



# **New Product and Processes Approval Policy**

**(Version 2.0)**

**Corporate office Address:**

**Ujjivan Small Finance Bank Ltd.**

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Policy Approval Committee	
Board Committee	Customer Service Committee
Management Committee	Product & Process Approval Committee

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Approver	Board of Directors
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Policy Owner	Head- Liabilities

Document version control		
Date	Policy Owner	Changes
31/07/2018	Business Head - Branch Banking	First version - <b><u>New Product Approval Policy</u></b>
25/07/2019	Business Head - Branch Banking	<p><b>1. Objective and Scope</b></p> <p><b>1.1 Objective:</b> The Bank will not discriminate on grounds such as gender, age, religion, caste and physical ability when offering and delivering financial products.</p> <p><b>2. Scope and Coverage</b> This policy will be applicable to all existing as well as new products proposed to be launched and will be implemented across the three business verticals of the Bank viz.- Branch Banking, Micro Banking , MSE,Housing,Vehicle finance, Personal Loan besides including third party products offered by Ujjivan SFB's Insurance &amp; Alliances partners.. "Applicability of the policy shall be extended to all verticals formed from time to time", not limited to the Business and Products alone, Processes also will be included in the review and approvals. The bank shall ensure the branches invariably accept cash over the counters from all its customers who desire to deposit cash at the counters. Further, the bank shall also refrain from incorporating clauses in the terms and conditions which restrict deposit of cash over the counters. Keeping in view the need for transparency in the interest of the customers to whom the products are being marketed / referred, the bank shall disclose to the customers, details of all the commissions / other fees (in any form) received, if any, from the various mutual fund / insurance / other financial companies for marketing / referring their products.</p>

		<p><b>4 .New Product Approval Principles</b></p> <ul style="list-style-type: none"> <li>To ensure Approval process for all new processes and products by the Compliance Department prior to their introduction</li> </ul> <p><b>5.PPAC – Role &amp; Deliverables</b></p> <p>The PPAC committee will review the list of Products &amp; Processes approved and not rolled within 30 days of approval. Products &amp; Processes should have a roll out date. The concerned stakeholders of the PPAC should be informed after rolling out the Products &amp; Processes approved.</p> <p><b>6.5 Annual Review</b></p> <p>The Policy shall be reviewed on annual frequency or as and when there are Statutory or Regulatory changes effect the Policy.</p> <p><b>9. Fixing service charges for the new products of the Banks</b></p> <p>. Bank shall ensure that charges are levied in line with the Bank “Policy on Fixing of service charges”</p>
06/11/2020	Head - Liabilities	<p>Removed: borrow heavily from the existing process developed earlier at Ujjivan Financial Services.</p> <p>Internal audit has been removed from protocol followed,</p> <p>Digital banking has been added,</p> <p>PPAC members list has been modified</p> <p>PPAC convener is modified to Head - liability for liability and Head of assets and rural banking for assets.</p> <p>Responsibility has been modified as Head-liability from Business head of Branch Banking</p> <p>Ratify approved product program is changed to PPAC members.</p>

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# 1. Objective and Scope

## 1.2 Objective

The New Product Approval Policy provides the framework and operational guidelines to implement the new product approval process for the Ujjivan Small Finance Bank.

The process has been updated to include the new verticals and new suite of products which will be offered.

The document provides guidance on the following areas pertaining to New Product Conceptualization & Approval:

- A Comprehensive & Updated Product Program Template keeping in mind the multi vertical and multi product environment of the SFB
- New Product Approval Process through a PPAC (PPAC)
- Key Roles and Responsibilities of Stakeholders
- Product Approval Governance & Framework

The objective of the above framework is also to institutionalize the introduction of new products or make major or minor changes to the products and services offered by Ujjivan SFB in line with the approved Strategy & Business plan.

**This is to ensure that all the members of the organization involved in marketing, design, delivery, servicing, risk management, sales, profitability and monitoring the performance of the product are actively involved and approve the process of new product introduction or any major changes proposed.**

The Product Program template has been updated & re-designed keeping the above mandatories in mind and will also be the base document used by the Marketing function to design and execute relevant & impactful marketing programs when the said new product gets launched.

The Bank will not discriminate on grounds such as gender, age, religion, caste and physical ability when offering and delivering financial products.

## 2. Scope and Coverage

This policy will be applicable to all existing as well as new products and processes proposed to be launched and will be implemented across the business verticals of the Bank viz.- Branch Banking, Micro Banking , MSE, Housing, Vehicle finance, Personal Loan, Digital Banking besides including third party products offered by Ujjivan SFB's Insurance & Alliances partners.. "Applicability of the policy shall be extended to all verticals formed from time to time", not limited to the Business and Products alone, Processes also will be included in the review and approvals.

The bank shall ensure the branches invariably accept cash over the counters from all its customers who desire to deposit cash at the counters.

Further, the bank shall also refrain from incorporating clauses in the terms and conditions which restrict deposit of cash over the counters.

Keeping in view the need for transparency and in the interest of the customers to whom the products are being marketed / referred, the bank shall disclose to the customers, details of all the Service charges/ other fees (in any form) received, if any, from the various mutual fund / insurance / other financial companies for marketing / referring their products.

The policy sets out a formal governance framework that covers the approval process for:

- a) New Product Proposals
- b) Product Modifications
- c) Product Discontinuation or Recall

### **3. Definition of New Product / Services**

#### **2.1 New Product**

A new Product definition includes a new product, service or a combination of product and service.

A product is considered new, if it meets any one of the following criteria:

- New to the Bank
- New to the marketplace and has not been introduced by any financial institution / SFB
- Product offered in a new geography or different regulatory regime (if applicable)
- Products offered by Ujjivan SFB's Third Party Products and Alliances Partners

### **4. New Product Approval Principles**

The New Product Approval Policy will be governed through the following Product Approval Principles. PPAC shall be established consisting of all critical functional stakeholders who shall collectively review & approve the proposed product programs or modifications.

The protocols followed by the PPAC (PPAC) shall but not restricted to be:

- The new product approval process shall cover every consideration to be taken into account while dealing in new products or material changes to existing products.
- The PPAC shall follow a collaborative and close knit cross functional working, where the Business team along with the Product Management team who are responsible for introducing/ recommending New Products shall assume a symbiotic ownership including preliminary identification of market opportunities, latent potential and eventually jointly ensuring the overall financial health of the proposed program or service.
- The Strategy, Legal, Risk and Compliance functions shall also play an active role as individually defined below. The Strategy function shall validate whether the new product offering fits into the

annual approved business plans besides validating the top line and bottom line of the new products.

- To ensure Approval process for all new processes and products by the Compliance Department prior to their introduction
- Risk and (Credit applicable for asset products) will evaluate the risks, processes and ensure it is critically evaluated and proofed.
- Service Quality will validate overall processes to ensure they meet desired customer satisfaction indices, delivery standards & intended TAT's.
- The new product approval process should thoroughly discuss issues like Business estimates & volumes, Market & revenue share projections & realism, Product profitability, break even ratios, regulatory compliance, Risks (all types), availability of adequate and appropriate organizational resources, service quality, availability of adequate IT resources, & internal tools, expertise to understand and monitor the products that are to be addressed before a final decision is made.
- The primary route for product approval shall be through the circulation of the Product Program which is attached with this policy, that is initially circulated as per stipulated time frames, and then discussed and ratified by the PPAC (PPAC) in its meetings
- The PPAC meeting may be convened as and when required by the convenor of the committee i.e. the Head- liability for liabilities and Head of Assets& Rural banking for Assets of the Bank. In his absence, he may nominate a representative to convene the PPAC meetings.

## **5. PPAC – Role & Deliverables**

The PPAC (PPAC) will act as a central pan organizational forum for introducing, any review of new products, including any amendments to existing products and services thereto.

The PPAC committee will review the list of Products & Processes approved and not rolled within 30 days of approval.

The objective of the PPAC is to ensure that a comprehensive and cross functional view of all market factors, competition, product significance, revenues & profitability are duly ascertained before the launch of the new product or consequent modification of any existing product.

Products & Processes should have a roll out date. The concerned stakeholders of the PPAC should be informed after rolling out the Products & Processes approved.

The same shall be detailed comprehensively in each and every recommendation provided by the PPAC through a detailed analysis of the Product program developed for new product introduction or modification.

A quarterly product update with the MOM of latest PPAC meeting will be sent to the Customer Service Committee of the Board by respective product managers & Business heads .

The constitution of the PPAC will be as under:

Sl No	Designations
1	Chief Financial Officer
2	Chief Credit Officer
3	Chief Risk Officer
4	Head of Operations & Service quality
5	Head of Compliance
6	Head of Channels
7	Head of Legal
8	Head of Digital
9	Head –Liability
10	Head of Assets and Rural Banking
11	Chief Technology Officer

Head - Liability for liabilities and Head of Assets and Rural banking for Assets shall act as the convenor of the PPAC meeting. In his absence, he may nominate a representative to convene the PPAC meetings.

The PPAC shall meet once every 2 weeks on the 1st and 3rd Saturday of the month to review outstanding product management matters, discuss any open issue or as and when required and review products and their management. In some of the cases where PPAC members are not available a mail shall be forwarded to all the PPAC members and approval shall be sought.

In the event of an exceptional situation, (like sudden recalling, culling, modification, immediate introduction of a product etc.), the PPAC will be convened to discuss the urgent matters if any.

The Head- Liability & Head of Assets and Rural banking at his discretion can request other special invitees like the CFO or functional experts to the PPAC if the situation warrants so for specialist subject matter discussion.

The Product Program shall be developed in the predefined format & template given in the **Annexure 1**.

The content of Product Program may vary depending on type of product like Liabilities, Assets or Third Party products but will follow largely the product program template. In the case of Asset products, Credit policy is an integral part of all existing individual lending products.

**A separate document for credit policy which includes credit process, assessment parameters, provisioning, collection etc. for asset products will form an addendum to the Product program template.**

Note:

1. Whenever Product Programs related to Treasury are discussed, an authorised representative from Treasury shall be involved.
2. Whenever Product Programs related to introduction of credit products, and in cases where changes to existing to products are around underwriting standards, credit documentation and collaterals, the



Chief Credit Officer shall mandatorily attend as a special PPAC member for review and approval of the Program. No Asset Product program can be approved without the Chief Credit Officer's approval.

3. The PPAC representative / review department shall be the business unit to which the product Program pertains to.

E.g. If the Program pertains to the Unsecured Credit, the Business Head (or nominated official) of Unsecured Business shall be part of the PPAC and the Unsecured Loans unit shall review the Program along with Chief Credit Officer

## 6. Executive Summary Product Approval Process

The Product Approval Process will be applicable to all products launched by the Bank across its three verticals

The key steps involved in New Product Approval Process are as follows:

### 6.1. Product Initiation and Development Stage

- a. The initiation stage involves conceptualization of a new product or an extension of an existing product by the designated Product Manager (PM) from the product team.
- b. The PM shall carry out a detailed market assessment to understand the feasibility of launching the product. The PM shall analyse various factors such as customer needs, market demand, comparison with peer banks and a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis to provide a comprehensive case for the Bank to launch the product. Syndicated Market Research studies or Consumer In sighting carried out by the Marketing function along with Business inputs will also be weighed in while preparing a program proposal.
- c. In the product design & development stage, the Product Manager (s) will coordinate and collaborate with support functions and crucial stakeholders like Business & Distribution (including Branch and Front Line Staff Leaders), Strategy, IT, Risk, , Accounts and Operations to develop and institutionalize functional processes key to the successful launch & operationalizing of the product. The approval discussions pertaining to the Product will be documented in a final 'Product Program' by the Product Manager and forwarded to the PPAC members for review and comments and will follow the program template diligently.
- d. It is recommended that if the product is complex like an asset product from the MSE vertical, a "Product Drafting Committee" led by the Product Proposer can be formed. It will have one member from key functions like Business, Finance, Risk, Operations, and SQ etc who will collaborate in drafting the part of the program relevant to their function.
- e. **It is recommended that the first full version of the program be discussed between Product and Business to fine tune any open or other issues before circulation to the larger audience in the PPAC for approval discussions.**
- f. The Product Program will NOT be put up for discussion if it is considered incomplete in any respect.

## 6.2. Product Review, Resolution, and Roll out Stages

The Product Program shall be circulated to the PPAC members by the Product Manager, at least 7(seven) days before the scheduled PPAC meeting, to enable them to have quality time to review the Program and seek any detailed pre-clarifications about the product.

These clarifications (if any) shall ideally be closed prior to the PPAC meeting by the Product Manager with the clarification owner and if not resolved & confirmed on e-mail, then the same shall be discussed in the PPAC meeting, and if all the members are in agreement, the Program shall be approved at the PPAC

The USFB Product Program (PP) should contain as below:

### Asset Products

1. Introduction
2. Market Opportunity
3. Target segment – Straw Profile and Hook
4. Competition
5. Our Differentiation (Unique Value Proposition)
6. Target Market - Customer Profiling
7. Product Design
8. Pricing
9. Credit Policy
10. Credit underwriting
11. Sales Process
12. Collection
13. Fraud Control
14. Operations process flow
15. Customer Service - channels
16. Compliance (KYC & AML)
17. Risk & Mitigant
18. GL / Accounting Entries
19. Legal - customer agreement and terms & conditions
20. Account opening forms
21. Document requirement
22. MIS and Financials
23. Business and Product profitability

In the case of deposit product, points 9, 10, and 12 will not be required.

PSL Categorization and the data field as well as process for the same should also be included in the UPP (Assets)

The minutes of the PPAC meetings shall be recorded as per **Annexure 2**. The Product Manager will be responsible for incorporating the modifications suggested by the PPAC / Management team members in the Product Program and shall update the versions accordingly.

For products in which modifications are being proposed, the initiating department will communicate the change to the Product manager who shall first clarify and resolve the same and then incorporate it in the program with noting's. . If the recommendations or clarifications require a cross functional discussion due to impact areas or otherwise, then the same shall be put forward to the PPAC for resolution and is still unresolved shall move to the Management Team for a final decision.

.All Product Programs put up to the PPAC shall have a unique identification code including the introduction & discussion date. An e copy of the latest approved version shall be hosted in the relevant repository and shall be accessible to all PPAC members with controls.

### **6.3. Product Maintenance Stage**

The minutes of the meeting (MoM) of the PPAC shall be numbered and shared with the Management team for information. In In In the event of NO new products or modifications done for a particular month the same shall be recorded and informed to the Management Team as a matter of record.

The Product Manager would also maintain a tracker for a periodic review of Product Programs and would coordinate with respective Businesses and other functional teams for periodic review of product Program and compliance to operational procedures. The template for the tracker is given in **Annexure 3**.

### **6.4 Product Modification**

All existing and introduced products could come for modifications as a result of internal policy or external environmental events. In the case of minor modifications which are not considered material in nature, the Product Manager will circulate the same via email to the original approving authority and the approved version would then supersede the earlier one.

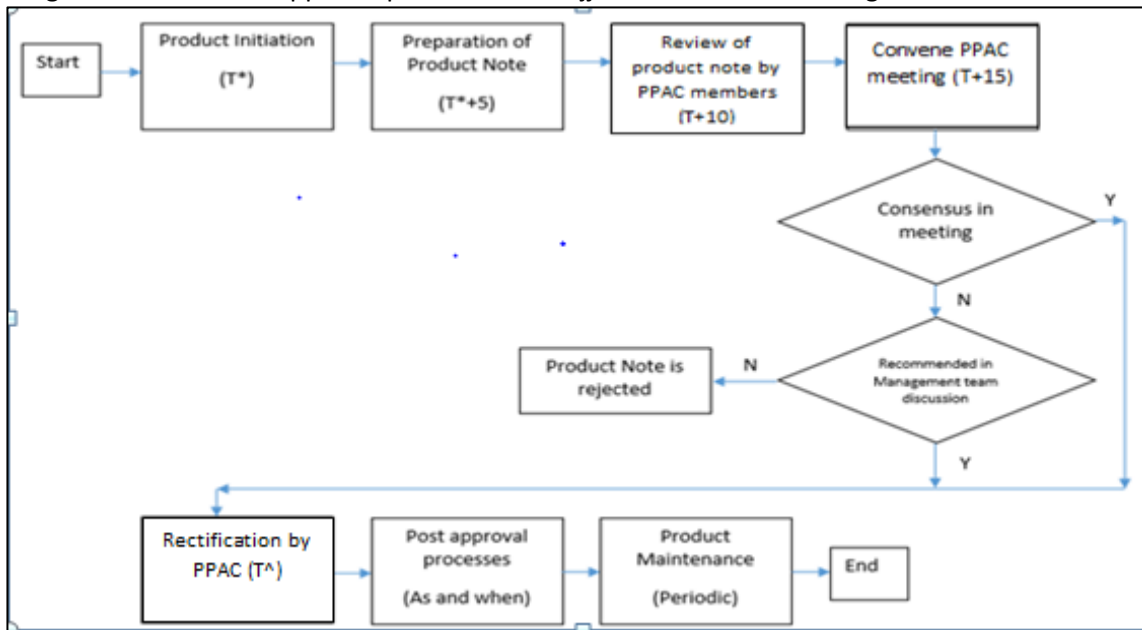
If the modification is considered major and involves significant impact, then the revised program with desired modifications will be put up to the PPAC for necessary action.

### **6.5 Annual Review**

The PPAC shall conduct an annual review of all new products introduced in the last month of the FY or closer to budgets finalization period to critically evaluate Performance versus Budgets. The Policy shall be reviewed on annual frequency or as and when there are Statutory or Regulatory changes effect the Policy.

## 7. Product Approval Process

The Product Approval Process commences with the idea of conceptualizing and developing of the product Program. The Product Approval process at the Ujjivan SFB has been categorised into the following stages:



T\*- Date on which Product Manager initiates the Program

T^- Date on which product was ratified by PPAC Members

**Table 1: High Level Product Approval Process**

### 7.1. Product Initiation and Development (Illustrative)

Activity	Responsibility	Timelines*
1.Appointing a Product Manager	Head - Liability	As and when
2. Conceptualization of new product. PM shall carry out a market and situation assessment to understand the feasibility of launching the product.	Product Manager	T
3. Develop the product program features, charges and tenets. Please refer to Annexure 1 for the format & template of the Product Program	Product Manager, in consultation with relevant functions/departments	T+5
4. Discussion on key features, product objectives, business and financial metrics with Business & with respective departments and c	Product manager with inputs from other functions especially Business	T + 7
Finalize the Product program and circulate to PPAC members	Product Manager	T+7

T = Date on which product manager is appointed

## 7.2. Product Approval Process (Illustrative)

Activity	Responsibility	Timelines
1. Circulate Agenda & Product Program to PPAC members for review and feedback with all relevant observations and agreements factored in at the time of circulation to stakeholder functions	Head -Liability	T+10
2. Open issues, if any should be brought to the notice of the PPAC members at the beginning of the discussion	Product Managers	As and when
3. Respective PPAC members shall raise any queries / concerns and aim at obtaining resolutions for the same	PPAC Members	As and when
4. If there is unanimity with the Program the same is considered approved. E Approvals and Product Program Copy approvals are obtained and the product moves into the next stage. In case of any disagreement the necessary changes are recorded and incorporated in the meeting notes and the same will be sent to the Management Team for further action.	Product Manager	T+15
5. Include changes if any suggested by the CEO & MD in the product program and circulate to the PPAC for approval.	Product Manager	T+18
6. Ratify Approved Product Program	PPAC members	T+20

T = Date for digital circulation of Product Program or scheduling of PPAC meeting

## 7.3. Product Roll out Activities

Activity	Responsibility	Timelines
1. Share the approved product program with the IT, Operations team for implementation.	Product Manager	T + 7
2. Circularise product program, informing all relevant stakeholders of	Product Manager	T + 7

the roll out / launch of the new product		
3. Training staff members on product features, sales communication(refer to Product Program template sections)	Product Manager	As and when
4. BRD & UAT for the New Product requirements	Product Manager with the IT team	As and when
5. Roll out of new product	Product Manager	As and when

T = Date on which Product was ratified by PPAC Members

#### 7.4. Document Maintenance

Activity	Responsibility	Timelines
1. Assign a unique number to the minutes of the meeting (MoM) and share it with the management team for information and perusal.  The MoM shall also be scanned and stored in the repository for future reference.	Head- Liability	As & when
2. All product approvals and modifications shall be recorded in hard copy and a scanned copy to be stored in the repository for future reference.	Head- Liability	As & when

## **8. Roles and Responsibility**

### **8.1. Business**

- Validate Product Proposition and features relevance to customers
- Validate Marketing Mix in the product program
- Provide and /or vet the Financial / Volume projections & profitability for the considered product program.
- Provide inputs on customer needs and expectations on features and product requirements
- Provide inputs on adequacy of sales capability available/ enhancement required for product roll out
- Provide additional inputs on annual business estimations, growth and profitability for the proposed product
- Help define channels and appropriate mediums for the product to the Product Manager

### **8.2. Strategy, Finance and Accounts**

- Review submitted Product Programs thoroughly and provides comments to Product Manager pertaining to accounting implications of the product and revenue risks.
- Provide technical inputs for accuracy and adequacy of accounting systems and entries for the product
- Provide models and frameworks to define revenue accrual and P & L metrics

### **8.3. Operations**

- Develop all the relevant processes, procedures and forms related to the new products
- Provide input on operationalization of processes and procedures for the new products including front end and back end support required to deliver process success.
- Suggest training or any other support required in case of a new to bank product

### **8.4. Risk and Compliance Management**

#### **Risk Management:**

- Review submitted Product Programs thoroughly to ensure that Risk management (Credit Risk, Market Risk, Operational Risk and Information Security) and mitigation controls are in place
- Provide feedback on leading risk management practices across product groups
- Provide technical inputs on the IT General Controls to be implemented within the processes and systems for new products
- Review the New Product updates periodically and evaluate the impact on the overall risk profile of the Bank

#### **Compliance Management**

- Assessment of control measures that are in place for mitigation of Compliance Risks
- Verification of completeness and correctness of the Compliance requirements that has been recorded in the Program
- Tracking of all changes in any regulations and statutes from time to time and informing the proposing unit of the changes in regulations, affecting the existing and proposed products

- Ensuring adverse findings in inspection are implemented/rectified in the respective product or service

## **8.5. Information technology**

Overview activities needed to prepare for and supply technical & IT support for the product; when activities need to begin; what resources are required for preparation and delivery over what period of time; who is responsible & will be the FPR from IT for the program.

## **8.6. PPAC**

- Analyse / review the submitted Product Programs in entirety, and raise queries (if any), and recommend it to the PPAC members for approval

## **8.7. Product Manager**

- Develop Product Programs and seek PPAC approval prior to launch of the proposed Product (as per delegation)
- Minute the PPAC Meeting & Circulate it to all the members
- Primary Owner of Product's Profit and Loss Statement for designated product from Marketing
- Coordinate among various business and support functions for development of product
- Incorporate the changes recommended by PPAC /Management team / CEO&MD in the new product program before launch
- Implement the roll out strategy of the product including development of operating procedure for the product

## **Head- Liability**

- Steer the PPAC and be the custodian of Products for the organization.
- Designate a Product Manager for the Product Program and have end to end ownership & oversight of the same.
- Ensure compliance to the requirements of the policy at all times
- Responsible for implementation of roll out strategy of the products and P & L of the same.
- Review the product proposals for the standardized formats and granularity of the documentation
- Monitor the agreed timelines for the list of activities and follow up with respective owners for compliance against the same
- Maintain and update the Product Register to record the approvals and the supporting documentary evidence, before the launch of new products
- Responsible for documenting the detailed minutes of PPAC meeting and the product approvals and modifications and storing it in the repository for future reference






- Provide a Monthly update to the PPAC regarding Market competition

## 9. Fixing service charges for the new products of the Banks

- Bank shall ensure that charges being levied align with the Bank “Policy on Fixing of service charges”

## 10. Annexure

S. No.	Document Name
1.	New Product Program Template   New Product Program Template_27
2.	Template for recording Minutes of the PPAC meeting   MOM Format.docx
3.	Template for Product Tracker   Product Tracker.docx