



North East Small Finance Bank Ltd

Policy on fixing of service charges

Version History

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1. Introduction

North East Small Finance Bank (hereinafter referred to as “the Bank”) emphasizes on providing financial and other support services to the underprivileged households to improve their quality of life. The Bank shall offer range of banking services in addition to lending and as permitted by RBI. The Customer Service is a key focus area of the Bank. The Bank focuses on following a holistic approach targeting consistent improvement in customer experience and quality of operations. This policy seeks to cover the guidelines for dealing with the customer service requirements hereby fixing service charges to ensure fair treatment to customers in all aspects with the Bank.

The policy document shall include the regulatory requirements and leading market practices on fixing on service charges.

2. Objectives

The Bank, through its policy, aims to align norms for fixing service charges in line with expectations of customers. The Bank’s intention is to provide each customer with a personalised, seamless experience that makes it easier for them to manage relationship with the Bank.

The key objectives of this policy are as follows:

- Provide a framework to senior management for outlining reasonable limits for service charges for the products/ services
- Allow flexibility to the senior management for fixing/ modifying service charges
- Promote good and fair banking practices by setting reasonable service charges limits for customer transactions
- Promote transparent disclosure of service charges at the time of opening account and at the time of adding/ modifying any service charges
- Lay the broad internal guidelines for fixing service charges at department and product level.

3. Applicability

The Policy is applicable to all the Heads of Departments who are responsible for fixing service charges for products / services being offered to customers. The policy shall cover all products and services offered, whether they are provided by bank branches or Business Correspondents/ agents acting on behalf of the Bank, whether across the counter, over the phone, by post, through interactive electronic devices, on the internet or by any other method.

4. Governance Structure

The Bank shall have a Supervisory Committee to assess and review the implementation of this policy. The Supervisory Committee shall recommend to the Board this policy after providing necessary suggestions/ inputs. It shall be the responsibility of the Supervisory Committee to ensure that the charges are reasonable.

The Managing Director of the Bank shall chair the Committee meetings. The Committee shall consist of the Board of Directors of the Bank and the Head of Departments/Business, as required.

The Head of Business shall put up the note to the Supervisory Committee including details of the direct and indirect costs for the Bank, which shall form the basis for fixing of the service charges.

5. Principles

The Bank shall fix service charges based on the following principles:

- Ensure that the charges are reasonable and are not out of line with the average cost of providing these services.
- Ensure that the charges are just and supported by reason.
- Ensure that customers with low volume of activities are not penalised.
- Provide transparent information in simple and easily understandable language.
- Provide sufficient information so that the customer could be reasonably expected to make an appropriate and informed choice of product.
- Intimate the customer if the levy of service charges shall result in a shortfall in the minimum balance of the customer
- Advance/ prior notification of service charges through appropriate and relevant channels

6. Formulation of Service Charges

The Bank shall have a policy approved by the Board for the service charges to be applicable on the various products/ services offered by the Bank.

Currently, the Bank shall adopt pricing based on the prevailing service charges in the region and its judgement to levy service charges which is reasonable to customers. As and when data is available on the fixed and variable costs, the Bank shall adopt the methodology as detailed below.

The Board shall allow any nature of service charges to be charged/ levied by the Bank within reasonable limits taking into account the direct and indirect costs incurred in providing the service.

Methodology/ framework

The Bank shall arrive at the total cost of providing products/ services by using the below mentioned methodology:

All direct costs	XXX
Add	
All indirect/ allocated costs/ overhead costs	XXX
TOTAL COST	XXX

The Board of the Bank shall reckon the total cost of products/ services to price the products/ services. As the Bank evolves and is able to allocate costs at a product and service level, a detailed note shall be placed before the Board for fixing a ceiling of xx% service charge over total cost. For any change in the above specified limit of service charges, approval from the Board would be required

The Heads of the Business shall fix the charges for individual product in consultation with the Compliance & Risk Department to ensure that the service charges for the products/ services are in adherence to the prescribed regulatory norms. The Heads of the Business may obtain inputs from

Operations, Information Technology, Finance and other concerned departments on the indirect costs associated with the product/ service being offered.

7. Disclosure of information pertaining to Service Charges

The Bank shall ensure that there is a transparent mechanism for disclosure of service charges at the time of selling the product/ service which shall be in line with the Bank's Customer Service policy. If any service charges are levied/ modified subsequent to the customer opening the account/ loan, the Bank shall give a prior notice of atleast 30 days to the customers. If the customer has reservations on the additional/ modified service charges, the Bank shall allow the customer to close his account within 60 days of the notice.

8. Reporting Requirements

The Head of Business shall share with the Supervisory Committee a report on service charges applicable to all products and service offered by the Bank on an annual basis. They should also provide a comparative analysis of prevailing service charges for competition Banks in the zone. The Head of Business shall report to the Customer Service Committee a review on the excess and unreasonable charges levied and the customer complaints received on a quarterly basis.

9. Record Keeping

The records related to fixing of service charges shall be maintained for a minimum period of 5 years from the date of fixing these charges.

10. Policy Review & Updates

This Board approved policy will be reviewed as and when required or at least on an annual basis for incorporating changes in handling Customer Service Policy and regulatory updates, if any.

11. Regulatory References

- RBI Master Circular on Customer Service in Banks dated July 01, 2015
- IBA Model Customer Rights Policy
- IBA Code of Banking Practice
- BCSBI Code of Commitment to Bank's Customers