

POLICY ON PENAL INTEREST AND PENAL CHARGE

Emirates NBD Bank (P.J.S.C)

India

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1. Introduction:

The Reserve Bank of India (“RBI”) has issued guidelines on Fair Lending Practice - Penal Charges in Loan Accounts” to ensure reasonableness and transparency in disclosure of penal interest and penal charges levied by the Banks in case of defaults / non-compliance by the borrower with the terms on which credit facilities were sanctioned.

RBI Circular RBI/2023-24/53 DoR.MCS.REC.28/01.01.001/2023-24 dated August 18, 2023 and DoR.MCS.REC.61/01.01.001/2023-24 dated December 29, 2023) on “Fair Lending Practice - Penal Charges in Loan Accounts and (“Circular ”) requires banks to formulate a Board approved policy on penal charges or similar charges on loans.

2. Objective:

The objective of this policy is to adopt a suitable structure of levying penal interest and/ or penal charges that is reasonable and in line with the extant Circular.

3. Scope:

This policy is applicable to all credit facilities that shall be booked in India Branch. Compliance to this policy is required for all the units associated in this process.

4. Penal Interest and Penal Charge

Bank will ensure that the instructions are implemented in respect of all the fresh loans availed from April 1, 2024 onwards. In the case of existing loans, the switchover to new penal charges regime shall be ensured on the next review / renewal date falling on or after April 1, 2024, but not later than June 30, 2024.

The penal charge will be applicable to all credit facilities except those specifically exempted in the Circular and under the RBI Master Direction - External Commercial Borrowings, Trade Credits and Structured Obligations (Updated as on December 22, 2023) (as amended from time to time).

The policy endeavors to have a structure of penal charges within a particular loan or product category uniform irrespective of the constitution of the borrower.

There shall be no capitalisation of penal charges i.e., no further interest computed on such charges.

Schedule of penal charges for all credit facilities, other than exempt under the circular:

Sr. No.	Particulars	Terms and Conditions
1	Penal charge in case of default in payments	2% (Two) percent p.a. over the applicable Rate of Interest + applicable GST
2	Penal charge in case of breach of provisions of Event of Default, Representations and Warranties, Covenants, Security and Condition subsequent under the Facility Documents	2% (Two) percent p.a. over the applicable Rate of Interest + applicable GST

Schedule of penal interest for all products exempt under the circular (Rupee/ foreign currency export credit and other foreign currency loans):

Sr. No.	Particulars	Terms and Conditions
1	Default Interest (Penal interest in case of default in payments)	2% (Two) percent p.a. over the applicable Rate of Interest
2	Additional Interest (Penal interest in case of breach of provisions of the Facility Documents)	2% (Two) percent p.a. over the applicable Rate of Interest

Bank has the discretion to amend or waive the above-mentioned interest or charge by CEO, India or any appropriate approving authority as may be delegated.

5. Regulatory Policy Guidance

Bank will comply with all extant RBI regulations / guidelines set out including those in the following circulars (as amended, updated or replaced from time to time):

- Master Direction - Reserve Bank of India (Interest Rate on Advances) Directions, 2016
- Master Circular - Customer Service in Banks
- Master Circular - Loans and Advances - Statutory and Other Restrictions
- RBI Master Direction - External Commercial Borrowings, Trade Credits and Structured Obligations
- Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances
- Reserve Bank of India (Financial Statements – Presentation and Disclosure) Directions, 2021
- Fair Lending Practice - Penal Charges in Loan Accounts

6. Governance Structure

The governance structure of the framework is such that any changes to this policy or deviations from this, have to be approved by the EXCO. Any approved material modification will be circulated through emails/ guidelines from time to time.