders at the time of application. This consent may be in writing or through digital means. A key Fact statement (MITC) covering critical aspects such as interest rates, charges etc. is shared with applicants and is also available on the Bank's website. Consent is taken from the eligible cardholders while upgrading their card to a higher variant.

Other services including conversion of transactions to EMIs, add-on cards, upgrade and credit limit enhancement, offered to cardholders shall only be executed post their consent.

Key Fact statement is also issued to the cardholder in case they avail any loan facility on their credit card.

## **5.3 Underwriting Standards and Issuance policy:**

The bank has a defined risk policy for issuance of credit cards which is approved by the CRO. The bank may deploy various checks including reviewing the credit profile of the cardholder on credit bureaus. The instructions/Directions on KYC/AML/CFT issued by RBI from time to time, shall be strictly adhered to in respect of all cards issued, including co-branded cards. The bank shall endeavour to complete it due diligence with regards to issuance of a credit card within the stipulated Turnaround time. In case the credit card application is rejected, for any reason whatsoever, the bank shall communicate the reason for rejection to the cardholders.

Bank shall assess the credit limit of a cardholders post validating all the limits assigned/allocated to him by other entities on the basis of credit information obtained from a Credit Information Company.

## **5.4 Most Important Terms & Conditions (MITC)**

MITC including the schedule of charges and Cardholders agreement is hosted on the website in English, Hindi and 8 regional languages. Cardholders are encouraged to access MITC at all the stages through various Credit Card collaterals.

## **5.5 Insurance**

In case, the Bank offers any insurance cover to their cardholders, in tie-up with insurance companies, it shall disclose the claim process and contact details of the Insurance Company to the Cardholder, as applicable. For group insurance policies, the claim process and details of the Bank official details will be mentioned in the statements.

## **5.6 Promoting usage of credit card post issuance**

The bank encourages cardholders to initiate usage of their credit card by setting up transaction PIN and enabling transactions for e-commerce, contactless, international usage etc.

As mandated by the RBI guidelines on Card on File Tokenisation (COFT), currently the Bank provides tokenisation service via card networks, ensuring card data is not stored by online merchants, payment aggregators & ecommerce websites.

## **6. Interest rates and other charges –**

**6.1** Interest rates and other applicable charges are informed to the Cardholder at the time of on-boarding.

**6.2** It must be noted that the revolving credit facility provides cardholders the convenience of borrowing against the credit line to meet their important spending needs as and when they require without having to under-go fresh underwriting each time.

- 6.3** The interest on outstanding is applicable if the cardholder does not pay the previous bill amount in full on or before the due date. The charges are explained through a suitable example in the MITC.
- 6.4** Cardholders also enjoy the convenience of converting their purchases into EMIs and taking loans on their credit cards.
- 6.5** The interest rates applied are considering multiple factors including cost of funds, risk costs, exposure management, operations costs and reasonable returns.

## **7. Billing**

The bank generates statements for transaction done within the prescribed statement cycle. Cardholders are duly intimated about the Minimum Amount Due, Total amount due and payment due date 15 days in advance through various channels providing the Cardholders sufficient time to make the payment as defined by the regulators

Statement is sent on email or through post to the registered email ID or postal address respectively. Bank allows the Cardholder to change the billing cycle as a convenience option subject to terms & conditions.

In case the cardholder raises a complaint / seeks any clarification in the statement the bank shall provide explanation and, wherever applicable, documentary evidence shall be provided to the cardholder. No charges shall be levied on transactions disputed as 'fraud' by the cardholder until the dispute is investigated by the bank within the stipulated timeframe.

## **8. Card Blocking**

On reporting card loss/theft to the Bank by the Cardholder, the Bank shall immediately block the card. The Cardholder has multiple channels available to report the loss/ theft i.e. Phone Banking, Net Banking, Mobile Banking.

## **9. Grievance Redressal –**

The bank shall endeavour to provide high standards of customer service to its cardholders. Cardholders have been provided with various channels like mobile banking application, bank's website, branches and customer care helpline to resolve their service related requirements. Bank will resolve complains raised by the Cardholder within the TAT as prescribed in the Grievance Redressal Policy updated on the Banks's website and the Complaint handling Policies and Procedures as defined by the Bank. In case of delay in providing a resolution within the stipulated time, Bank at its sole discretion will decide if the Cardholder is entitled to any compensation.

In the unlikely event of Cardholders not being satisfied with the Bank's services, they can escalate their complaint using the Grievance Redressal Mechanism.

Bank has four level structure of complaint handling

- (i) Level 1 – Branch/Customer Experience Centre/Online channel/Social Media
- (ii) Level 2- Nodal Officer
- (iii) Level 3- Principal Nodal Officer

If the grievance does not get resolved at the Bank level within 30 days then the same can be escalated to Banking Ombudsman.

## **10. Closure of Credit Card**

### **10.1 Card closure by the Bank -**

Bank at their end can decide to block/deactivate/suspend a credit card, for business, policy or security reasons. Bank shall ensure that any blocking/ deactivating/suspending of card or withdrawal of any benefits available is immediately intimated to the cardholder. Below are some such scenarios:

- 10.1.1 Risk/Policy actions: Risk/Policy team can initiate action including blocking of a card, limit reduction basis credit/default risk as arrived at basis portfolio analysis. Any such closures are governed by the approved risk policy covering such proactive actions to mitigate credit/default risks
- 10.1.2 Default: Any default on credit card or any other facility availed from the Bank, will also lead to blocking/suspension of credit card. Bank may also initiate such action in case of potential risk on collection of dues.
- 10.1.3 Usage of card on restricted MCCs: As per RBI guidelines, remittances in any form towards overseas foreign exchange trading (including through electronic/internet trading portals or by use of credit/debit cards) is not permitted. If transactions are identified on such restricted MCC, the card is immediately closed post intimating the cardholder
- 10.1.4 Law enforcement actions: Bank can also decide to block/deactivate/suspend basis directions from law enforcement agencies, like cyber security cell. Such actions can also be taken in case of identification of Money Laundering risk being identified
- 10.1.5 Fraud Risk Management: In case the Bank suspects transaction attempted on the Card account may be unauthorized and the Bank is unable to get in touch with customer to confirm the transaction, Bank may temporarily block the card to prevent further misuse of the card account. Also in case the Bank suspects that the card account is being misused to facilitate illicit transactions, then the Bank may block (Temporary / Permanent) the card to prevent the misuse of the card facility provided

### **10.2 Voluntary closure of Credit Card -**

- 10.2.1 Cardholder can place a request for Card closure on channels like Contact Centre or through digital channels.
- 10.2.2 On receipt of request, a block is placed on the card and all the necessary efforts are made to retain the cardholder.
- 10.2.3 Post which, the card is closed within stipulated time, subject to payment of all dues by the cardholder and Cardholder is informed about the closure

### **10.3 Card closure due to non-usage -**

- 10.3.1 If a credit card has not been used for a specific period as defined by the Master Circular, the process to close the card is initiated after intimating the cardholder. If no reply is received within a stipulated time, the card account is closed, subject to payment of all dues.

## **11 Reporting to Credit Information Companies (CIC):**

Bank shall be guided by the Master circular issued by RBI on April 21, 2022 and amendment on March 07, 2023 with regards to reporting of newly issued cards as well as delinquent accounts to the Credit Information Company . In case the Cardholder fails to pay dues before the payment due date, the same will be reported to the Credit Information Company as per the prevailing RBI guidelines and prior information about the same shall be given to the cardholder about such reporting

## **12. Co- Brand Cards**

### **12.1 Introduction to Co Brand Credit Cards:**

**Co-branded Card** is a card that is issued jointly by a Bank and a co-branding entity bearing the names of both the partnering entities.

The Bank shall engage in Co-branding arrangements with various entities to enable growth of its cardholder base and to offer an enhanced cardholder value proposition including access to the loyalty program of the co-branding entity. Bank will look after Operations, Acquisitions, Card Management, Portfolio Management, Collections and Product Management for the card.

#### **Co-brand Participant**

The role of the Co brand Participant entity under the tie-up arrangement will be limited to marketing/distribution of the cards or providing access to the cardholder for the goods/services that are offered by the co-brand partner.

The Post issuance of the card, the co-branding partner shall not be involved in any of the processes or the controls relating to the co-branded card except for being the initial point of contact in case of grievances. In the event of the co-brand card program offering benefits and privileges available solely on the co-brand entity's platforms then information needed to set-up such a loyalty arrangement shall be provided to the co-brand entity only after cardholder consent. In no event, shall the co-branding partner have access to information relating to transactions undertaken through the co-branded card. However, card transaction related data may be drawn directly from the Bank's system in an encrypted form and displayed in the Co-branding Partner's platform.

### **12.2 Assessment/Selection of the Co-brand participant:**

Bank will be responsible for ensuring cardholders are serviced as per the service quality standards. Hence, due importance will be given in selection of right co-brand participant. Selection of Co-brand participants should consists of the following mandatory checks

The co-branding participant shall be a company incorporated in India and registered under the Companies Act 1956 / Companies Act 2013. In case the co-branding partner is a Bank, then the same shall be a bank licensed by RBI. Proper due diligence will be carried out in respect of the co-branding participant to protect the Bank against the risks which Bank is exposed to in such an arrangement. In case of proposed tie up with a financial entity, it shall be ensured that that the co-brand entity has the approval of its regulator for entering into such arrangement. Due diligence for the partner is done on before on boarding any co brand partner.

### **12.3 Roles and responsibilities**

The Bank will be entitled to administer and operate the Co-Branded Cards as per its internal practices and policies and the Co-Branded Card Terms. The Bank will be entitled to suspend or cancel any particular Co-Branded Card(s), in its discretion in compliance with its internal practices and policies and the Co-Branded Card Terms.

### **12.4 Review of Cobrand participant**

The Bank will conduct a review of the actual performance versus the base case sales targets set out onset of the agreement annually.

### **12.5 Termination and transition period**

On expiry or earlier termination of Co brand Credit Card arrangement, the bank shall put in place SOP to manage the existing portfolio and announcement and ensure smooth Transition Period.

**13. Default**

If Cardholder does not pay at least the Minimum Amount Due, Cardholder(s) will be reminded in each subsequent statement to pay their dues.

In the event of default, follow-ups may be done by telephone, E-mail, SMS /or engaging third parties to remind follow up and collect dues.

Bank and its agencies shall ensure that they adhere to the Fair Practices Code as defined and ensure confidentiality of their cardholder's records and respect their privacy

**14. Fair Practice Code**

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

<https://www.kotak.com/content/dam/Kotak/Cardholder-Service/Important-Cardholder-Information/Code-of-Conduct/fair-practice-code-for-credit-card-operations.pdf>

**15. Outsourcing of various Services**

Bank shall ensure adherence to the RBI Circular (RBI/2014-15/497) on "Managing Risks and Code of Conduct in Outsourcing of Financial Services" as amended from time to time.