

Guidelines on Credit Card Operations of Banks

1. Introduction

The use of Cards as a payment instrument for purchasing goods and services is increasing day by day. Because of convenience, security and increase in the electronic point of Sales outlets (POS) and incentives offered by Credit Card Issuers the usage of Credit Cards are flourishing.

Considering the timely requirement of improving the electronic payment mechanism and the growth of domestic Credit Card operations, it is necessary to provide a framework of rules/regulations for the Credit Card issuing Banks for managing the risks of their credit card business and as well as for securing the customers interest. Following guidelines on Credit Card operations may be issued by Bangladesh Bank (BB) to ensure safe, secure and efficient operations of Credit Cards as a payment instrument.

2. **Issuing Authority:** Credit Card in **Bangladesh Taka** may be issued by all Scheduled Commercial Banks (SCBs) in Bangladesh. But Credit Card in **Foreign Currency** may be issued by **Authorized Dealer** Banks only.

3. **Stakeholders to a Credit Card:** A Credit Card scheme may involve the following stakeholders:

- i. Cardholders - persons who are authorized to use Credit Cards for the payment of goods and services;
- ii. Card Issuers - institutions which issue credit cards;
- iii. Merchants - entities which agree to accept Credit Cards for payment of goods and services;
- iv. Merchant acquirers - Banks which enter into agreements with merchants to process their Credit Cards transactions; and
- v. Credit Card Associations - Organizations those license Card Issuers to issue Credit Cards under their trademark, e.g. Visa and Master Card, and provide settlement services for their members (i.e. Card Issuers and Merchant Acquirers).

4. A Credit Card:

The term “Credit Card” generally means a plastic card issued by Scheduled Commercial Banks (SCBs) assigned to a Cardholder, with a credit limit, that can be used to purchase goods and services on credit or obtain cash advances. Credit Cards allow Cardholders to pay for purchases made over a period of time, and to carry a balance from one billing cycle to the next. Credit card purchases normally become payable after a free credit period during which no interest or finance charge is imposed. Interest is charged on the unpaid balance after the payment is due.

5. **Types of Credit Card:** Credit Card can be broadly categorized into two types:

- i. **General purpose cards:** These cards are issued under the trademark of Credit Card Associations (VISA, Master card, **JCB, AMEX (new)**) and accepted by many merchants. Most of the Card Issuing Banks offer general purpose credit cards. These cards are normally categorized by banks as platinum, gold or classic to differentiate the services offered on each card and the income eligibility criteria.
- ii. **Private label cards:** These cards are only accepted by specific retailers (e.g. a departmental store).

Card Issuers may also issue Corporate Credit Cards to the employees of their corporate customers.

For issuing Credit Card prior approval of BB is not necessary. With the approval of their Board of Directors banks can issue credit cards.

6. Credit Limit:

The credit limit for Credit Cards should be limited up to the entitlement prescribed by regulation no-13 of Prudential Regulations for Consumer Financing (Regulation for Credit Cards) and their type.

a) **In case of cards issued in foreign currency against balances held in various Foreign Currency (FC) Deposit Accounts (for example: Resident Foreign Currency Deposit Accounts,**

Exporters' Retention Quota Account etc) the limit should be up to the extent of balances held in respective accounts. In such cases payment liability must be settled in foreign currency using balances of the respective accounts only. In special circumstances, where payment liability needs to be settled in taka, prior approval from Bangladesh Bank (Foreign Exchange Policy Department) should be taken.(new)

b) **In case of cards issued in foreign currency against various foreign currency entitlements (for example: Travel Quota etc) payment liability may be settled in Bangladesh Taka. In such cases the limit may be up to the extent of respective indicative limit (equivalent Bangladesh Taka) allocated to Bangladeshi nationals prescribed in Guidelines for Foreign Exchange Transactions (vol-1), 2009 and subsequent Foreign Exchange Circulars/circular letters subject to compliance with Regulation-13.(new)**

c) **In case of dual currency card, limit in Bangladesh currency and foreign currency should be clearly segregated and mentioned in the sanction letter separately wherein total exposure of the bank i.e. aggregate credit limit will be subject to Regulation-13.(new)**

d) **International Credit card issued against balance held in ERQ account must ensure the use for bona fide business purpose as per section 13, para 29(i) of Guidelines for Foreign Exchange Transactions 2009. (new)**

7. Marketing strategies of Credit Cards

Following **guidelines** will help a Card Issuer to design and undertake the marketing strategies of a Credit Card: Applicable terms and conditions relating to the Credit Card shall be clearly communicated and shall be provided in legible font size to the Customer in the preferred language (both in English and Bangla) of the customer at the time of issuing a Credit Card. These terms and conditions shall be simple, clear and understandable.

- i. These conditions must clearly highlight the Cardholders liabilities and obligations, eligibility conditions, fees, other charges, service charges and their method of calculation etc. No charge shall be recoverable from the Credit Cardholders other than agreed to as per the contract. The terms and conditions shall be displayed in the Card Issuers web sites.
- ii. Card issuer shall provide the Credit Cardholders with the statements of account at monthly intervals, unless there has been no transaction or no outstanding balance on the account since last statement.
- iii. Card Issuer shall be liable for all transactions which are not authorized by the Credit Cardholders after it has been properly noticed that the Card has been lost/stolen.
- iv. Card issuer shall disclose their code of conduct/institutional policy on Credit Card operations to the customers throughout the marketing process and the same shall be published in their official website.
- v. Card Issuer shall not unilaterally enhance or upgrade Credit Card type/limit without informing the Customer in writing.
- vi. Any stipulation, caveat, clause or provision which may cause an unreasonable curtailment of rights of the Customers, shall not be included in the terms and conditions.
- vii. Credit Cards are not to be used for any unlawful activity deemed as an offence under Bangladesh Law-the terms should state this clearly. If any Cardholder use the Credit Card for such unlawful activity, Credit Card Issuer shall immediately terminate the Card facility and inform it in details to Bangladesh Bank.

viii. Card issuer shall timely perform the classification & provisioning on overdue credit card loans in accordance with the applicable rules & regulations from time to time.(new)

8. The points Banks should consider while issuing Principal Credit Cards

- i. Credit Card shall be issued only to an individual who is a citizen or resident of Bangladesh, who is above 18 years of age on the date of the application and has independent financial ability to pay liabilities. Both cardholder will have valid TIN certificate.
- ii. Card Issuer shall be solely responsible for fulfillment of all 'Know Your Customer' (KYC) requirements and such documents shall be maintained under the safe custody.

- iii. Credit Card shall be issued by a Card Issuer on receipt of duly filled and signed application form from a prospective Customer, supported with necessary documents.
- iv. Banks should properly assess the **credit risk** before issuing Credit Card to any applicant and apply more Prudent Risk Management checks as they deem necessary. Card Issuer shall obtain information of Customer available at the Credit Information Bureau (CIB) while assessing the credit worthiness of the Customer.
- v. Card Issuer shall not issue more Credit Cards to any Customer who has already obtained a Credit Card from same/other Card Issuer by providing the same income particulars, without obtaining the aggregate credit outstanding liabilities of the Customer.
- vi. Banks should ensure the prescribed credit limit of a cardholder holding several Credit Cards.
- vii. **Issuance of Credit Card in Taka/Foreign Currency will be allowable to resident Bangladesh Nationals only. Issuance of Credit Card to nonresident/foreign nationals will be subject to the provision of Foreign Exchange Regulation Act, 1947, Guidelines for Foreign Exchange Transactions (vol-1), 2009 and subsequent related directives issued by Foreign Exchange Policy Department from time to time.(new).**
- viii. **Banks shall ensure apposite collateralization of the cards being issued to the full extent of limit.**
- ix. **A PIN code should be ensured in point of sales outlets (POS) for card security.**
- x. **Before issuing cards, issuer shall ensure the limit and number of cards being possessed by cardholder. In no way the limit will cross irrespective of the number of cards being issued to cardholders by issuers.**
- xi. **Card issuer shall ensure the reasonable limit and individual worthiness of the cardholder from his income statements.**

9. Issue of Supplementary Credit Cards

- i. A supplementary or add-on or subsidiary Card shall not be issued to any individual who is below 18 years of age. But in case of student between 16-18 years of age may be considered for the educational purpose who are directly dependent of the Principal Customer. In such a case payment obligation will be on principal cardholder.
- ii. Card Issuer should ensure prudence and assess the credit risk while issuing Cards to students and others with no independent financial means.
- iii. **In case of dual currency cards, it will be wise not to give permission of issuing supplementary cards. (new)**

10. The process of imposing profit/Interest rates and other charges

Card Issuer shall have to adhere to the following guidelines relating to interest rates and other charges on Credit Cards:

- i. Card issuers shall quote profit/interest rates, fee structures and service charges separately on half yearly basis, for purchase of goods and services and cash advances.
- ii. The late payment charges, including the method of calculation of such charges and the number of days, should be clearly indicated. The manner in which the outstanding unpaid amount will be included for calculation of profit/interest should also be specifically shown in all monthly statements.
- iii. The Banks should not levy any charge that was not explicitly indicated to the Credit Cardholder at the time of issue of the Card and without getting his/her consent. However, this would not be applicable to charges like taxes, etc. which may subsequently be levied by the Government or any other statutory authority.
- iv. If a Credit Cardholder desires to surrender his Credit Card on account of any change in Credit Card charges to his disadvantage, he may be permitted to do so without the bank levying any extra charge for such closure.
- v. Any revisions in the schedule of charges/fees, interest rates or terms and conditions and revision of any incentives, shall be communicated to all active customers in legible writing/electronic means, at least ten(20) days before the effective date of the revision, if it was not communicated at the time of issue.
- vi. **Compensation must be given to Customer for Mishandle of Credit cards. (new)**
- vii. **Insurance fee should not be charged on credit card. (new)**
- viii. Card issuers shall keep the cardholders free of interest/profit snowballing.
- ix. When a cardholder becomes severely delinquent on a debt, the card issuer may set the debt to be a charge off. In such a case card issuer will report it to CIB.
- x. Card Issuer shall not impose any hidden cost to the payment method.
- xi. Shariah compliant banks will charge the card users with fees and profit rates instead of interest rates.

- xii. Cardholders will be allowed cash withdrawal up to 50% -70% of the card limit.
- xiii. Interest charges on outstanding amount shall be calculated on monthly basis. In case of partial payment interest should be charged monthly on remaining balance after deducting the deposited amount.

11. Billing Process:

- i. Card Issuer shall dispatch a billing statement on Credit Card transactions to each active Customer in writing or in electronic means at the end of each billing cycle/period at least fourteen (14) days before the payment due date..
- ii. If the Customer make a complaint for non-receipt of billing statement, a copy of the statement shall be dispatched to the Customer at free of charge within ten (10) days from the complaint enhancing the payment due date.
- iii. Card Issuer shall make comprehensive and convenient arrangement for the collection of bill payment through their designated branches, collection centers or other electronic channels in line with the business plan and requirements of the Customers.
- iv. Card Issuer shall inform the Customer about the status of the unrealized cheques within seven (7) working days from the receipt. Customer shall not be penalized for cheque which was submitted within time but not cleared before due date.
- v. Card Issuer shall ensure that 'due date' does not fall on Friday, Saturday or any other public/bank holidays published by Government/Bangladesh Bank at the beginning of each year.
- vi. **After each successful credit card transaction, card issuer shall notify the individual transacted amount along with cumulative usage to the customer. (new)**
- vii. **If the customer pays credit card bill to other branches of a credit card issuing bank, that payment should be treated as made on the same day. (new)**

12. Wrongful Billing

The Card Issuer should ensure that wrong bills are not made and issued to Customers. In case, a customer protests any bill, the Card Issuer should provide explanation and, if necessary, documentary evidence may also be provided to the Customer within a maximum period of sixty (60) days with a spirit to amicably redress the grievances.

13. Collection/Recovery Mechanism

- i. At the time of issuance of Credit Card, the Card Issuer should properly communicate with the Customer about the procedure of recovery in case of default payments. But they should not engage in any activity against public interest and must use the principles of honesty and good faith.
- ii. Recovery letters should be issued to the last known addresses of the Customer which should bear the designation, contact number(s) and office address of the concerned person.
- iii. Any verbal or physical harassment or threats to the Customers, their family members, references or friends shall not be resorted in the recovery process.

14. Protection of Customer Rights

- i. The Card Issuer shall not reveal any information relating to customers obtained at the time of opening the account or issuing the Credit Card to any other person or Organization without obtaining specific consent of the Customer.
- ii. Unsolicited loans or other facilities shall not be offered to the Customers based on the Credit Card.

15. Dispute Resolution

- i. The Card Issuer shall have an appropriate dispute resolution mechanism and service procedure and shall resolve the same within a minimum period.
- ii. The Card Issuer shall also have a mechanism to escalate automatically unresolved complaints from a call center to higher authorities and the details of such mechanism should be put in public domain through their website.

- iii. The name, designation, address and contact number of important executives as well as the dispute resolution officer of the Card Issuer should be displayed on the website. There should be a system of acknowledging customers' complaints for follow up, such as complaint number/docket number, even if the complaints are received on phone.
- iv. The Card Issuer shall resolve the disputed transaction of the Customer promptly and as per the franchise rules of VISA, Master Card, or any other international Card company/association, taking into account the nature of the transaction, distances, time zone etc.

16. Internal control, monitoring and compliance

- i. To minimize the financial and non-financial risks, Card Issuer shall have prudent and sound management, administrative accounting and control procedure.
- ii. To produce any new products or services, Card Issuer shall conduct risk analysis and feasibility study.
- iii. Card Issuer shall have an adequate number of properly trained and competent personnel to operate the system at an appropriate level. At the same time, Card Issuer shall have a comprehensive, rigorous and well documented operational and technical procedures to address reasonable reliability, integrity and timeliness.
- iv. Card Issuer shall have an reasonable, effective, well-documented and regularly tested business contingency plan to be used in the event of unforeseen interruption.
- v. Banks should prepare and place before their Board of Directors/Management Committee a comprehensive Review Report on credit card business on half-yearly basis of each accounting year.
- vi. For managing outsourced relationship, Card Issuer should have proper due diligence and oversight process, if there is a possibility to affect the operation of Credit Card system.
- vii. The Card Issuer shall have a process of self assessment of the compliance of the personnel with the Regulations, Guidelines and Code of Conduct. To assess this self assessment internal auditors, internal compliance officer or appointed independent assessor may perform these functions.
- viii. There should be an appropriate organizational structure in place with clearly defined approval authority and segregation of duties. In addition, internal audit & control mechanisms should be in a place so as to minimize the chance of mismanagement and frauds. (new)**
- ix. Card Issuer shall maintain proper data base and data recovery system pertinent to credit card operations for the overall management, monitoring and control purpose. (new)**

17. Fraud Control

- i.** Card Issuer should set up internal control systems to combat frauds and actively participate in fraud prevention committees/task forces which formulate laws to prevent frauds and take proactive fraud control and enforcement measures.
- ii.** Card Issuing Banks are advised to block a lost card immediately on being informed by the Customer and formalities, and inform it immediately to BB.
- iii.** Banks may consider introducing, at the option of the customers, an insurance cover to take care of the liabilities arising out of lost cards. In other words, only those Cardholders who are ready to bear the cost of the premium should be provided an appropriate insurance cover in respect of lost cards.
- iv.** Employees those are specialized in fraud monitoring and investigation are to be placed in risk management department.

18. Right to impose penalty

Bangladesh Bank reserves the right to impose any penalty on card issuing Scheduled Banks under the provisions of the Bank Company Act, 1991 (Amended up to 2013) for violation of any clause of these guidelines.