

# **Policy for Distribution of Third Party Products**

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## I.INTRODUCTION

Third Party Products help in providing a wholesome banking experience to customers and addresses their wealth generation, diversification, preservation and protection needs. DCB Bank distributes products and services of reputed financial services companies covering Life Insurance, General Insurance, Health Insurance, and investment solutions like Mutual Funds, Bonds, Online Trading, Portfolio Management Services, etc. By offering Third Party Products the Bank is able to become the primary banker of the customer and open up alternative revenue streams.

## II.BACKGROUND: REGULATORY FRAMEWORK

The Reserve Bank of India (RBI) vide its communication RBI/DBR/2015-16/25: Master Direction/DBR.FSD.No.101/24.01.041/2015-16 dated May26, 2016 (updated on August 10, 2021) has defined the framework for banks for offering financial services. These services include:

Financial Services Approved by RBI		DCB Status	Type of Offering
1.	Sponsoring of an Infrastructure Debt Fund	Not offered	
2.	Equipment Leasing and Hire Purchase Business	Not offered	
3.	Factoring Services	Not offered	
4.	Primary Dealership Business	Not offered	
5.	Underwriting Activities	Not offered	
6.	Mutual Fund Business	Not offered	
7.	Insurance Business	Not offered	
8.	Pension Fund Management by Banks	Not offered	
9.	Investment Advisory services	Not offered	
10.	Portfolio Management services	Not offered	
11.	Agency Business by Banks	Offered	Non-advisory, execution-only
12.	Referral Services	Offered	Non-advisory, referral/execution-only*
13.	Retailing of Government Securities	Offered	Non-advisory, execution-only
14.	Membership of SEBI approved Stock Exchanges	Not offered	
15.	Broking services for Commodity Derivatives Segment	Not offered	

\*Execution-only for Primary Market Subscription Services; referrals for other services

### **III.TYPES OF THIRD PARTY PRODUCTS**

The services offered by the Bank (as mentioned in II above) have been classified as Third Party Product distribution and include:

#### **Agency Business**

- Life Insurance
- General Insurance
- Health Insurance
- Mutual Funds

#### **Referral Services**

- Portfolio Management Services
- Referral to Wealth Managers
- Equity Trading
- Primary Market Subscription Services

#### **Retailing of Government Securities**

- Sovereign Gold Bond

The above products and services are offered to customers through arrangements with Insurance companies, Asset Management Companies, Portfolio Management Service providers, Wealth Managers, Equity Broking platforms, etc.

### **IV.POLICY**

#### **1.Applicability**

**This policy provides the framework for selling Third Party Products by the Bank. The contents of this policy is applicable to all branches and other channels engaged in Third Party Products.**

#### **2.Objective**

**The policy intends to provide the approach for offering identified Third Party Products to customers and selection of appropriate partners for offering these products. Additionally, the policy also prescribes the approach to be taken for selling these products.**

#### **3. Approach**

The Bank will focus on offering good quality, simple and best in class products to customers, backed by trained staff who are certified as required.

The Bank will sell Third Party Products on agency/referral model. It will not offer advice to customers pertaining to purchase/sell of products or services. Hence, customer suitability assessment would not be necessary and the decision to procure products or services appropriate to their requirements will solely rest with customers. The role of the bank will be limited to providing customers with information (including features, charges, fees, commission, etc.) obtained from partners/service providers and to assist them in procuring products and services through branches/online channels or through referral to service providers.

Research, commentaries and product ratings obtained from third party providers will be shared with customers clearly stating that the opinions provided in such material are that of the provider. Customers will be required to exercise their own discretion in relying on such material.

For prudent practice, the Bank will conduct Risk Profiling of customers (where required) and inform customers of the same. The Risk Profile will be valid for a year. Additionally, for Life Insurance, partners will provide a benefit illustration to customers at the time of applying for a policy.

#### **4.Organisation**

Third Party Products will be distributed by various channels, including Branch Banking, Agri and Inclusive Banking (AIB), Corporate Banking, Small and Medium Enterprise (SME), Micro, Small and Medium Enterprises (MSME), Mortgage and other Assets units and Contact Centre. Digital channels will also be available for customers.

Clear bifurcation between Product, Marketing and Sales functions will be maintained. Details are provided in the Annexure.

Third Party Product distribution will be periodically audited by the Internal Audit Department and the products will be subjected to testing by Compliance Department.

#### **5.Customers**

The Bank's KYC process is in line with the Reserve Bank of India Master Direction on KYC, RBI/DBR/2015-16/18 Master Direction DBR.AML.BC.No.81/14.01.001/2015-16 dated 25 February, 2016 and updated on May 10, 2021.

The Bank will offer Third Party Products and services to its own customers onboarded as per the Know Your Customer (KYC) process of the Bank and assigned a customer identification number.

The Bank will also offer Third Party Products to individuals/entities who are not customers of the Bank ('non customers') provided the KYC process of such individuals/entities is completed and a customer identification number is assigned.

#### **6.Partners**

Due evaluation of Insurance providers, Asset Management Companies, Portfolio Management Services, Broking service providers, etc. will be carried out before entering into agreements with them. Applicable regulatory guidelines will be adhered to while appointing a partner. The following are indicative parameters that would be used to select partners:

<b>Company Strength</b>	<b>Product/Service Strength</b>	<b>Commercials</b>
1.Balance Sheet/profitability 2.Market share and brand strength 3.Management 4.Network 5.Customer base	1.Product range 2.Technology 3. Relevant business metrics 4.Manpower support 5.Training capability	1.Product commercials 2.Marketing support, where applicable

Relevant parameters from the above will be considered to select a partner. The appointment of a partner will be approved by the Managing Director and Chief Executive Officer (MD and CEO).

## **7.Products**

The Bank will maintain a conservative or moderately conservative approach and will endeavour to offer good quality, simple products to customers, avoiding more risky and complex products.

### **Life, General and Health Insurance**

The Bank has Corporate Agency agreements with five Insurance companies across Life, General and Health Insurance. Any new corporate agency agreement will be approved by the Board or Board appointed committee. The Bank's Corporate Agency license number with Insurance Regulatory and Development Authority is CA0089.

Life and General Insurance products will be offered both under Corporate Agency and Group Policy models purely on an execution-only mode.

Life Insurance and Pension products:

- a. Term Insurance products covering risk of death.
- b. Guaranteed income products providing income along with risk cover.
- c. Non-guaranteed and Unit Linked products providing returns from market participation along with risk cover. As returns for these products are not assured/guaranteed, these will be offered exceptionally with defined approval process, in a manner that the customer is made aware of the risk and due consent is obtained.
- d. Insurance coverage against loans, like mortgages. Appropriate caution will be exercised to ensure there is a correlation between the quantum of loan and sum assured.
- e. Annuities and pension plans.
- f. Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)
- g. Atal Pension Yojana (APY)

General/Health Insurance products:

- a. Personal Accident (death and disability cover)
- b. Health Insurance
- c. Motor Insurance
- d. Home/Property Insurance
- e. Travel Insurance
- f. Other need based products like Fire, Stock, Marine, Burglary, Hull, etc.
- g. Pradhan Mantri Suraksha Bima Yojana

The Bank will not adopt restrictive practices to force customers to purchase insurance products of any particular partner or link sale of such product to any banking product.

### **Mutual Funds**

The Bank will offer Mutual Funds of select Asset Management Companies (AMC). The Bank has opted for transaction execution format only, which means that there will be no advisory/transaction fee charged to customers. The role of the bank will be limited to providing information about products as obtained from AMCs/service providers and extending branch/online channels to customers for execution of transactions. The Bank will not provide any advisory services. The Bank's AMFI (Association of Mutual Funds) Registration Number (ARN) is 0353.

### **Portfolio Management Services (PMS)**

Customers, upon their due consent, will be referred to PMS providers. Investment decisioning and execution will be conducted between the customer and the PMS provider.

**Referral to Wealth Managers**

Customers, upon their due consent, will be referred to wealth management service providers. Investment decisioning and execution will be conducted between the customer and the wealth management service provider.

**Equity Trading**

Equity Trading will be offered to customers through the Bank's arrangement with broking entities. Customers, upon their due consent, will be referred to the entities and investment decisioning and execution will be conducted between the customer and the broking entity.

The Bank will not engage customers actively for Commodity and Currency trading services. Such services through third party providers will be offered to customers only upon their specific request.

**Other Third Party Products**

The Bank will also offer the following products to customers purely on execution-only mode:

- Sovereign Gold Bond
- Primary Market Subscription

**Crypto Currency**

Crypto currency related products will not be distributed or offered by the Bank.

Other permitted products and services within the scope of this policy may be added from time to time upon proper due diligence and approval from MANCO.

**8.Sales and Marketing Material**

All sales support material such as prospectus, sales brochures, sales illustrations and publicity write-ups will be provided by Third Party Product partners in line with the guidelines issued by their respective regulators.

**9. Pricing**

DCB Bank will not levy any service charge/fee directly to customers for Third Party Products. All revenues will accrue only from commission and fees earned from partners. Such commission and fees will be disclosed to customers through appropriate channels including the Bank's website.

Specifically, for Mutual Funds, in line with SEBI circular SEBI/IMD/CIR No. 4/ 168230/09 June 30, 2009, DCB Bank will be remunerated by AMCs from loads deducted by them from invested amounts or redemption proceeds of customers.

**10.Process**

Due processes, including Digital processes, approved by a relevant authority, like the Management Committee for Approving Processes (MCAP), will be in place to conduct sales/service and day to day management of Third Party Product. The processes will clearly define the roles and responsibilities of different units of the Bank and Third Party Product partners.

Customers will be encouraged to make payment for product and services through non cash modes. However, as warranted by AMFI/IRDA, option to make payment by cash will be available for customers.

**11. People**

One of the key drivers for Third Party Product distribution is training and knowledge of staff, which ensures accurate communication of details and features of products and services to customers.

Certification from IRDA for Life Insurance and General Insurance and from National Institute of Securities Management (NISM) for Mutual Funds are important regulatory prescriptions. No staff will be allowed to sell/refer any Third Party Product unless due certification is completed.

The Bank, along with partners, will undertake necessary initiatives to train staff to ensure proper information with regard to product features, charges, tenure, limitations, etc. is provided to customers.

Third Party Products distribution, performance linked variable payment programmes covering such products holistically will be rolled out by the Bank from time to time. However, the Bank will ensure that staff do not receive cash/non-cash incentives from Insurance partners, AMCs and other Third Party Product providers.

**12. Customer Grievance Redressal**

The customer grievance redressal mechanism of the Bank is in line with the Reserve Bank of India requirements and will extend to Third Party Products. The Bank will ensure an appropriate process for customers to raise and have their grievances redressed, including grievances against staff for mis-selling/misconduct/violation of any Code adopted by the Bank,

**14. Policy Review**

This policy will be reviewed by the Board once in two years or earlier in case of any event requiring review, e.g. change in business scenario or change in regulatory guidelines.



**Annexure: Roles and Responsibilities**

Team	Activity	Function
Product Team, Corporate Office	Product development and launch	Propose new products in coordination with Third Party partners and Business Team. Launch the same with relevant approvals.
	Sales and operations process and business quality monitoring	Ensure all sales processes are compliant with the applicable regulations. Roll out processes after due approvals. Also, design and role out relevant Risk Profiler for customers. Monitor overall quality parameters and governance related matters.
	Product and process training	Make available adequate training and information material with the help of partners.
	Business credit	Make available information for providing business credit to resources for referral/lead generation across verticals.
Compliance	Testing of Third Party Products	Conduct periodic testing of Third Party Products to monitor adherence to regulations and suggest possible process improvements, where necessary.
Sales and Service	Sourcing	Pre -sales process, ensure adherence to Risk Profiling and all relevant documentation.
	Customer servicing	Accepting service requests and engaging with partners for resolution, where necessary.
Business Team	Monitoring sales and quality	Monitoring branches/other units for delivery of budgeted numbers, ensuring adherence to regulatory, compliance and internal processes.
	Servicing and complaint redressal	Monitoring all complaints and ensuring response/resolutions within pre – defined timelines.
Third Party Product Partners	Application processing	Application processing, servicing and delivery. Pre-Issuance Verification Calling (if applicable) for Insurance.
	Customer servicing, complaint and redressal	Delivery on service requests and resolution of all complaints within pre – defined timelines.
		Fee/commission calculation.
		Documents' verification and maintenance.