

Title

Charge Card-i

Issuance Date

28-Feb-2014

Effective Date

The policy document: **28 February 2014**

Paragraph 31.8 - Implementation of "Chip and PIN" technology at:

(a) Automated teller machine (ATM): **1 January 2015**

(b) Point-of-sale terminals (POS): **1 January 2017**

Applicability

IFSA

Summary

Part 1 of the policy document outlines specific requirements and minimum standards to be observed by charge card-i issuers and acquirers while Part 2 of the policy document outlines the risk management principles and requirements for charge card-i issuers and acquirers.

Part 3 of the policy document outlines specific requirements for non-financial institution issuers.

Issuing Department

Consumer and Market Conduct

Islamic Banking and Takaful

Payment Systems Policy



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Charge Card-i

BNM/RH/STD 033-2	<ul style="list-style-type: none"> • Payment Systems Policy Department • Consumer & Market Conduct Department • Islamic Banking & Takaful Department 	Charge Card-i
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OVERVIEW

1. INTRODUCTION

- 1.1 These requirements aim to safeguard the integrity of the charge card-i system, thereby preserving consumer confidence and promoting its wider adoption in Malaysia.

2. APPLICABILITY

- 2.1 This policy document is applicable to all charge card-i issuers and acquirers, excluding charge card-i issued by petrol companies to purchase petrol and petroleum products.
- 2.2 The requirements of this policy document apply to charge card-i products offered to individual; micro, small and medium enterprises (SMEs); and corporate cardholders, with the exception of sections 9 and 10 which do not apply to charge card-i products issued to SMEs and corporate cardholders. The requirements under sections 12 to 21 under Part 1 only apply to charge card-i products offered to individuals, micro and small enterprises. However, issuers are encouraged to adopt similar standards under these sections for charge card-i products offered to medium and large enterprises.

3. SCOPE

- 3.1 Part 1 of this policy document outlines specific requirements and minimum standards to be observed by charge card-i issuers and acquirers.
- 3.2 Part 2 of this policy document outlines risk management principles and requirements for charge card-i issuers and acquirers.
- 3.3 Part 3 of this policy documents outlines specific requirements for non-financial institution issuers.

4. LEGAL PROVISIONS

- 4.1 The requirements in this policy document are issued pursuant to:
- (a) Sections 22(2), 43(1), 57(1), 76(3) and 135(1) of the Islamic Financial Services Act 2013 (IFSA);
 - (b) Sections 41 and 126 of the Development Financial Institutions Act 2002 (DFIA).

5. EFFECTIVE DATE

- 5.1 This policy document comes into effect on 28 February 2014.
- (a) Paragraph 31.8 - Implementation of “Chip and PIN” technology:
 - (i) at automated teller machine (ATM) comes into effect on 1 January 2015; and
 - (ii) at point-of-sale (POS) terminals comes into effect on 1 January 2017

6. INTERPRETATION

- 6.1 The terms and expressions used in this policy document shall have the same meanings assigned to them in the IFSA.
- 6.2 In the event that the terms or expressions are defined otherwise, it is only for the purpose of clarification but shall be consistent with the meanings assigned to them under the IFSA.
- 6.3 For the purpose of this policy document:
- “**S**” denotes a standard, requirement or specification that must be complied with. Failure to comply may result in one or more enforcement actions.

“**G**” denotes guidance which may consist of such information, advice or recommendation intended to promote common understanding and sound industry practices which are encouraged to be adopted.

“**Charge card-i**” refers to an Islamic payment instrument which indicates a line of credit or financing based on Shariah principles granted by the issuer to the user and any amount of the credit or financing utilised by the user must be settled in full on or before a specified date, without any extended credit or financing.

“**Issuer**” refers to a person who has obtained approval from Bank Negara Malaysia (BNM) under section 11 of the IFSA or section 15 of the Financial Services Act (FSA) to issue charge card-i.

“**User**” refers to any person whom a charge card-i has been issued to and here on referred to as cardholder.

“**Acquirer**” refers to any person that provides merchant acquiring service.

“**Financial institution**” refers to any person licensed under the IFSA or FSA or prescribed under the DFIA.

“**Financial group**” refers to entities within the group of companies of the issuer (within Malaysia) which are involved in the promotion, sale, delivery and distribution of financial products and services.

“**Micro, small and medium-sized enterprises**” is as per the definition in the circular on New Definition of Small and Medium Enterprises (SMEs) issued by BNM.

PART 1

A. APPROVED SHARIAH CONCEPT APPLIED IN CHARGE CARD-I

7. SHARIAH CONCEPT

- S** 7.1 The Shariah concepts that shall be applied in charge card-i are *qard* (interest free loan) and *ujrah* (fee). Under the concepts, card issuer provides credit facility to cardholder on the basis of *qard* (interest free loan), and *ujrah* (fee) will be charged to the cardholder in consideration of identified services, benefits and privileges provided by the card issuer. The general conditions of application of *qard* and *ujrah* concepts in charge card-i are as follows:
- (a) The services, privileges and benefits must be Shariah-compliant.
 - (b) The fee must be a fixed amount and shall not be tiered to the credit limit. The fee cannot be charged based on the percentage of the total loan as it would tantamount to *riba* (charging interest). In this regard, the fee shall be charged based on the type of charge card-i (e.g. platinum, gold or silver) instead of credit limit.
 - (c) To qualify that the imposition of fee on services, benefits and privileges will not result to *riba* (charging interest), the following conditions shall apply:
 - (i) Charging of fee/*ujrah* must be as a consideration to the Shariah compliant services, benefits and privileges only. Therefore, the issuers shall not charge fee on the loan, delay the loan repayment and benefits or privileges in the form of cash back; and
 - (ii) For services related to the provision of loan, delay in loan settlement and exchanging cash with cash for different amount (e.g. cash advance), issuers are only allowed to charge the actual cost incurred (*nafaqah/taklifah*) in providing such services.

8. SHARIAH REQUIREMENTS

- S** 8.1 Issuer of the charge card-i must ensure that they comply with the Shariah requirements and therefore, they must institute relevant mechanism to

ensure operation of charge card-i are in accordance with the features of underlying Shariah contract.

- S** 8.2 The issuer and the cardholders must ensure that the charge card-i is not used for non-Shariah compliant transaction.
- S** 8.3 Any privileges granted by card issuer shall only include services and benefits that are in compliance with Shariah.
- S** 8.4 Any fee imposed to cardholder shall only be charged on identified services, benefits and privileges provided.

B. ELIGIBILITY AND REPAYMENT REQUIREMENTS

9. MINIMUM AGE AND INCOME REQUIREMENTS

- S** 9.1 Issuers shall ensure that a principal cardholder is at least 21 years old and earns at least a minimum income of RM24,000 per annum.
- S** 9.2 The income requirement under paragraph 9.1 does not apply to retirees. Issuers shall assess their credit worthiness based on the criteria specified by the issuers, which include affordability assessment as prescribed in the policy document on Responsible Financing.

10. DEPOSIT PLACEMENT

- S** 10.1 Issuers who wish to issue charge card-i to a person who is unable to prove his annual income, but meets the minimum age requirement, shall require the applicant to deposit an amount equivalent to the credit limit granted to such person.
- S** 10.2 Issuers shall ensure that the deposit shall be maintained for as long as the charge card-i facility is available.

11. GRACE PERIOD FOR PAYMENT

- S** 11.1 Issuers shall provide cardholders with a grace period of at least 4 days after the payment due date to cater for payment due dates falling on weekends or public holidays.

C. FEES AND CHARGES

12. GUIDING PRINCIPLE ON FEES AND CHARGES

- S** 12.1 In determining the type and quantum of fees and charges on charge card-i, issuers shall ensure compliance with the Guidelines on Imposition of Fees and Charges on Financial Products and Services.
- S** 12.2 Issuers shall observe requirements that are specified under the Guidelines on Late Payment Charges for Islamic Banking Institutions.

D. DISCLOSURE AND TRANSPARENCY REQUIREMENTS

- S** This section shall be read together with the general policy requirements stipulated in the Guidelines on Product Transparency and Disclosure.
- G** Disclosure is effective when product information is given to the cardholders at a time that is most relevant to enable the cardholders to make informed decisions at each of the three stages of the contractual process, that is the pre-contractual stage, at the point of entering into a contract, and during the term of the contract.
- S** Issuers shall provide a product disclosure sheet (as per the format provided in Appendix 2 of this policy document) containing key information for cardholders to make informed decisions. The product disclosure sheet shall be provided before the cardholders sign up for the charge card-i, and at the point of entering into a contract if there are material changes in the information. Issuers shall also ensure that the product disclosure sheet is made available in Bahasa Malaysia, upon request.

13. PRE-CONTRACTUAL STAGE

- S** 13.1 Basic features
- (a) Issuers shall inform cardholders of the key features of the charge card-i, including the underlying Shariah contract governing the charge card-i.
- S** 13.2 Fees and other charges
- (a) Issuers shall disclose to the cardholders in the product disclosure sheet **all** applicable fees and charges in relation to the charge card-i, the amount and frequency of payment. These would include the annual fee for principal and supplementary cardholders and transaction fees for cash advances.
- S** 13.3 Placement of collateral
- (a) Issuers shall inform cardholders, who can meet the minimum eligibility requirements but are unable to provide documented evidence of income, of any requirement for placement of deposit of an amount equivalent to the credit limit, as a collateral.
- (b) Issuers shall inform cardholders that the deposit shall be maintained for as long as the charge card-i facility is available.
- S** 13.4 Promotional items
- (a) Cardholders shall be made aware of the conditions tied to any promotional item and the implications of not complying with such conditions, if any.
- S** 13.5 Disclosure by intermediary
- (a) Issuers shall ensure that the sales and marketing representatives describe the key terms and conditions of the charge card-i product being offered, in particular those imposing liabilities or obligations on cardholders and the applicable fees and charges.

14. AT THE POINT OF ENTERING INTO A CONTRACT**S 14.1 Terms and conditions**

- (a) Issuers shall make written terms and conditions for usage of the charge card-i readily available to cardholders. The document shall contain a clear and concise description of the major terms and conditions which impose liabilities or obligations on cardholders (in respect of both principal and supplementary cards). Such terms shall be described in plain language, which is easily understood by cardholders.
- (b) Issuers shall advise cardholders to read and understand the terms and conditions before signing the agreement and using the charge card-i. Issuers shall take reasonable steps to draw cardholders' attention to the terms that have implications on liability.
- (c) Issuers shall ensure that customer service staff and the sales and marketing representatives are able to answer queries on the charge card-i terms and conditions. The hotlines for the customer service shall be published in the brochures, monthly statements, web pages and at the back of the charge card-i.

S 14.2 Terms of payment

- (a) Issuers shall inform cardholders that the outstanding balance for the charge card-i account shall be settled in full on or before a specified date, without any extended credit.
- (b) Issuers shall clearly disclose that a default charge may be imposed if cardholders fail to pay the outstanding balance in full by the payment due date. Cardholders shall be informed of the quantum of the default charge as well as the computation.

S 14.3 Default mechanism

- (a) Issuers shall explain clearly the default mechanism based on the different Shariah concepts applicable to the charge card-i facility. Illustrations shall be provided to ease cardholders' understanding of the default mechanism.

- S** 14.4 Right to set-off
- (a) Issuers shall clearly inform cardholders if the issuers have the right to set-off any credit balance in cardholders' deposit accounts against any debit balance in the charge card-i accounts.
- S** 14.5 Right to outsource debt collection and sell non-performing financing (NPFs)
- (a) Issuers shall inform cardholders of their rights to outsource debt collection to an external agency and the right to sell NPFs to a third party.
- S** 14.6 Liability of principal and supplementary cardholders
- (a) Issuers shall ensure that principal cardholders are made aware of their liability for the debts of all supplementary cardholders.
- S** 14.7 Cash advance
- (a) If a cash advance facility is available to cardholders, issuers shall disclose the daily withdrawal limit and the relevant charge, including the amount of the minimum charge.
- S** 14.8 Usage of charge card-i outside Malaysia
- (a) Cardholders shall be informed of the relevant charges for retail transactions made outside Malaysia.
- (b) Cardholders shall also be informed of the transaction fees and currency conversion fees applicable on the use of the charge card-i for making cash withdrawals overseas.
- S** 14.9 Cardholders' responsibilities
- Issuers shall highlight to cardholders at the point of entering into a contract, of their responsibilities to:
- (a) abide by the terms and conditions for the use of the charge card-i;
- (b) safeguard the charge card-i and Personal Identification Number (PIN). Cardholders shall be advised not to disclose the charge card-i details or PIN to anyone;

- (c) report lost charge card-i/PIN as soon as reasonably practicable;
- (d) use the charge card-i responsibly, including not using the charge card-i for unlawful activity; and
- (e) check the monthly statement and report any discrepancy without undue delay.

S 14.10 Liability for unauthorised transactions

- (a) Issuers shall inform the cardholders, through clear and prominent notices, that the maximum liability for unauthorised transaction(s) as a consequence of a lost or stolen charge card-i shall be limited at RM250, provided the cardholders have not acted fraudulently or have not failed to inform the issuers as soon as reasonably practicable after having found that their charge card-i are lost or stolen.
- (b) Issuers shall warn the cardholders that their liability for loss may exceed the maximum amount of RM250 if the cardholders are found to have acted fraudulently or failed to inform the issuers as soon as reasonably practicable after having found that their charge card-i are lost or stolen.

S 14.11 Change of contact details

- (a) Issuer shall inform cardholders of the importance of notifying the issuers of any change in contact details.

15. DURING THE TERM OF THE CONTRACT

S 15.1 Statement

- (a) Issuers shall provide a monthly statement to cardholders indicating the outstanding balance, the amount credited and charged and the dates when those amounts were posted to the account.
- (b) The back page of the monthly statement shall also, at the minimum, disclose the information in a standard table as set out in Appendix 1. This information shall be clearly visible (i.e. shall not be in light shade and less than 8-point font size).

- (c) The last statement of the year shall provide information on the total amount transacted, total cash advances and total charges imposed to encourage prudent use of the charge card-i.
- (d) For cardholders that opt to receive e-statements, issuers shall ensure that the information on the e-statement is the same as the hardcopy statement.

S 15.2 Closure of account

- (a) Issuers shall allow cardholders to close their charge card-i accounts at any time without being subjected to any fees and charges or a cumbersome account closure procedure.
- (b) In the event that there is a credit balance in the charge card-i account, issuers shall refund such balance to the cardholders within **30** days from the date of receipt of a closure request.

S 15.3 Change to the terms and conditions

- (a) Should there be any change in the terms and conditions, issuers shall provide at least 21 calendar days' notice to cardholders before the new terms and conditions take effect. Necessary arrangement shall be made such as obtaining consent from contracting parties prior to any action made which is against the agreed terms and conditions.
- (b) Any change in fees and charges applicable to the charge card-i account shall be communicated by the issuers to the cardholders at least 21 calendar days prior to the effective date of the change.
- (c) Communication shall be done in writing or via electronic means to the cardholders.

15.4 Intention to set-off

- S**
- (a) If issuers have the right to set-off any credit balance in cardholders' deposit accounts against any outstanding balance in the charge card-i accounts, the issuers shall inform the cardholders at least 7 calendar days in advance on the issuers' intention to set-off a credit balance in

the cardholders' deposit accounts against a debit balance in the charge card-i accounts.

- G** (b) Issuers may concurrently earmark the available funds in the cardholders' deposit accounts against the outstanding balance in the charge card-i accounts upon the issuance of the notice to the cardholders.

S 15.5 Delinquent account

- (a) Issuers shall clearly inform cardholders that the issuers reserve the right to terminate the cardholders' charge card-i in the event of non-payment of outstanding balance.
- (b) Issuers shall ensure that delinquent cardholders are given sufficient reminders on the amount outstanding on the delinquent charge card-i accounts and warnings of possible recovery actions if reminders to settle the amount outstanding are ignored.
- (c) Cardholders shall be informed by issuers at least 7 calendar days in advance if the collection of debt for the delinquent account is to be outsourced to a third party debt collection agency. This notification time frame shall also apply to cardholders whose delinquent charge card-i accounts have been classified as NPF and are sold to a third party. In this regard, issuers shall notify the affected cardholders of the sale of the charge card-i accounts within 7 calendar days of obtaining a vesting order from the Court.
- (d) In the notice, issuers shall inform cardholders of the impact on the cardholders' rights and obligations after the accounts have been transferred to a third party debt collection agency or sold to a third party.
- (e) Issuers shall ensure that cardholders are informed and understand that under specific circumstances where cardholders are not contactable, issuers are considered to have fulfilled the obligations if such notice has been sent to the last known address of the cardholders, at least 7 days in advance.

- (f) Issuers shall provide cardholders with the name and contact details of the appointed third party debt collection agency or the third party to whom the NPF has been sold.
- (g) Issuers shall also inform cardholders of the services of Agensi Kaunseling Dan Pengurusan Kredit by inserting the note below in all reminders sent to cardholders (disclosure in less than 8-point font is not allowed):

English version

“Agensi Kaunseling Dan Pengurusan Kredit has been established by Bank Negara Malaysia to provide free services on money management, credit counselling, financial education and debt restructuring for individuals. For enquiries, please call 1-800-88-2575”.

Bahasa Malaysia version

“Agensi Kaunseling Dan Pengurusan Kredit telah ditubuhkan oleh Bank Negara Malaysia untuk menyediakan perkhidmatan pengurusan kewangan, kaunseling kredit, pendidikan kewangan dan penstrukturan semula pinjaman secara percuma kepada individu. Untuk pertanyaan, sila hubungi talian 1-800-88-2575”.

15.6 Awareness of fraud prevention measures

- S** (a) Issuers shall maintain on-going efforts to raise cardholders’ awareness on the measures to prevent charge card-i fraud, including the need to safeguard the charge card-i and PIN.
- G** (b) The information on fraud prevention measures may be communicated via the monthly statement.

E. LIABILITY

16. SUPPLEMENTARY CARDHOLDER’S LIABILITY

- S** 16.1 Issuers shall not hold the supplementary cardholder, jointly or severally liable for the debts of the principal cardholder or other supplementary cardholders.

17. LIABILITY FOR UNAUTHORISED TRANSACTIONS

- S** 17.1 Issuers shall provide an effective and convenient means including having a dedicated contact number by which cardholders can notify the issuers of any lost, stolen or unauthorised use of their charge card-i. Issuers shall also implement procedures for acknowledging receipt and verification of the notification of the lost, stolen or unauthorised use of the charge card-i.
- S** 17.2 Cardholders' maximum liability for unauthorised transactions as a consequence of a lost or stolen charge card-i shall be confined to a limit specified by issuers, which shall not exceed RM250, provided the cardholders have not acted fraudulently or have not failed to inform the issuers as soon as reasonably practicable after having found that their charge card-i are lost or stolen.
- S** 17.3 Where the amount imposed on the cardholders for unauthorised transactions due to lost or stolen charge card-i is in excess of the maximum liability limit, the issuers have to prove that the cardholders have acted fraudulently or failed to inform the issuer as soon as reasonably practicable after having found that their charge card-i are lost or stolen.
- S** 17.4 Issuers shall have clear processes in place to register any notification of lost or stolen charge card-i and take immediate action upon notification by the cardholders, to prevent further use of the lost or stolen charge card-i. Cardholders shall not be held liable for any unauthorised transactions charged to the charge card-i after the cardholders have notified issuers verbally or in writing, that their charge card-i are lost or stolen.
- S** 17.5 Issuers shall maintain on-going efforts to increase awareness of the cardholders' potential liability for unauthorised transactions if they have acted fraudulently or have failed to inform the issuers as soon as reasonably practicable upon discovery of the loss or theft of the charge card-i. The

information may be communicated via SMS alerts, monthly statements and notices displayed on the issuers' websites.

F. MARKETING REQUIREMENTS

18. ADVERTISEMENT

- S** 18.1 Issuers shall ensure that advertisements and promotional materials on charge card-i products are clear, fair and not misleading.
- S** 18.2 Issuers shall establish processes for an independent review of advertisement and promotion materials on charge card-i products, for instance by the Compliance Unit or Legal Unit, and Shariah Committee to ensure that they are clear and not misleading.
- S** 18.3 For print media advertisement, the advertisement shall clearly and conspicuously disclose material information about any charge card-i offer that is likely to affect cardholders' decisions. Legible font size shall be used to bring cardholders' attention to any important information, such as relevant fees and charges and eligibility criteria to enjoy the benefits being offered.
- S** 18.4 Promotion materials shall provide adequate information on the key terms and conditions of the charge card-i product. The materials shall also contain information on the annual fee and any other applicable charges to facilitate comparisons by cardholders. The information shall be presented in plain language and in legible font size.
- S** 18.5 Issuers shall state prominently important terms and conditions associated with offers of free gifts, prizes, discounts or vouchers for the promotion of charge card-i in print advertisements, or in the marketing materials for new cardholders, or together with the monthly statements for existing cardholders.

- S** 18.6 In advertising special features or promotions in print and electronic media, the applicable eligibility criteria to enjoy the privileges shall be disclosed upfront with the announcement. The “applicable eligibility criteria” are those that are imperative to the advertised feature/promotion in addition to the basic terms and conditions of holding the charge card-i. Issuers shall not merely indicate in a footnote that “terms and conditions apply”.
- S** 18.7 Advertisements or other promotion materials shall not describe any charge card-i feature as “free” or at “no cost” if there are conditions attached or other forms of charges will be imposed on cardholders.

19. MARKETING PRACTICES

- S** 19.1 Issuers shall ensure that sales and marketing representatives (including telemarketing) are adequately trained and knowledgeable in the key features, benefits and risks of the charge card-i products, including the underlying Shariah contract.
- S** 19.2 Issuers shall apply due care and diligence when preparing information for use by sales and marketing representatives so that the information is sufficient, accurate, appropriate and comprehensive in substance and form. This is to ensure that cardholders are adequately informed by the sales and marketing representatives of the terms, benefits and material conditions for the charge card-i product or services being offered.
- S** 19.3 Issuers shall ensure that sales and marketing representatives identify themselves as well as the issuer they represent and act in a professional manner when contacting or approaching prospective cardholders to market charge card-i products. In particular, sales and marketing representatives shall not adopt aggressive tactics to pressure or mislead prospective cardholders into signing up for a charge card-i and shall avoid harassing prospective cardholders who are not interested. Sales and marketing representatives shall not mislead prospective cardholders on any product

and services offered or make any false commitment on behalf of the issuers for any facilities or services. Prospective cardholders shall also be given adequate time to consider and to complete application forms without undue pressure.

- S** 19.4 Issuers shall ensure that the sales and marketing representatives provide the product disclosure sheet and highlight the following, at the minimum, to prospective cardholders to ensure that they are provided with the relevant information before making a decision:
- (a) Fees and charges, such as annual fee, default charges for failure to pay the outstanding balance in full by the payment due date and transaction fee for cash advances;
 - (b) Eligibility criteria to enjoy the privileges that are being promoted, such as rebates, free gifts, fee waivers; and
 - (c) Cardholders' responsibilities.
- S** 19.5 Issuers shall establish procedures and take reasonable steps to ensure that cardholders' expressed preference (e.g. not to be contacted on new product offers) are duly respected.
- S** 19.6 Issuers shall ensure that the telemarketing representatives do not contact cardholders at unreasonable hours (generally between 9pm and 9am).
- S** 19.7 In remunerating or rewarding sales and marketing representatives, issuers shall ensure that the reward system does not encourage or lead to inappropriate behaviour such as unethical sales and marketing practices that expose issuers to reputational risk. Issuers shall avoid poorly designed reward systems that induce behaviours which focus on maximising sales without due regard to the interests of prospective cardholders who may be offered charge card-i products that are not suited to their needs or circumstances.

- S** 19.8 Reward systems for sales and marketing representatives shall reflect the responsibility to treat prospective cardholders fairly. Issuers shall use a mix of quantitative and qualitative factors (e.g. customer service and complaints) to assess the performance of sales and marketing representatives.
- S** 19.9 Issuers shall put in place adequate verification procedures to confirm the identity of charge card-i applicants to prevent the use of stolen information (e.g. identity theft) for charge card-i applications. This shall include contacting the applicants at random to confirm charge card-i applications and to verify that applicants are aware of all the critical terms and conditions. This process also serves as a means to evaluate the performance and representations made by sales and marketing representatives.
- S** 19.10 Cardholders shall be given the opportunity to revoke their charge card-i applications even after receiving the charge card-i without any charge or unreasonable inconvenience, if it is established that sales and marketing representatives had coerced the cardholders into applying and/or the cardholders were not given enough time to consider the applications.

20. UNSOLICITED CARD/CREDIT ADVANCE/CREDIT LIMIT INCREASE

- S** 20.1 Before sending any existing and prospective cardholders an unsolicited charge card-i, or other offerings, issuers shall conduct proper credit assessments and be reasonably satisfied based on robust affordability assessments, that the charge card-i facility will not expose the existing and prospective cardholders to excessive financial burdens.
- S** 20.2 If issuers send an unsolicited charge card-i to any existing or prospective cardholders, the issuers shall not activate the charge card-i until the cardholders have communicated their acceptance of the charge card-i to the issuers either orally or in writing. Prior to this confirmation, the cardholders shall not be liable for any form of charges, fees, payments and purchases with regard to the charge card-i. The cardholders shall not be required to go

through a cancellation procedure if they do not wish to accept and activate the charge card-i.

- S** 20.3 Issuers shall not offer a credit advance (e.g. in the form of cheque payable to cardholders) unless the cardholders have expressly requested for it. All relevant charges for the credit advance shall be clearly disclosed to the cardholders.
- S** 20.4 Where a credit limit is applicable to the charge card-i, issuers shall not increase the credit limit if the cardholders have a history of poor credit performance or have difficulty meeting payment.

G. OTHER REQUIREMENTS

21. DEBT COLLECTION

- S** 21.1 Issuers shall comply with the debt collection requirements as specified in the circular issued by BNM on “Fair Debt Collection Practices”.

22. CARDHOLDER INFORMATION

- S** 22.1 Issuers shall comply with the requirements on disclosure of customer information as specified under section 10 (under general policy requirements) of the Guidelines on Product Transparency and Disclosure.
- S** 22.2 Where personal information is given to the issuers’ agents or representatives, issuers shall ensure that such information is used strictly for the purpose of performing their functions. Issuers shall ensure that such information is treated with strict confidentiality and adequately safeguarded by the agents or representatives. In doing so, issuers shall require the agents or representatives to sign a confidentiality agreement or undertaking, to comply with the secrecy provisions under the relevant legislation.

- S** 22.3 Issuers shall remain accountable to cardholders for any complaints arising out of the mishandling or abuse of cardholders' information by the agents or representatives and shall take reasonable steps to remedy any inconvenience or losses suffered by the cardholders as a result of such mishandling or abuse. Firm actions shall also be taken against errant agents, including terminating the contract with the agency in the event that there has been a breach of confidentiality.
- S** 22.4 Issuers shall put in place appropriate measures for disposal of unsuccessful application forms and ensure that confidentiality of cardholders' information is adequately safeguarded.

23. COMPLAINTS MANAGEMENT

- S** 23.1 Issuers shall comply with the complaints management requirements as specified in the "Guidelines on Complaints Handling" issued by BNM.
- S** 23.2 Issuers shall remain accountable to cardholders for any complaints against its employees and representatives, including external agents, and shall not disclaim responsibility for any agents' or representatives' misconduct.
- S** 23.3 In the event of a dispute over any transaction amount, the issuers shall not require the cardholder to pay the disputed amount or impose any charges on such amount during the investigation period.
- S** 23.4 Issuers shall provide cardholders with information on how complaints, including complaints against agents may be made and the contact details of the issuers' complaints unit. In addition, contact details of BNM LINK and BNMTELELINK shall be provided in the monthly charge card-i statement.

24. USAGE OF CHARGE CARD-i FOR UNLAWFUL ACTIVITIES

- S** 24.1 Issuers shall include in the terms and conditions a clause specifying that the charge card-i are not to be used for any unlawful activities¹. Issuers shall immediately terminate the charge card-i facility if the cardholders are found to have used the charge card-i for an unlawful activity.

¹ Activities which are forbidden by the law such as illegal online betting.

PART 2

H. RISK MANAGEMENT

- S** The rapid pace of technological innovations has changed the scope, complexity and magnitude of risks that issuers and acquirers face in carrying out the charge card-i business. Issuers and acquirers shall have adequate processes and controls in place to manage and respond to such risks, including credit, operational and liquidity risks associated with the charge card-i business.

25. EFFECTIVE MANAGEMENT OVERSIGHT

- S** 25.1 The Board of Directors and senior management of issuers and acquirers shall establish effective oversight measures, checks and balances; and risk management mechanism over the risks associated with their charge card-i operations, which include, among others, the following:
- (a) Establishment of a comprehensive risk management process and internal controls for managing and monitoring risks associated with the charge card-i operations.
 - (b) Establishment of processes for the review, approval and implementation of appropriate policies and procedures governing the charge card-i operations to ensure that the risks in the charge card-i operations are adequately mitigated.
 - (c) Oversight of the development and continued maintenance of the security infrastructure that safeguards the charge card-i systems and data from internal and external threats.
 - (d) Audit by an independent party² shall be conducted and undertaken with reasonable frequency to ascertain and detect weaknesses for prompt corrective measures to be taken in a timely manner.
 - (e) Establishment of a comprehensive and on-going due diligence and oversight process to manage outsourced arrangements and other third-party arrangements supporting the charge card-i operations.

² Internal or external auditor

- S** 25.2 The Board of Directors and senior management of issuers and acquirers shall also ensure that a strong management information system (MIS) is in place to support decision making, analysis and risk management.

26. COMPREHENSIVE SECURITY POLICIES, PROCEDURES AND CONTROLS

- S** Issuers and acquirers shall implement and enforce relevant policies and procedures to ensure confidentiality, integrity and availability of data as well as to ensure that the system and network infrastructure are safe and secure.
- S** 26.1 Robust security controls such as firewalls, intrusion detection and intrusion prevention systems shall be put in place to secure the system and network infrastructure. In this regard, penetration tests shall be performed regularly to detect vulnerabilities for timely corrective measures to be taken to address security weaknesses.
- S** 26.2 Procedural and administrative controls on critical processes shall be put in place. Critical processes include, but are not limited to, the following:
- (a) PIN generation and printing
- PIN generation and printing processes are tasks that shall be performed in a highly secure environment. In this regard, the following shall, at the minimum, be observed:
- (i) Usage of hardware-based PIN generation and verification.
- (ii) Generated PINs shall be protected from being accessed or viewed by unauthorised persons.
- (iii) The process of generating the PIN has to be strictly controlled. In this regard, PIN generation and printing area shall be strictly restricted to authorised personnel only.
- (iv) Regeneration of the same PIN for the same card/account shall be prohibited.
- (v) At least one independent party (which may be personnel independent of the process) shall be present to observe and

check that the PIN generation and printing processes are undertaken in accordance with accepted procedures.

(b) Personalisation³ process

- (i) Personalisation process shall be performed in a secure environment. Access to personalisation machine, reader and data shall be strictly restricted and controlled.
- (ii) Data used for personalisation shall be classified as confidential information and issuers shall ensure confidentiality and safety of the data that has been sent, stored and processed. These data shall be deleted upon completion of the process.
- (iii) Sensitive keys used to perform personalisation shall be kept in a secure manner. Adequate policy and procedures shall be established to govern the management of such keys to ensure that they are safeguarded to prevent any unauthorised usage.
- (iv) Periodic card inventory reconciliation and audit shall be performed on blank cards.
- (v) Card personalisation centre shall ensure that the following controls are in place:
 - Adequate physical and logical security controls.
 - Segregation of duties and dual control.
 - Network security control.

When the card personalisation process is outsourced, controls shall be in place to ensure that the data sent for personalisation to the outsourced vendors are secured. The issuers must monitor the outsourced vendor to ensure that the above requirements are met.

S 26.3 Effective segregation of functions on handling of charge card-i and PIN shall be observed at all stages of processing, particularly the following:

- (a) Card processing (e.g. embossing and encoding processes) and PIN generation functions.

³ A process of injecting/encoding customer data into the blank card's chip/magstripe; and embossing the cards with customer's details, e.g. name and expiry date

(b) Physical management of card and PIN, including mailing (if applicable).

- S** 26.4 Effective dual control over critical functions shall be implemented. Critical functions include the following:
- (a) Setting and maintaining all system parameters.
 - (b) PIN generation processes and handling of secret keys or codes and other security features.
 - (c) Handling and safekeeping of blank cards.
 - (d) Handling of returned and undelivered charge card-i.
- S** 26.5 Necessary measures shall be taken to ensure the confidentiality of charge card-i data and information.
- (a) Confidential data and sensitive information shall be protected from unauthorised viewing or modification during transmission and storage.
 - (b) Sensitive information shall be encrypted from end to end during transmission over the network.
 - (c) Minimal account information shall be printed on sales draft to minimise the risk of misuse of information to conduct fraudulent “card-not-present” transactions.
 - (d) Storage of sensitive authentication data, e.g. magnetic stripe data, PIN and validation code (e.g. card verification value (CVV) used to verify card-not-present transactions) shall not be allowed as this information may be used by fraudsters to generate fake charge card-i and create fraudulent transactions.
 - (e) Confidential data and sensitive information shall only be accessible and managed by authorised parties.
- S** 26.6 Proper identification and authentication method (e.g. passwords and PINs) shall be adopted to avoid unauthorised usage of charge card-i as well as unauthorised access to system, network and data. For more robust security, the following shall be adopted at the minimum:
- (a) PIN shall be at least six digits in length. Password shall be
-

alphanumeric and at least six characters in length. Where possible, the use of strong PIN/password shall be adopted.

- (b) Maximum PIN/password tries shall be limited to three on an accumulated basis.
- (c) PIN shall not be stored permanently in any format or media. Passwords shall be securely maintained.
- (d) If the PIN/password is computer-generated and is not chosen by the cardholder, mandatory PIN/password change shall be adopted before the first transaction is permitted.
- (e) Cardholders shall be allowed to change the PIN/password at any time.
- (f) Cardholders shall be advised that they shall not use their date of birth, identity card number or mobile number as their PIN or password to mitigate unauthorised usage of their charge card-i in the event their charge card-i is lost or stolen.

- S** 26.7 Disposal of charge card-i related materials/assets, such as damaged or returned cards, reports and embossing machines shall be performed in a controlled environment.

27. ROBUST OPERATIONAL RELIABILITY AND BUSINESS CONTINUITY

- S** A high level of system availability is required to maintain public confidence. Issuers and acquirers shall ensure that they have the resources and capacity in terms of hardware, software and other operating capabilities to deliver consistently reliable and secure services.

- S** 27.1 Measures to ensure operational reliability include, but are not limited to, the following:
- (a) Strong internal controls for system and personnel administration.
 - (b) Comprehensive and well-documented operational and technical procedures to ensure operational reliability.
 - (c) Sufficient capacity of the system to support business requirements.
 - (d) A robust business continuity and disaster recovery plan, including a

highly reliable backup system.

28. OUTSOURCING RISK MANAGEMENT

- S** Outsourcing does not reduce the fundamental risk associated with charge card-i operations. Neither does it absolve the issuers and acquirers from their responsibilities of having to manage the risks of their charge card-i operations. As such, issuers and acquirers that outsource any part of their charge card-i operations shall observe the minimum requirements set out below.
- S** 28.1 Prior to entering into any outsourcing arrangement, the following shall, at the minimum, be considered:
- (a) Availability of sufficient expertise within the issuer/acquirer to oversee and manage the outsourcing relationship.
 - (b) Scope and nature of services/operations to be outsourced would not compromise the controls and risk management of the charge card-i business:
 - (i) The outsourcing of such processes does not take away the critical decision making function of the issuers and acquirers.
 - (ii) The outsourcing of such processes does not threaten strategic flexibility and process control of the issuers and acquirers.
 - (iii) The outsourcing of such functions would not impair the image, integrity and credibility of the issuers and acquirers.
- S** 28.2 Issuers and acquirers shall also perform appropriate due diligence review of the integrity, competency and financial viability of the outsourcing service provider before the arrangements are formalised.
- S** 28.3 Approval from the Board of Directors of issuers and acquirers to outsource their functions must be obtained and documented.
- S** 28.4 The outsourcing service providers must provide a written undertaking to the issuers and acquirers to comply with the secrecy provision pursuant to

section 133 of the FSA and section 145 of the IFSA.

- S** 28.5 The external and internal auditors of the issuers and acquirers must be able to review the books and internal controls of the outsourcing service providers. Issuers and acquirers shall ensure that any weaknesses highlighted during the audit are well-documented and promptly rectified by the outsourcing service providers especially where such weaknesses may affect the integrity of the internal controls of the issuers and acquirers.
- S** 28.6 The outsourcing agreement shall be comprehensive and include the following:
- (a) Clearly defined roles, responsibilities and obligations of the service provider.
 - (b) Clear provisions for BNM to enter the premises of the service provider to conduct examination and investigation with regard to the services outsourced, should the need arise.
 - (c) Conditions under which the outsourcing arrangement may be terminated.
- S** 28.7 The issuers and acquirers must also have a contingency plan in the event that the arrangement with the outsourcing service provider is suddenly terminated. This is to mitigate any significant discontinuity in the work that is supposed to be conducted by the service provider.
- (a) The contingency plan must be reviewed from time to time to ensure that the plan is current and ready for implementation in the event of sudden termination of the service provider.
 - (b) The contingency plan must also be approved by the Board of Directors of the issuers and acquirers.
- S** 28.8 Although the operational activities of charge card-i are outsourced, reporting and monitoring mechanisms shall be put in place by issuers and acquirers to ensure that the integrity and quality of work conducted by the outsourced service provider is maintained.

- S** 28.9 Regular reviews shall be conducted on the outsourcing service provider to ensure the suitability and performance of the service providers.
- S** 28.10 Periodic independent internal and/or external audits shall be conducted on the outsourced operations with at least the same scope of review as if the operations had been conducted in-house.

29. CREDIT RISK MANAGEMENT

- S** Credit risk poses a significant risk to the charge card-i business. An issuer has credit exposure to a cardholder when the issuer reimburses an acquirer for a transaction on behalf of the cardholder or when the cardholder obtains cash advances from his charge card-i account. Therefore it is important that the issuers put in place necessary measures to manage the credit risk. For financial institutions, the requirements in this section shall be read together with standards on the management of credit risk which may be issued by BNM.
- S** 29.1 Issuers shall plan and formulate appropriate business strategies including marketing strategies for managing credit risk. The strategy shall include the following:
- (a) Target market and acquisition channels, which should be consistent with the approved nature and level of risk to be assumed.
 - (b) Adequacy of risk management, infrastructure and operational support to implement the business strategy.
- S** 29.2 Robust policies and procedures shall be put in place. These policies and procedures shall be reviewed regularly and shall include the following:
- (a) For the assessment of charge card-i applications as well as determination of appropriate credit limit, issuers shall utilise the Central Credit Reference Information System (CCRIS) and other sources of credit information for the purpose of verifying the applicant's credit worthiness in the credit assessment process.

- (i) Affordability and payment capacity of the applicant shall be considered in approving or rejecting the application, assigning initial credit limit or increasing existing credit limit.
 - (ii) Issuers shall avoid granting additional charge cards or higher credit limit to cardholders who are already experiencing payment difficulties on their existing charge cards and other credit facility.
- (b) Underwriting standards for products and customer segments covering eligibility criteria, maximum credit limit, minimum documentation requirement and exposure to certain customer segments (e.g. maximum exposure to certain income group where the inherent risk is higher).
 - (c) Parameters for approval and monitoring exceptional cases (e.g. applications which are approved with deviations from established criteria).
 - (d) Processes for the verification of documents and credit checking.
 - (e) Account management covering renewal, assigning temporary increase in credit limit and issuance of supplementary charge card-i.
 - (f) Management of delinquent accounts covering the classification of problem accounts, provisioning and write-off, controls on rescheduled accounts and collection actions.
- S** 29.3 Issuers shall have in place a credit risk measurement tool or system which supports underwriting, continuous monitoring and the recovery process.
- G** 29.4 Issuers may use credit risk measurement tools such as scorecards or segmentation method or a combination of both methods to measure credit risk.
- G** 29.5 The development of credit risk measurement tools may take into consideration relevant information on customer risk characteristics (e.g. customer demographics) and transaction characteristics (e.g. type of card) as well as account performance based on a sufficient length of historical data.

- S** 29.6 Issuers shall periodically assess the performance of credit risk measurement tools developed to ensure they remain appropriate. Such assessment shall be undertaken by a competent person who is independent from the charge card-i operations. Policies on remedial actions to be taken such as re-development of a tool shall be in place, where the performance of these tools becomes unacceptable.
- S** 29.7 Issuers need to develop and implement comprehensive policies and procedures supported by robust systems infrastructure to monitor their charge card-i portfolios.
- (a) Issuers shall have a process to review the asset quality of their charge card-i exposures on a portfolio basis. The review shall be performed independently, i.e. separated from the business functions. Issuers shall develop and use risk indicators for the monitoring of changes in the risk profile and conduct more granular analysis of their charge card-i portfolios by segmenting the portfolio (e.g. by types of cards, marketing programme, co-branding arrangement, credit behaviour and vintage). The review shall cover the following:
- (i) Credit limit utilisation.
 - (ii) Delinquency analysis.
 - (iii) Provisioning and write-off levels.
- (b) Issuers shall also take into account the impact of stressed conditions on the charge card-i portfolio. The stress testing framework shall be commensurate with the nature and profile of the charge card-i issuers' business activities. For financial institutions, this paragraph shall be read together with the requirements stipulated in the Guideline on Stress Testing issued by BNM. At the minimum, charge card-i issuers shall adhere to the following requirements to ensure that the stress testing is meaningful:
- (i) All material risks and spill over effects of stress events on the charge card-i portfolio shall be taken into account.

- (ii) The magnitude of the shocks shall be large enough to stress the charge card-i portfolio and shall be larger than a regular/cyclical variation.
 - (iii) Stress tests conducted shall include at least a scenario that is based on an exceptional but plausible event.
 - (iv) Stress tests shall consider latest economic developments and outlook.
 - (v) The stress event shall exist for a period of time for example, a period of sustained high interest rates as opposed to a one-day shock or two-week shock.
 - (vi) The time horizon used to capture or reflect the impact of the stress test shall cover a period relevant to the portfolio.
- (c) Issuers shall have in place clear policies on triggers for remedial actions and types of actions to be taken upon the deterioration of the charge card-i portfolios. For example, an indication of deterioration in a portfolio segment emanating from a particular marketing strategy should result in a timely review of that strategy.
- (d) Results of the portfolio review shall be periodically reported to senior management and the Board.
- S** 29.8 Systems shall be able to monitor individual credits on an aggregate basis, taking into account multiple charge card-i held by cardholders as well as exposures to the same customer across other credit facilities.
- S** 29.9 Monitoring procedures need to define criteria for identifying, managing and reporting problem credits and credits where there are indications of deterioration in credit quality, to ensure that they are subject to more frequent monitoring for recovery or remedial actions to be taken, where necessary.
- S** 29.10 Issuers shall have comprehensive policies and procedures to effectively manage delinquent accounts which shall, at the minimum, cover classification of delinquent accounts, provisioning and write off requirements,

workout solutions (including cardholders' eligibility for the workout solutions) and management of collections.

- S** 29.11 Issuers shall be guided by relevant accounting standards and regulatory requirements when classifying their problem credits as well as when determining the level of provisions and write-offs.

30. LIQUIDITY RISK MANAGEMENT

- G** Issuers are exposed to liquidity risk as issuers are obliged to settle payments with acquirers for transactions made by their cardholders within a short period of time, regardless of when payments are received from the charge cardholders. Charge card-i issuers should understand the nature of liquidity risk exposure from a particular funding strategy to fund the card operation and assess, among others:
- (a) The reliability of their funding arrangements and have in place liquidity contingency plans;
 - (b) The concentration in a particular funding source and whether funds would be accessible during stressed market conditions; and
 - (c) Changes in payment trends by cardholders that would necessitate adjustments to be made in the funding strategy.
- S** 30.1 Issuers shall establish adequate liquidity management systems and controls to ensure sufficient liquidity to meet their obligations. Among the controls include:
- (a) Conducting liquidity gap analysis to measure potential liquidity shortfalls.
 - (b) Conducting stress testing to identify and measure potential funding shortfalls.

31. FRAUD RISK MANAGEMENT

- S** Issuers and acquirers shall be vigilant of the evolving typologies of fraud and monitor such developments on an on-going basis.

- S** 31.1 Issuers and acquirers shall deploy effective and efficient fraud detection and monitoring mechanism.
- (a) Fraud detection and monitoring of transactions shall be conducted on an on-line real time basis.
 - (b) The fraud detection and monitoring mechanism shall be able to capture high risk transactions and trigger any detection of unusual transactions.
 - (i) Issuers shall put in place criteria for high risk transactions and merchants to facilitate early detection of fraud.
 - (ii) Issuers shall put in place procedures to facilitate early detection of unusual transaction pattern or trend that could be indicative of fraud and take necessary action to block/delay these transactions for further investigation.
- S** 31.2 Issuers and acquirers shall establish comprehensive fraud investigation, analysis and reporting procedures.
- (a) Issuers and acquirers shall conduct regular analysis to understand the fraud trend and modus operandi.
 - (b) Adequate risk management processes, systems and controls shall be in place, and where necessary, strengthened, to mitigate fraud risk. This include taking into account developments in fraud trend and material changes in the business strategy which may increase exposure to potential fraud risk.
 - (c) Assessment of fraud incidents shall be reported to senior management and the Board on a regular basis. Reporting to BNM shall be in accordance to the fraud reporting requirement imposed by BNM from time to time.

Fraud prevention mechanism

- S** Fraud may take place at different stages of the charge card-i process, i.e. card application, card delivery, card activation, change of cardholder's contact details as well as when the card is used by the cardholder. In this regard, issuers and acquirers shall put in place effective measures to address fraud risk. The fraud risk

management measures should be reviewed periodically for proactive actions to be taken to address any inadequacies in such measures.

Minimum fraud mitigation measures for card application, delivery and activation

- S** 31.3 The following shall be observed at the point of collecting charge card-i applications from applicants:
- (a) Issuers shall ensure the confidentiality of the data and information provided by the applicant. Necessary measures shall be put in place to ensure that the information provided by the applicant would not be misused by the persons authorised by the issuer to collect the application(s).
 - (b) Issuers or any persons acting on behalf of the issuers to collect charge card-i applications are prohibited from photocopying the applicants' other charge cards. This is because charge card-i security features which are used for cardholder authentication are available on the card itself such as card number, CVV and expiry date of the charge card-i.
- S** 31.4 The following controls shall be taken into consideration when processing charge card-i applications:
- (a) The identity of the applicant must be verified to ensure that the applicant exists and is the person applying for the card.
 - (b) Key information provided by the applicant must be verified for accuracy.
 - (c) Issuers must ensure the confidentiality of the data and information provided by the applicant.
- S** 31.5 Issuers are prohibited from sending out active charge card-i to its cardholders. Stringent activation procedures, which shall include proper verification process that cannot be easily bypassed by fraudsters and by its own employees, must be implemented.

Requirements when changing cardholder's contact details

- S** 31.6 To mitigate the risk of account takeover, issuers shall put in place effective

measures to verify any request it received for change of mailing address, shipment of new or replacement card or PIN and telephone numbers.

- G** 31.7 The following are some practices that issuers may consider to adopt to mitigate the risk of account takeover:
- (a) Allow request for change of contact details only if it is made in person at the issuer's premises.
 - (b) Allow such request through secured electronic mode (e.g. electronic banking) but subject to further verification before updating the contact details.
 - (c) Send written correspondence to the previous address for verification before shipping any card or PIN to the new address.

Implementation of "Chip and PIN" technology

- S** 31.8 In line with efforts to enhance the security features of charge card-i, all issuers and acquirers shall enable chip and PIN verification for charge card-i transactions at point-of-sale (POS) terminals and cash advance withdrawals at automated teller machines (ATMs).

Implementation of strong authentication method for non face-to-face transactions

- S** 31.9 Non face-to-face transactions, i.e. card-not-present transactions, especially online payments, presents a higher fraud risk level compared to face-to-face charge card-i transactions. Issuers and acquirers shall authenticate cardholders for online transactions using strong authentication methods, such as dynamic password/PIN and multi-factor authentication (e.g. mobile PKI), to mitigate the risk of unauthorised use of charge card-i for online transactions.

Implementation of transaction alerts

- S** 31.10 Issuers shall implement transaction alerts via short message service (SMS) to their charge cardholders, unless cardholders opt to receive transaction alerts via other channels, such as e-mail. This shall be applicable to the

following:

- (a) Purchase transactions at POS terminals.
- (b) Online transactions.
- (c) Withdrawal/Cash advance transactions.
- (d) Mail and telephone order transactions.

S 31.11 Issuers shall provide an alternative way to alert cardholders if they do not wish to send transaction alerts via SMS to foreign phone numbers. Issuers shall obtain written consent from the cardholders for this arrangement.

S 31.12 Issuers shall take into consideration the following criteria to identify high risk transactions and trigger transaction alerts:

- (a) Transaction type, e.g. transaction at high risk merchants⁴.
- (b) Transaction location, e.g. transaction in high risk countries⁵.
- (c) Transaction amount, e.g. transaction exceeding certain amount.
- (d) Transaction velocity, e.g. transaction exceeding certain number per day.

S 31.13 Issuers shall send transaction alerts in the event any of the following triggers is met:

- (a) Transactions exceeding a specified threshold amount. In this regard, issuers shall set the threshold amount to trigger an alert. The threshold amount or any upward revision to the threshold amount requires endorsement from BNM. Issuers shall also allow cardholders to set their own preferred threshold amount for the transaction alert. If cardholders do not set the preferred threshold amount, issuers shall send transaction alerts based on the default threshold amount set by the issuer. Cardholders shall be informed of their rights to set their own preferred threshold for the alert.
- (b) First time use of new card.

⁴ To be identified by the issuer/industry.

⁵ To be identified by the issuer/industry.

- (c) All card-not-present transactions.
- (i) Issuers are not required to send transaction alerts for recurring auto-debit transactions. However, issuers shall take the necessary steps to ensure the auto-debit transaction is a genuine transaction and disputes, if any, are handled appropriately so that cardholders are sufficiently safeguarded.
- (d) High risk transactions (please refer to 31.12).
- S** 31.14 By default, the alert must be sent for transactions meeting the specified criteria as stated in paragraphs 31.10 and 31.13, except where the cardholders opt not to receive any alerts. In this regard, issuers must ensure that the charge cardholders:
- (a) understand the risks associated with their decision; and
- (b) submit such request in writing.
- G** 31.15 Issuers may consider sending transaction alerts for circumstances other than the above.
- S** 31.16 To ensure the effectiveness of the alerts, issuers must ensure that the contact numbers of their cardholders are kept up-to-date. As such, issuers must highlight to their cardholders the criticality of providing updated contact numbers to them. Issuers shall authenticate that the contact details are provided by the charge cardholders.
- S** 31.17 To mitigate abuse, issuers shall not provide any contact number as part of the message in the SMS alert.
- G** 31.18 Issuers should advise cardholders to contact their card centre and use the contact number indicated at the back of their charge card-i.
- S** 31.19 Issuers shall not transfer the cost of sending SMS alerts to their cardholders.
- G** 31.20 Issuers may stop sending transaction alert for purchase transactions at POS

terminals and withdrawals/cash advance transactions only after the full implementation of chip and PIN technology, and for online transactions after the adoption of strong authentication method.

Exchange of information and dissemination

- G** 31.21 Sharing of information regarding fraud experiences and modus operandi is encouraged among issuers and acquirers as this will enhance efforts to combat fraud.
- G** 31.22 Issuers and acquirers should also be resourceful in gathering relevant information from the industry, their overseas counterparts and the card associations. Having first hand information will assist them to decide on specific measures to strengthen their defence mechanism against fraudsters.
- G** 31.23 Close cooperation with law enforcers and regulators should also be established to facilitate sharing of fraud experiences and modus operandi to combat fraud.

Contactless verification requirements

- S** 31.24 Issuers shall set a maximum amount for each contactless transaction as well as an appropriate cumulative limit for contactless transactions which do not entail any cardholder verification.
- S** 31.25 Issuers shall ensure that verification is conducted once transactions exceed the maximum amount or the cumulative limit for contactless transactions, i.e. either in signature or PIN until 31 December 2016. From 1 January 2017, which is the date that chip and PIN is mandated, the cardholder verification method for all payment cards shall only be done via chip and PIN.

32. SPECIFIC REQUIREMENTS FOR ACQUIRERS

- S** The acquirer shall ensure that the contract with the merchant is Shariah compliant.

S Acquirers shall be vigilant to ensure that they are not used by merchants as a means to obtain funds through illegal means and fraudulent acts. Controls must be put in place both prior to engaging the merchant and on an on-going basis.

S 32.1 Acquirers shall establish the criteria for merchant selection and recruitment, and establish policies and procedures for on-going monitoring of their merchant accounts, which shall include risk criteria to evaluate the risk profile of their merchants for appropriate risk management measures to be taken on a timely basis.

Merchant recruitment

S 32.2 Acquirers shall establish prudent underwriting criteria and procedures for approving new merchants. The criteria for assessing new merchants shall also cover financial strength and relevant background details (e.g. has not been declared a bankrupt, has a clean fraud track record and has not been blacklisted by other acquirers).

S 32.3 Acquirers must ensure that the merchant has a legitimate business and is not involved in, or associated with, any illegal activities or schemes, including business activities that are meant to deceive consumers, such as schemes like “scratch and win” and “get-rich-quick”.

S 32.4 If a third party merchant recruitment agent is engaged, acquirers shall ensure that proper controls are in place to ensure that the third party merchant recruitment agent complies with relevant requirements set out in this policy document.

Merchant monitoring and audit

S 32.5 Acquirers shall monitor the trend in chargebacks and the merchants' capacity to repay these chargebacks and act accordingly to mitigate any risks associated with engaging such merchants.

S 32.6 Acquirers shall take appropriate risk management measures on their high

risk merchants, including conducting more frequent audit/checks on these merchants and more stringent monitoring of transactions that pass through these merchants.

- S** 32.7 The relationship with merchants with confirmed fraudulent or illegal activity must be immediately terminated. Whenever the merchant has been terminated or blacklisted due to fraud-related matters by one of the acquirers, other acquirers shall be vigilant and gather relevant information and evidence on the conduct of the said merchant.
- S** 32.8 Acquirers shall conduct continuous due diligence on their merchants to ensure that merchants are not involved in any fraudulent or illegal activity and maintain a “watch list” of suspected collusive merchants, if any. The activities of these merchants shall be closely monitored and investigated. Once identified as collusive, acquirers shall immediately terminate their acquiring relationship with the merchant.
- S** 32.9 Acquirers shall conduct periodic audits on the merchants to ensure that merchants adhere to card acceptance and authorisation procedures to minimise chargeback and disputes.

33. COMPLIANCE WITH OTHER REQUIREMENTS

- S** 33.1 Issuers shall comply with the policy document on Responsible Financing and other relevant requirements issued by BNM from time to time.

PART 3**34. SPECIFIC REQUIREMENTS FOR NON-FINANCIAL INSTITUTION ISSUERS**

In addition to paragraphs 7.1 to 33.1, non-financial institution issuers shall also comply with the following requirements as stipulated in paragraphs 34.1 and 34.2.

- S** 34.1 Non-financial institutions may only issue charge card-i after approval pursuant to section 11 of the IFSA has been obtained. Approval may be granted if the following eligibility criteria are met:
- (a) Local incorporation
 - (i) Locally incorporated and have been operating in Malaysia for at least five years; or
 - (ii) Forms a joint venture with a domestic financial institution where the domestic financial institution has to hold at least 51% equity in the joint venture company.
 - (b) Core business is consumer financing.
 - (c) Strong financial standing with systems capability and technical know-how in charge card-i operations.
 - (d) Able to provide value-added benefits to the industry and consumers.
 - (e) Holding company (if applicable) shall provide initial and continued funding.
- S** 34.2 Non-financial institution issuers shall comply with the following requirements:
- (a) Notify BNM at least 30 days prior to establishing or relocating their offices in or outside Malaysia.
 - (b) Submit to BNM its audited financial statements on an annual basis no later than 6 months after the financial year end.
 - (c) Provide 30 days notice to BNM for the appointment of an auditor.
 - (d) Maintain a capital ratio of at least 16%⁶ at all times.

⁶ At entity and consolidated basis

BNM/RH/STD 033-2	<ul style="list-style-type: none">• Payment Systems Policy Department• Consumer & Market Conduct Department• Islamic Banking & Takaful Department	Charge Card-i	Page 43/46
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- (e) Submit to BNM any proposed change to the documents or information submitted during the application for approval within 30 days prior to the making of such change.
- (f) Ensure potential shareholder obtains approval from BNM prior to acquisition of control in the issuer.
- (g) Ensure existing shareholder obtains approval from BNM prior to cessation of control in the issuer.

APPENDICES

Appendix 1: Minimum Disclosure in monthly statement

Fees and charges	<ul style="list-style-type: none"> ▪ Cash advance fees ▪ Replacement of card ▪ Overseas transactions ▪ Other charges
Default charges	<ul style="list-style-type: none"> ▪ Charges and its computation
Statement on liability for unauthorised transactions	
Information on customer service contact details and BNMTELELINK	

Appendix 2: Product Disclosure Sheet – Charge Card-i

<p>PRODUCT DISCLOSURE SHEET</p> <p>Read this Product Disclosure Sheet before you decide to take out the <Name of Product>. Be sure to also read the general terms and conditions.</p>	<p><Name of Financial Service Provider></p> <p><Name of Product></p> <p><Date></p>
<p>1. What is this product about?</p> <p>This is a charge card-i with a preset limit that can be used to make payments for goods and services at participating merchants either, locally or internationally.</p>	
<p>2. What are my obligations?</p> <ul style="list-style-type: none"> • Outstanding balance must be settled in full by due date. 	
<p>3. What are the fees and charges I have to pay?</p> <ul style="list-style-type: none"> • Annual fee • Joining fee; if any • Cash advance fee • Card replacement fee • Overseas transaction conversion fee • Sales draft retrieval fee • Additional statement request fee • Other fees and charges 	
<p>4. What if I fail to fulfil my obligations?</p> <ul style="list-style-type: none"> • Default charges: X% per month (or X% per annum) on outstanding balance or a minimum of RMX. • Right to set-off: We have/do not have the right to set-off any credit balance in your account maintained with us against any outstanding balance in this <i>charge card-i</i> account. • Liability for unauthorised transactions. <p><i>(To highlight other key terms and conditions.)</i></p>	
<p>5. What are the major risks?</p> <ul style="list-style-type: none"> • You are required to settle the full amount by the due date. If you do not settle the full amount by the payment due date, a default charge will be imposed on your charge card-i account. 	

- If you have problems paying for your charge card-i balances, contact us early to discuss repayment alternatives.
- You should notify us immediately after having found that your charge card-i is lost or stolen.

6. What do I need to do if there are changes to my contact details?

It is important that you inform us of any change in your contact details to ensure that all correspondences reach you in a timely manner.

7. Where can I get further information?

Should you require additional information on charge card-i, please refer to the *bankinginfo* booklet on 'Charge Card-i', available at all our branches and the www.bankinginfo.com.my website.

If you have any enquiries, please contact us at:

ABC Bank Berhad
51, Jalan Sultan Ismail
50122 Kuala Lumpur
Tel:
Fax:
E-mail:

8. Other charge card-i products available

- Abc
- xyz

IMPORTANT NOTE: LEGAL ACTION MAY BE TAKEN AGAINST YOU IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR CHARGE CARD-i BALANCES.

The information provided in this disclosure sheet is valid as at or until dd/mm/yy.