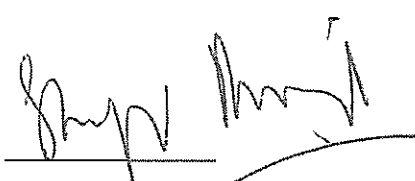

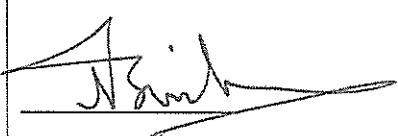

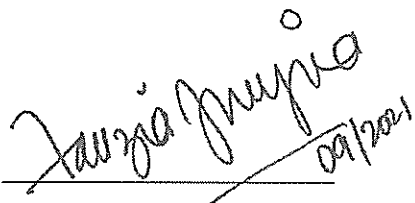
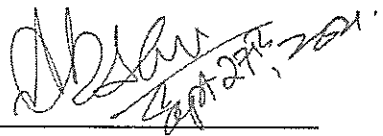
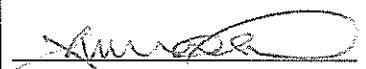
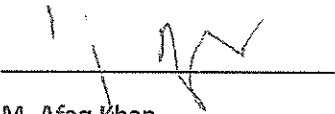




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# Global Framework/Policy Fair Treatment to Customers 2021

Name of Policy	Fair Treatment to Customers Policy
Document Owner	Service Quality Department
Document Version	2.0
Implementation Responsibility	Members of Executive Committee
Custodian	Service Quality Department
Operating Jurisdiction	HBL Domestic & International
Last Approved	Feb 21, 2019
Review Frequency	03 years or earlier if required
Review Responsibility	Service Quality Department
Approval Date	
Effective Date	December 2021
Next Review Date	Dec 31, 2024
Prepared by (Document Owner)	
<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;">   <b>Shafaq Rahid</b>  Head Service Quality </div> <div style="width: 50%;"> <p><b>HABIB BANK LIMITED</b>  Approved in <u>236*</u>  Meeting of the Board of Director  Held on <u>December 15, 2021</u></p>   <b>Company Secretary</b> </div> </div>	
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 ★ Company Secretary ★

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## 1. INTRODUCTION

Fair Treatment to Customers (FTC) is required to prevent practices harmful to customers and promote responsible banking that advances the financial inclusion, well-being of HBL customers and the communities we serve. It ensures that HBL customers enjoy fair access to the opportunities that are expected when it comes to all the building blocks of financial security – learning, earning, saving, investing and protection of one's assets and rights as a customer.

This document serves as a framework and policy to serve the best interest of the customer in due consultation with circulars issued by SBP - Business Conduct (BC) and Consumer Protection Department (CPD) on Product Disclosure Requirements, Guidelines for Business Conduct and Fair Treatment to Customers. Underlying procedural guidelines setting forth specific roles and responsibilities shall be developed. Conduct assessment framework (CAF) laid down by Regulator to be referred for conducting annual self-assessment.

## 2. OBJECTIVES

The objectives of this policy are to:

1. Endorse rightful and impartial financial service practices in dealing with customers by setting standards.
2. Propagating clearness in terms of managing customers' overall experience with HBL and its products and services.
3. Reduce customer complaints of mis-selling that arises due to inaccurate or incomplete information conveyed to customers at the time of sales.
4. Ensure that the Bank provides correct, accurate and clear information for every financial transaction thereby building trust and confidence.
5. Ensure guidelines on business conduct communicated by the regulator are followed

## 3. SCOPE OF APPLICATION

Fair Treatment to Customers provides a policy that enables customers to obtain correct, accurate and clear information for all products and services, thereby enhancing their abilities to make informed financial decisions, ultimately leading to higher levels of customer satisfaction. The policy outlined in this document shall be practiced and implemented in all HBL's domestic and international operations. HBL subsidiaries should use this as a guiding statement. Country regulatory requirements above and beyond this policy will be covered by country addendum.

- a) **Institutional Oversight (Role & Responsibility)**  
This segment covers the roles and responsibilities about development, implementation and approval of the guidelines & policies outlined in this document.
  - i. **Board of Directors:** Board will be responsible for governance, oversight and approval of this policy developed in respect of the Fair Treatment to Customers through the Board Compliance & Conduct Committee (BCNC). The BCNC Committee; the Committee has been constituted by the Board of Directors (the Board) of Habib Bank Limited (HBL; Bank), from which it derives its authority and to which it regularly reports.
  - ii. **Business Units and Operations:** All the units will be responsible for ensuring that the guidelines given in this document are referred to in the development, advertising, marketing, selling of products and services. For Islamic Banking, Shariah guidelines will supersede this

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policy and relevant regulatory guidelines and approved policies for Islamic Banking would be adhered. Similarly, all existing processes must be reviewed upon every renewal considering this document to identify any gaps and revisit the processes & policies with due consideration of the guidelines contained herein issued by SBP for Fair Treatment to Customers. The units will also be responsible to highlight risks to the Management Risk Committee through the reporting processes set-up for the business and operation functions so that the interest of the customers may be protected.

- iii. **Global Compliance Group:** To ensure conformity with SBP circulars and guidelines Global Compliance Group will ensure that all the new circulars and subsequent updates received on time-to-time basis from SBP, are shared with the policy owner.
- iv. **Internal Audit:** Internal Audit will ensure that this policy outlined in this document are referred to and are used as a reference to check the compliance of different departments during Management Audits conducted across the bank.
- v. **Human Resources (HR) and Organizational Development:** All HR units will be responsible for ensuring that the guidelines given in this document are referred to in the hiring and development of resources for relevant departments. HR, in liaison with relevant functions, will ensure FTC performance goals related to FTC will be created and measured based on zone of relevance at the management level.
- vi. **Marketing:** To ensure elements of FTC are kept in the forefront while designing marketing elements and to embed FTC elements in social media.
- vii. **Information Technology (IT):** Systems directly impacting product / service delivery must ensure FTC elements are incorporated in their introduction or enhancements. Ongoing system functionalities being used by customers must cater to FTC elements such as prior notification to customers with any system unavailability etc.
- viii. **Innovation & Financial Inclusion (I&FI):** FTC elements to be incorporated in any existent or new functionality or channel directly impacting product / service delivery. Customers must be informed in advance of changes/functionality to ensure transparency and disclosure.
- ix. **Legal:** Any court hearing or response to customer complaint must ensure FTC elements.

b) Zone of Relevance

Bank departments and their units will be classified as per the tier definition below

- Tier 1: Most interaction with Customers
- Tier 2: Functions that are directly supporting Tier 1
- Tier 3: Functions that have least interaction with customer and supporting Tier 1 and 2

## 4. DEFINITIONS

For this policy, words and expressions shall have usual meaning, unless the context requires otherwise as outlined in Guidelines of Business Conduct for Banks by SBP (Annexure A)

## 5. KEY PRINCIPLES

The relationship between HBL and its customers' will be guided by the following key principles

### 5.1.DISCLOURE AND TRANSPARENCY

#### a) Disclosures

HBL will provide correct, accurate, complete, and clear information to its customers for all financial and non-financial transactions that are rendered through customer touchpoints to ensure impartial and just treatment:

- i. Customers will be provided with all the information upfront to make an informed decision regarding a financial product or service as required by the regulator from time to time
- ii. Information will be provided upfront as required by the regulator to allow a customer sufficient time to understand the information including the Terms and Conditions and in case of change in these T&Cs.
- iii. The Schedule of Charges will be developed in languages as required by the regulator in easy-to-read format for easy understanding of customers.
- iv. The product and service fees entailed in Schedule of Charges will be mentioned accurately, simple / easy to understand language and clearly as per the policy guidelines for fairness of charges.
- v. The Schedule of Charges document will carry the terms, expressions and language that is being used commonly in the industry.
- vi. Schedule of Charges will be made available at branches and on the corporate website for easy access.
- vii. Disclosures will be duly communicated to customers for
  - a. Opening of a new relationship with customers.
  - b. Dissemination of Schedule of Charges to customers as per regulators guidelines.
  - c. The communication of any change or before increasing any charges or in the fees structure to relevant customers or segments (as per the regulatory timeline).
  - d. For Islamic Banking customers, Profit Sharing Ratio, weightages, and Historical Profit rates shall be disclosed as per regulatory guidelines.
- viii. Product features and other salient aspects of the product / services including terms of profit payment (if applicable) will be made available to the customer, Branches and on website for ease and understanding of the customers.
- ix. Monitoring of effectiveness of its disclosures with techniques including and not limited to complaint analysis and customer satisfaction surveys.
- x. Key Fact Sheets for Deposit and Consumer products will be made available across the branch network, on the website, e-banking interfaces, etc. to be provided to the prospective customers for comparison and decision making.

#### b) Transparency

Transparency complements Disclosures and goes beyond sharing of disclosures to proactively provide useful information and advice to the customer. HBL will strive to increase transparency in the provision of its banking services, to enhance the understanding of customers through:

- Pricing and product offering to be transparent.
- Terms and Conditions to be shared prior to completion of sales process.
- Awareness campaigns to increase customers' understanding of charges

c) Responsible Advertising and Marketing

- Advertising and marketing material by HBL will be clear, fair, reasonable, and not misleading or deceptive.
- Customer personal information will not be used by the bank if the customer opts out of it.
- Bank will not make any offer of credit including an offer to increase overdraft or credit facility, on the basis that the offer will automatically come into existence unless customer declines the offer.

## 5.2. MARKET CONDUCT

Market Conduct is any action or statement related to the promotion, sale or supply of banking services or products to consumers, including any reference to the third-party products by the bank itself or its agent. An action or statement for this purpose includes an action or statement carried in an advertisement, product illustration, statement, promotional or marketing material and written or oral sales presentations. HBL will comply with guidelines of prohibited business conduct as outlined in this policy and refrain from acting prejudicial to its business, reputation, integrity, and interest of depositors by

- New products offerings as a part of innovation, changing trends, customer needs may entail customer research, trials, test cells through a variety of means, either internal or external.
- Providing accurate, sufficient, and consistent information to the customers that they understand and can use to compare products / services offered across other banks.
- Ensuring that consumers are not provided with misleading or deceptive information in connection with a product or service.
- Preventing practices that restrict the freedom of consumers to choose between services or products available to them.
- For ease of customer understanding the Schedule of Charges document will carry the terms, expressions and language that is being commonly used in the industry.
- The bank shall update salient features of all its product on the corporate website for ease of accessibility and understanding of the customers

## 5.3. BUSINESS CONDUCT

Business Conduct refers to internal culture of the bank that instills integrity and ethics in its services and activities including product design, development, sales & distribution, minimizing conflict of interest and adhering to principals of business conduct as advised by the regulator.

a) General Principles of Consumer Handling

- Treat all customers equitably, fairly, and honestly.
- Convey clear and understandable information about customer rights and responsibilities.
- Ensure ethical behavior of staff towards consumers through (i) Staff Code of Conduct (ii) Trainings (iii) Monitoring of Complaints
- Practice zero tolerance for behaviors not compliant with consumer rights.
- All relevant disclosures pertaining to financial transactions are adequately disclosed to the customers.
- Simple and clear language should be used to describe the material facts or warnings.
- Bank will take measures to provide effective means to the customers for reporting of lost or misplaced cards or other financial instruments



- Ensure that effective systems are in place through Service Quality (SQ) monitoring and Learning & Development (L&D) training to monitor staff performance and take measures to improve their soft skills, including customer handling and product knowledge.
  - Bank will extend priority services to senior citizens, pensioners, and persons with disabilities in availing banking facilities in accordance with the SBP's Circulars.
  - Provide Frontline staff with efficient tools to carry out their duties timely and efficiently i.e., training and placement of qualified staff with knowledge of banks products, processes, and systems to interact with the customer.
  - Recognize and reward exceptional service-oriented business conduct across the bank
- b) General Communication
- For bank related product and service information either electronically or through paper the bank will ensure that such communication takes place with the bona fide customer and not with any unauthorized person
- c) Customer Vigilance
- Ensure that effective controls are in place on financial transactions and account maintenance activities.
  - Take appropriate measures to monitor that product sales are made to the right customer possessing proper financial capacity.
  - Develop a sale ratification process to monitor the efficiency and effectiveness of the sales team.
- d) Fairness of Charges
- Refer to Policy Guidelines provided in 'Guiding Principles of Fairness of Charges Policy'
- e) Principles of Conduct for Products/ Services and Channels
- (i) Liability
- Where the customer opens or maintains account(s) with HBL, the bank shall provide the customer Terms and Conditions for the usage of the account.
  - The Terms and conditions will include (where relevant) and are not part of Schedule of Charges:
    - a. The standard fees and charges applicable.
    - b. The method by which profit/mark-up, if any, is calculated.
    - c. The frequency with which it will be credited or debited.
    - d. Minimum balance requirement or restriction on depositing money in, or withdrawing money from an account,
    - e. Terms of dormancy, closing and subsequent reactivation.
  - Customers will be sent e-statement for their account if they opt in for this option.
  - It will be ensured that the key features of account opened by the customer will be available in languages as per regulators requirement.
  - Where the customer has a deposit account with HBL, the bank shall provide the customer with periodic statements of his deposit account (at pre-defined intervals and on demand) showing transaction details.

- The general guidelines contained in this document will be applicable to the joint account holder as well ensuring provision of complete information depending upon the capacity of joint account holder.
- Closing of Account
  - Subject to the terms and conditions of any relevant banking service, the bank will
    - a) close its customer's account at his/her request.
    - b) close its customer's account, after giving prior notice at the last contact details, which has not been operated for a period specified in the bank's policy
  - All the cases wherein the Bank deems to close the account holder's account, the Bank will inform the details of relationship termination to the account holder as per the Terms and Conditions.
  - The Bank may practice processes wherein time is given to account holder via an advance intimation before closing the account as per the Process Document of Customer Account Closure due to any reason. However, the exceptions to this can be if:
    - a) It is established that the account is being used for illegal activity; or
    - b) if it is compelled to do so by law (or by international bindings).
  - The amount or the residual balance in the closed account shall be returned to customer or his legal representatives; only if the bank deems it appropriate, considering circumstances supported by law or policies under which HBL operates. In case the Bank decides otherwise, based on present grounds for not paying the funds to the customer or when it is impossible to trace the customer, the funds shall be dealt with per the regulations.

(ii) Asset

- Before extending credit, the bank will ensure complete profiling of the applicant which will include financial standing, repayment capacity and credit behavior.
- The offer will include and clearly state all terms and conditions duly agreed by the customer prior to entering a relationship with the customer.
- HBL will ensure communication of all terms, conditions and salient features including charges, fees, APRs, repayments, mode of repayment, collateral / guarantee requirements (as applicable) and rights and obligations of the bank as well as the prospective borrowers including guarantor (as applicable)
- HBL will inform the customer about the late payment charges as and when accrued and avoid informing only at the time of maturity of the loan.
- The general guidelines contained in this document will be applicable to the joint debtors as well ensuring provision of complete information depending upon the capacity of joint debtor.
- All debt collection/ recovery activities of the bank will be managed through relevant collections and recovery policies / manuals / processes while ensuring that the same are prepared in line with the 'Fair debt collection guidelines' and other such communication issued by the regulator from time to time.

(iii) Third Party Service

- Bank will ensure that sale of third-party products is need based and centralized function is established to verify information provided during the sales.

- Bank will ensure that the customers are aware and have understood the associated risks
- Customer to be made aware of exit strategy and grievance handling mechanism.

*Third Party Service Prohibitions*

- Bank is prohibited from marketing and selling third party products with their name without mentioning explicitly that the product is being sold as an agent or distribution of a third party – reason being customer should not get the impression that this is a Bank product
- Bank is prohibited from marketing and closing the sale of third-party products on a single /same call. – To ensure customer has understood all features and disclosures

#### 5.4. PROTECTION OF CONSUMER DATA AND ASSETS

##### a) Consumer Data Protection

- The Bank shall strive to develop processes and controls that prevent the data theft and misappropriation of funds via electronic means.
- Customers' financial and personal information shall be protected through appropriate control and protection mechanisms.
- Customers shall be informed at the time of account opening that their personal or account information can be shared under the law, as and when, required.
- Periodic advisory messages shall be sent to customers for them to avoid possible frauds and / or cyber security threats.
- HBL will plan appropriate security of its digital channels including portals/mobile apps to be able to ensure customer information/documents are fully protected from unauthorized access.
- HBL will display Data Security and Privacy Assurance Statements, appropriately on Portal and Mobile Apps for RDA.
- Customer will be sent free of cost transaction alerts through either SMS or email (or both) for all international and domestic digital transactions including but not limited to ATM, POS, and Internet banking transactions. Such transaction alerts shall be generated and relayed to customers immediately after the execution of transaction on the registered mobile phone numbers and valid email addresses (where applicable and available).
- Control mechanism for blocking digital channels/cards
  - HBL call center agents upon receiving calls for blocking digital channels/cards in case of fraud will immediately block all channels temporarily, under intimation to the customer, before seeking detailed verification from the customer.
  - The verification required from the customer as per procedure will subsequently be acquired on the same call.
  - Customer will not be required to call from registered numbers to intimate the bank about the fraud. However, the banks may conduct enhanced verification in cases where the request for blocking of channels was received from an unregistered number

##### b) Protection of Consumer Assets, Information and Data against Financial Crimes, Misappropriation and Misuse

- i. Under no circumstance, information about the Bank's customer(s) shall be provided to any third party, except when the law or HBL policies require to share the customer information.
- ii. Bank will train staff on maintaining secrecy of customer information and place controls to discourage customer information sharing to unauthorized personnel.
- iii. HBL Phone Banking officers will be trained to register digital banking frauds.
- iv. In case of customer data compromise, bank will take steps to protect customer data.
  - o Customers shall be informed within 48 hours about the steps being taken by the bank to protect them from any further losses
  - o If the customer incurs financial loss as due to any fault of the Bank, the customer will be compensated within two (02) business days.
  - o The bank will report such incidents to the Banking Policy & Regulations Department (BPRD) within 48 hours as stipulated in BPRD Circular No. 05 of 2017 on Enterprise Technology Governance & Risk Management Framework for Financial Institutions.

## 5.5. COMPLAINTS AND DISPUTES MANAGEMENT

- a) The bank will ensure that there is an independent complaint management function.
- b) All touchpoints including branches, Phone Banking etc. where a customer may register a complaint will be adequately trained with specific reference to customer handling, registering the complaint and apprising the customer of the resolution process
- c) All complaints / disputes will be handled through a system which is capable of adequate tracking, maintenance of audit trail, transparency and visibility of service level while ensuring effective and timely communication with the complainant.
- d) The system is also to assist in adhering to various service levels as defined by the regulator from time to time.
- e) Banks will take extra care while dealing with complaints of illiterate, old age, or physically handicapped complainants. Due consideration will be given to such customers in view of their capacity to understand the situation.

## 5.6 CONSUMER EDUCATION AND AWARENESS

- a) The bank will develop programs and mechanisms for customer to know where to go for assistance when they need the knowledge, skills, and confidence to appropriately understand the risks, including financial risks and opportunities to make informed choices.
- b) The bank shall develop communication plans whereby important information about products and risks is placed at the following channels for the convenience of customers:
  - o Product Information and frequently asked questions (FAQs) will be available at branches and on the corporate website.
  - o Information given to customers shall be easy and clear language so that customers can make informed decisions.
  - o The bank shall arrange the salient features of account and services as well as awareness campaigns and security information in the languages advised by the regulator.
- c) Bank shall take measures from time to time to educate customers about digital channels with a special focus on
  - o Prevalent banking frauds including but not limited to call and SMS spoofing, impersonation by fraudsters etc.
  - o That the banking instruments in the form of cheque book, bank card, PIN or any other document or information pertaining to his account are strictly confidential.
  - o That the banks/MFBs will never ask about personal information on phone or by email and that they would be liable for any financial losses in case they share their personal credentials with anyone when approached by the person(s) claiming to belong to bank's staff, law enforcement agencies, SBP, Ehsaas Kifalaat Program (EKP)
- d) Bank shall endeavor to build customer awareness through disclosures, communication campaigns or any other means appropriate, about service charges, collection of uncalled for charges, rights for information, etc.

## 5.7. FINANCIAL INCLUSION

### a) Inclusion

- Provide access to banking products and services for all sectors/ members of the society for e.g., pensioners, people with disabilities and / or vulnerable groups to be able to meet their financial needs with dignity and fairness.
- Physical location of ATMs and Branches to be made available.
- Build staff to facilitate Persons with disabilities (PWDs)
- Special arrangements will be made to cater to the vulnerable customer groups (pensioners, senior citizens, visually impaired, illiterate, and / or differently abled persons) of the society (e.g., making necessary arrangements in branches keeping in view the ease of accessibility and movement of the customers).

### b) Gender and Racial Equality

- Customers will not be discriminated based on race, color, gender, creed or religion, political opinion, disability, culture, or social origin.

### c) Persons with Disabilities

- Bank will strive to comply with BC&CPD Circular No. 05 of 2021. Detailed policy statement will be added either at the time of renewal of this policy or earlier through addendum after thorough deliberation and considerations of the requirements.

## 5.8. HBL VALUES, BEHAVIOUR AND WORK ETHICS

The Bank shall incorporate customer services into the performance standards and evaluate the staff on the parameters of customer satisfaction and customer excellence.

To restore and maintain a culture that upholds HBL Values, honest and ethical behavior, the organizational leaders will promote an ethical environment and relentlessly "walk the talk," by making customer centricity and positive ethical behavior part of the organization's agenda.

- a) Communicating Product Information and Financial Solution to Customers
  - e) Depending on the nature of the transaction and based on information provided by a customer in terms of expressing his financial needs, the staff will assess and understand the needs of the customer before rendering a service.
  - f) Staff (who interact directly with customers) shall be properly trained and qualified to ensure that he/she has full command on product knowledge and can propose right product for the customer.
  - g) Where the potential for conflict of interest arises, staff shall endeavor to avoid such conflicts. When such conflicts cannot be avoided, the bank shall ensure proper disclosure, have in place internal mechanisms to manage such conflicts, or decline to provide the product, advice, or service.
- b) Guidelines on Prohibited Banking Conduct
 

Banking Conduct plays an important role in building consumer confidence, which is fundamental to the stability and efficiency of the banking sector. Irresponsible business conduct can undermine the confidence of the public in the banking sector. Given the adverse consequences for financial stability, irresponsible conduct needs to be addressed proactively.

  - Scope and objective of the guidelines\_
 

The prohibited banking conduct complements and reinforces existing instructions and guidelines on responsible business conduct issued by State Bank of Pakistan (SBP) from time to time, for conventional as well as Islamic Banking.

The guidelines are being issued to:

- i. Ensure that consumers are not provided with misleading or deceptive information in connection with a service or product.
- ii. Prevent unreasonable business practices that intimidate or exploit consumers.
- iii. Prevent business practices that restrict the freedom of consumers to choose between services or products available to them; and
- iv. Prevent collusive business practices that may result in unfavorable outcomes to consumers.

### ***Prohibition 1: Engaging in misleading or deceptive conduct***

A bank's conduct is considered misleading or deceptive where such conduct has the tendency or capacity to mislead or deceive consumers in relation to a banking service or product. In determining whether the Bank is engaging in misleading or deceptive conduct, following factors will be considered:

1. Whether the Bank has met explicit instructions issued by the SBP on product suitability, product transparency and disclosure, sales, post sales services, grievance handling and consumer empowerment.
2. The circumstances in which the alleged misconduct occurred. For example, the way information was communicated to the consumers, and whether it was appropriate to the level of financial knowledge and understanding of the consumer.

***Prohibition 2: Exerting undue pressure or influence***

Bank will be considered exerting undue pressure or influence on a banking consumer if it is involved in exploiting a position of power or control over a banking consumer that unreasonably limits the consumer's ability to make an informed decision. It includes making unnecessary or excessive contact despite consumer's refusal or using any physical or forceful actions that restrict consumers' choices.

Timing, location, nature or persistence of the conduct will be considered in determining whether a bank is exerting undue pressure or influence on a consumer.

***Prohibition 3: Demanding payments for unsolicited services***

Banking services or products will be deemed unsolicited if such services or products are provided to consumers without their request or consent.

***Prohibition 4: Colluding to fix features or terms to the detriment of banking consumers***

Collusion that results in detriment to banking consumers is a prohibited conduct. An arrangement that results in significant benefits to consumers that could not be achieved otherwise may not be considered as prohibited business conduct. The standardization of common terms and definitions used in contracts or agreements that helps consumers to compare similar products across different providers or which improves processing efficiency, is however, admissible.

***Prohibition 5: Complacency***

Bank will be considered complacent if they are found not or least interested in taking necessary actions to ensure responsible banking conduct. Such actions may require investing or re-engineering systems and procedures, developing products, managing human resources, engaging with customer etc.

END

# ANNEXURE A

## 6. ANNEXURE A - DEFINITIONS

These definitions are not precise, legal or technical and are intended to assist Customers for broader understanding of banking terms used in the Guidelines.

1. Annualized Percentage Rates (APR) means annual rate that is charged for borrowing and expressed as a single percentage number that represents the actual yearly cost of funds over the term of a loan. This includes any fees or additional costs associated with the transaction.
2. Automatic Teller Machines or Cash or Money Machines (ATMs) mean Electronic terminals that allow Customers to use Cards, PINs and Biometric identification, etc. to access their accounts, withdrawn cash, make deposits, transfer funds or access other services.
3. Automatic Payments mean arrangements by which Customers instruct their banks to make regular payments for a fixed sum from their account into another banks account.
4. Automatic Rollover means reinvestment of a certificate of deposit's (COD) profit and principal upon maturity with no action required by the account holder. When a COD matures, the certificate holder may have a short window during which to move the proceeds to another account. If they do nothing, the banks automatically reinvest the proceeds into a new COD with the same maturity as the original COD.
5. Bank means banking company which transacts the business of banking in Pakistan.
6. Banking Service means any financial service/product provided by banks to its customers:
  - a. Including any financial service/product provided by the banks whether supplied directly or through an intermediary' and
  - b. In the case of a financial service/product provided by another party and distributed by the bank, extends only to its distribution or supply of the service/product to its customer and not to the service/product itself.
7. Bank Cheque means a cheque that is purchased from and drawn on the account of a bank.
8. BBA means the Basic Banking Account.
9. BCO means the Banking Companies Ordinance, 1962.
10. Bill Payment means a one-off transfer of funds from the paying customer's account to a payee's account, which is initiated by the paying customer. The paying customer decides the payment amount and the payment date for each payment and advises the paying bank, via their bank's telephone banking service, Internet Banking service or other means.
11. BPRD means the Banking Policy & Regulations Department of State Bank of Pakistan.
12. Branch means a customer contact site which the customer can physically visit and carry out their general banking transactions.
13. BSD means the Banking Surveillance Department of State Bank of Pakistan.
14. Card means any Card that can be used to pay for goods and services, or to access ATM machines or other electronic banking services such as Point of Sales (POS) and include:
  - a) cash cards – Cards used to obtain cash from ATMS.
  - b) credit cards – Cards that allow Customers to buy on credit and to obtain cash advances. Customers receive monthly statements and may pay the balance in full or in part, through a specified minimum payment; and



- c) debit cards – Cards that can be used to access your accounts to obtain cash or make a payment at a point of sale. Customers' accounts are debited electronically for these transactions.
- 15. Chargeback means the reversal by the Bank of transaction made to customer which are found to be:
  - a) Incorrect, invalid, or unauthorized charges, and
  - b) Notified to Bank within the reasonable time limit.
- 16. Commission means charges for providing various financial services.
- 17. CPD means the Consumer Protection Department of State Bank of Pakistan.
- 18. Credit means an arrangement by which the bank provides funds to a customer in exchange for a promise to repay at a later date, along with any mark-up and charges payable.
- 19. Credit Agreement is a legal contract in which a bank arranges to loan a customer a certain amount of money for a specified amount of time. The credit agreement outlines all the terms and conditions associated with the contract. This includes the mark-up that must be paid on the loan.
- 20. Credit Facilities include, overdrafts secured/unsecured loans, funded/non-funded facilities.
- 21. Crossed Cheque is a cheque that has been marked to specify an instruction about the way it is to be redeemed. A common instruction is to specify that it must be deposited directly into an account with a bank and not immediately cashed by a bank over the counter. The format and wording varies between countries, but generally two parallel lines and/or the words 'Account Payee' or similar may be placed either vertically across the cheque or in the top left hand corner. By using crossed cheques, cheque writers can effectively protect the cheques they write from being stolen and cashed.
- 22. Customers as used in the Guidelines, means all Customers of a bank other than corporate customers.
- 23. Debit Collection Agencies mean companies whose business is to collect debts from people who have failed to meet any obligation to repay the banks' liability.
- 24. Default means failure to repay Credit or to meet other conditions that were promised or agreed to by the customer.
- 25. Demand Draft is a negotiable instrument similar to a bill of exchange. A bank issues a demand draft to a client (drawer), directing another bank (drawee) or one of its own branches to pay a certain sum to the specified party (payee).
- 26. Direct Credits mean arrangements by which payments, such as salaries, are directly credited to customers' bank accounts.
- 27. Direct Debits mean arrangements by which Customers authorize bank to make payments directly from their accounts to a third party who has initiated the arrangement. The amounts can be fixed or variable. If variable, the bank should give prior notice to the customer or variations.
- 28. Disclosure Statement means disclosure to Customers of financial and other information by banks as required by BOC, 1962.
- 29. Dishonored Cheques mean cheques that are presented for payment and are not paid, leaving the person to whom the cheque is payable without the money.
- 30. Dormant Accounts are classified when there has been no financial activity for a long period of time, other than posting of mark-up.
- 31. E-banking stands for electronic/internet banking.
- 32. ECIB means the Electronic Credit Information Bureau of State Bank of Pakistan.
- 33. FE means Foreign Exchange.

34. Guarantees means legal arrangements by which someone (the guarantor) promises to repay the debts of a customer if that customer defaults in making repayment.
35. Internet Banking means use of a computer or decide to connect the customer to an electronic banking channel via the internet and to carry out a range of transactions and obtain information about the account.
36. IVR means Integrated Voice Response that allows Customers to interact with a bank's host system via a telephone keypad or by speech recognition, after which they can service their own inquiries by following the IVR dialogue.
37. Joint Account is an account that is shared between two or more individual.
38. Joint Debtors are two or more people/entities who are issued credit, based on their combined incomes, assets and credit histories. The parties involved accept joint responsibility for repaying the debt.
39. KYC means Know Your Customer.
40. Maturity means the period of time for which a financial instrument remains outstanding. It refers to a finite time period at the end of which the financial instrument will cease to exist and the principal is repaid with mark-up. The term is most commonly used in the context of fixed income investments, such as bonds and deposits.
41. M-banking means mobile/telephone banking.
42. Merchants mean any suppliers of goods or services who accept payments by cards.
43. NPL (Non Performing Loans) means a sum of borrowed money upon which the debtor has not made his or her scheduled payments.
44. Overdraft means withdrawal of funds from bank accounts, exceeding the customer's credit balance, with or without prior arrangement.
45. Password means a confidential combination of letters, numbers and special characters etc. used for user authentication to prove identity or access approval to gain access to a resource which should be kept secret from those not allowed access.
46. Payment Order refers to a directive to a bank from a bank account holder instructing the bank to make a payment or series of payments to a third party. It can be defined as "Instructions to transfer funds sent via payer and/or electronic means.
47. PBA means the Pakistan Banks Association.
48. PIN (Personal Identification Number) means confidential number used by Customers to access their accounts via ATMS, POS facilities, the internet and other electronic banking services such as telephone banking.
49. PLS means Profit and Loss Sharing accounts.
50. PR means the Prudential Regulations issued by the State Bank of Pakistan from time to time.
51. Right to set off means a legal clause that gives a lender the authority to seize a debtor's deposits when they default on a loan. A set-off clause can also refer to a settlement of mutual debt between a creditor and a debtor through offsetting transaction claims. This allows creditors to collect a greater amount than they usually could under bankruptcy proceedings.
52. Safe Custody means a service offered by some banks by which valuable items such as gold, jewelry, house titles, wills, share certificates, etc. can be kept in the bank's lockers for safe-keeping, usually subject to a fee and insurance coverage.
53. SBP means the State Bank of Pakistan.
54. Security means the promising of assets (such as tiles to property, life policies and shares) to banks as support for credit facilities granted to Customers. A mortgage document is a common type of security, in which property is used as security for a loan. If the credit facilities are not repaid, the

bank's position is "secured", i.e. it can sell the assets to recover the outstanding debts after legal proceedings.

55. SMS means Short Message Service.
56. SOC means Schedule of Charges.
57. Stop Payments mean an advice by the customer for stopping of a cheque or some other types of payments.
58. Term Deposits (Investments) means a contract between a customer and a bank, whereby the customer places a deposit with the bank for a mutually agreed period of time. The banks pay a set rate of profit on these deposits. If the customer wishes to access funds before the maturity date, there may be a fee charged and /or penalty for breaking this contract.
59. Third Party is an individual or entity that is involved in a transaction but is not one of the principals. The third party often has a lesser interest in the transaction than the principals.
60. Third Party Security means security provided by a person other than a borrower.
61. Unauthorized Transactions mean items recorded on accounts that have been made without the Customer's authority/knowledge.
62. Unclaimed Deposits means a debt payable either in Pakistani currency or any other (foreign) currency is owing by a banking company by reason of a deposit (time/demand deposit, or any other kind of deposit), not being recorded in the name of a minor or a government or a court of law, or a financial instrument (pay slips/pay orders/D.Ds/T.Ts/M.Ts or any other financial instrument in respect of which no transaction has taken place and no statement of account has been requested or acknowledged by the creditor during a period of ten years as reckoned under sub section(1) of Section 31 of BCO 1962.