**MANAPPURAM FINANCE LIMITED (MAFIL)**

**New Product Approval Policy & Framework**

|  |  |  |
| --- | --- | --- |
| **Version Control** | | |
| **Version Number** | **Description** | **Date** |
| Version 1 | New Policy | 20-03-2019 |
|  | Renewal | March 2020 |
|  | Renewal | March 2021 |
|  | Renewal | March 2022 |
|  | Renewal | May 2023 |
|  | Renewal | Nov 2024 |

**Effective Date : 20-03-2019**

**Next Review Date : 04-11-2025**

**Policy Owner : Head Risk Management**

**Prepared By : Risk Management Department**

**Reviewed by : MAFIL Policy Review Committee**

**Approved by : MD & CEO - MAFIL**

Contents

[1. Objective and Scope 3](#_Toc34981386)

[2. Definition of New Product / Services 3](#_Toc34981387)

[2.1. New Product 3](#_Toc34981388)

[3. Policy Governance 3](#_Toc34981389)

[3.1. Policy Compliance 3](#_Toc34981390)

[3.2. Policy Custodian 3](#_Toc34981391)

[4. New Product Approval Committee (NPAC) 4](#_Toc34981392)

[5. Overview of New Product Approval Process 5](#_Toc34981393)

[5.1. Product Initiation Stage 5](#_Toc34981394)

[5.2. Product Review and Approval Departments 5](#_Toc34981395)

[5.3. Product Development Stage 6](#_Toc34981396)

[5.4. Product Roll out Stage 6](#_Toc34981397)

[6. Roles and Responsibilities 6](#_Toc34981398)

[6.1. Board of Directors 6](#_Toc34981399)

[6.2. Risk Management Department 6](#_Toc34981400)

[6.3. New Product Approval Committee (NPAC) 7](#_Toc34981401)

[6.4. Respective Review Departments (as per point 5.2) 7](#_Toc34981402)

[6.5. Finance and Accounts 7](#_Toc34981403)

[6.6. Head of respective business 7](#_Toc34981404)

[6.7. Operations 7](#_Toc34981405)

[6.8. Product Manager 7](#_Toc34981406)

[6.9. Human Resources Department 8](#_Toc34981407)

[6.10. Sales & Marketing 8](#_Toc34981408)

[6.11. NPAC Coordinator 8](#_Toc34981409)

[6.12. Information Security 8](#_Toc34981410)

[6.13. Compliance 8](#_Toc34981411)

[6.14. Legal 8](#_Toc34981412)

[6.15. Internal Audit 8](#_Toc34981413)

[7. Review of New Products 9](#_Toc34981414)

[8. Review of Policy…………………………………………………………………………………9](#_Toc34981414)

[9. Internal MIS 9](#_Toc34981414)

# Objective and Scope

* 1. **Objective**

Following New Product Approval Policy provides framework and guidelines to implement any New Product for MAFIL (Manappuram Finance Ltd).

This document provides guidance to be adopted by MAFIL on the following areas pertaining to New Product Approval:

* New Product Approval Governance Framework
* New Product Approval Process
* Key Roles and Responsibilities

The objective of the above framework is to manage the risks that get introduced along with the introduction of new products / services, aligning to RBI guidelines.

* 1. **Scope and Coverage**

This policy will be applicable only to any new products that may be launched and implemented across all business areas of MAFIL.

For the purpose of clarity, a New Product is defined as any New Product that is not a variant of an existing product, typically a new business vertical itself in most of the instances. However, major variants of the existing products which will impact profit or business of the company should bring under this definition.

# Definition of New Product / Services

## New Product

Product includes service or a combination of product and service. A product is considered new, if it meets any one of the following criteria:

* New to MAFIL – whether MAFIL’s own product or a third-party product being sold by MAFIL business network.
* New to the marketplace and has not been introduced by any financial institution.

# Policy Governance

## Policy Compliance

Each business unit who initiates any new product/service is required to ensure compliance with the requirements of this policy.

## Policy Custodian

The Risk Management Department shall be the owner custodian of this policy. Any queries on this policy should be addressed to the designated custodian.

# New Product Approval Committee (NPAC)

The proposed constitution of the New Product Approval Committee (NPAC) is as under:

|  |  |
| --- | --- |
| **#** | **Product Approval Committee Members** |
| 1 | Managing Director & CEO (MD & CEO) |
| 2 | Product Head (new Product)/Head of Business |
| 3 | CRO/Head – Risk Management - NPAC Coordinator |
| 4 | Head Finance (CFO) |
| 5 | Head Credit |
| 6 | Head – A&BR |
| 7 | Head – Compliance |

The New Product Approval Committee meeting may be convened as and when required by the convenor of the NPAC, the Head of Risk Management, in consultation with the MD & CEO.

**The Product Head has to prepare and present the Product Program Document (PPD) before the New Product Approval Committee (NPAC).**

The MD & CEO shall act as a chairperson for New Product Approval Committee (NPAC). In his absence, the senior most official shall be the chairperson. The quorum for a meeting shall be 3 members including the Chairperson of the meeting.

All New Product Approval Committee (NPAC) members are required to be in consensus for the Product Program Document (PPD) to be approved.

The MD & CEO will have the overriding powers to either approve or reject a proposal at any stage. This authority is delegated by the Board of Directors to the MD & CEO to ensure that decisions on the viability of any proposal is not held up, at any stage.

All Product Program Document (PPD) should be submitted/circulated to the New Product Approval Committee (NPAC) with mandatory sign off from the Chief Compliance Officer, Head of Information Technology and Head of Operations. Apart from the members above, special invitees may be included depending upon the subject and the proponents of the Product or its variant, for approvals. New Product Approval Committee (NPAC) members may delegate people as appropriate depending on the product presented in the committee.

# Overview of New Product Approval Process

The New Product Approval Process will be applicable to all new products launched.

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

## Product Initiation Stage

The initiation stage involves conceptualization of the new product by the Head of respective business. He will prepare a Product Concept Note (PCN) containing

* + 1. Rationale for the introduction of the proposed product
    2. Overview of the proposed product offering including commercial & economic expectation, Risk adjusted return from the product, etc.
    3. Product Variants and Customer Segments.
    4. Customer Value Proposition and key features.
    5. Market and Marketing strategies including advertisement/publicity plans.
    6. Proposed customer service channels.
    7. IT and Regulatory requirements.
    8. Approximate funding requirements.
    9. Cost & benefit and financial projection.

The product concept note will be reviewed by

* + 1. Head Risk c) Head A&BR
    2. Head Finance d) Head IT

It should be a prerequisite that the IT department attests to its capabilities to service the product. If manual workarounds are required these need to be finally approved by Executive Director.

If found viable, the same will be recommended for Executive Director for his in-principle approval.

## Product Review and Approval Departments

On approval of the Product Concept Note (PCN) by Executive Director, the Product Program Document (PPD) is to be prepared by the proposing unit and is to be reviewed by designated members from below mentioned departments:

1. Compliance 6. Sales & Marketing
2. Legal 7. Information Technology
3. Risk Management 8. Finance and Accounts
4. Information Security 9. Credit
5. Operations 10. HR

The Product Program Document (PPD) shall be developed in a format (sample format given in **Annexure 1)**. The content of Product Program Document (PPD) may vary depending on type of product.

Note:

1. Whenever Product Program Document (PPD) related to Treasury are discussed, an authorised representative from Treasury shall be involved.
2. Whenever Product Program Document (PPD) related to introduction of credit products, and in cases where changes to existing to products are around underwriting standards, credit documentation and collaterals (all three tantamount to Material Changes), the Head-Credit shall be considered for review and approval of the note.

## Product Development Stage

In the development stage, various departments coordinate to develop and institutionalize operational processes, procedures and IT systems for operationalizing the product.

## Product Roll out Stage

The Product Program Document (PPD) shall be duly signed off by heads of respective departments.

Product Program Document (PPD) should be recommended for approval by the New Product Approval Committee (NPAC) for final sign off and the product will be rolled out post obtaining final approval from New Product Approval Committee (NPAC) members.

The Product Program Document is to include the Sales & Marketing plan. It would involve product pilot, if any, to be detailed separately.

# Roles and Responsibilities

## Board of Directors

* Approve New Product Policy and subsequent revisions.
* Review the New Product updates provided on a quarterly basis to monitor the launch of new products.
* All new Products must compulsorily be advised to the Board at the next meeting and also profitability and risks evaluated as an annual cycle.

## Risk Management Department

* Review the new Product Program Document (PPD) thoroughly to ensure that Operational Risk (OR) and mitigation controls are in place.
* Review New Product Approval Policy and subsequent revisions and circulate the same to Policy Review Committee & to MD & CEO and then to Board for Approval, on an annual basis.
* Appraise the Board of Directors on the launch of new products by MAFIL on a periodic basis.

## New Product Approval Committee (NPAC)

* Review Product Program Document (PPD) & approve new products before its launch.

## Respective Review Departments (as per point 5.2)

* Review the Product Program Document (PPD) thoroughly to ensure key details are documented accurately and provide comments to Product Manager.
* Develop and implement processes and procedures to operationalize the new product approved by the New Product Approval Committee (NPAC).
* Provide technical inputs on the Product Program Document (PPD) prior to sending to New Product Approval Committee (NPAC) for intimation.
* Seek clarity on the queries raised and strive to close all comments in a timely and efficient.

## Finance and Accounts

* Review submitted Product Program Document (PPD) thoroughly and provide comments to Product Manager pertaining to accounting implications of the product.
* Provide technical inputs for accuracy and adequacy of accounting systems and entries for the product.
* Review the proposed financial projections of the New Product and validate the same.
* Incorporate the financials of the finally approved Product Program Document (PPD) – for Budgetary Updates as well as Performance Management requirements.

## Head of respective business

* Designate a Product Manager for effective governance of New Product Approval Process, within their respective businesses/services.
* Prepare the initial Product Concept Note and ensure preparation of the Product Program Document (PPD) for submission to the New Product Approval Committee (NPAC).
* Ensure Compliance to the requirements of the policy at all times.
* Responsible for implementation of Roll Out strategy of the products.

## Operations

* Provide technical feedback on operationalization of processes and procedures for new products as per Product Program Document (PPD).
* Oversee the overall process for new Product roll out.

## Product Manager

* Develop Product Concept Note (PCN) & Product Program Document (PPD) and seek approval.
* Coordinate among various business and support functions for development of product.
* Incorporate the changes recommended by respective functional heads in the new product program before launch.
* Implement the rollout strategy of the product including development of operating procedure for the product along with key inherent risks and risk mitigation strategies to minimize these risks.

## Human Resources Department

* To review Product Program Document (PPD) & give inputs to the product owner in relation to Resources Planning.
* Support in recruitment and deployment of Human Resources as required by the new product guidelines.

## Sales & Marketing

* To review new Product Program Document (PPD) & give inputs to the product owner in relation to marketing plan as envisaged therein.
* Implementation of the marketing plan as envisaged in product guidelines.

## NPAC Coordinator

* The New Product Approval Committee (NPAC) Coordinator shall be the Head of Operational Risk Management.
* Responsible for documenting the detailed minutes of New Product Approval Committee (NPAC) meeting along with list of follow-up items.

## Information Security

* Review Product Program Document (PPD) thoroughly and provide comments to Product Manager pertaining to Information Security controls.
* Provide technical inputs on the IT General Controls including data protection to be implemented within the processes and systems for new products.

## Compliance

* 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 note.
* 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.
* All new products shall be subjected to intensive monitoring for at least the first six months of introduction to ensure that the indicative parameters of Compliance risk are adequately monitored.
* Legal Assessment of control measures that are in place for mitigation of Legal Risks.

## Internal Audit

* Internal Audit would act as the 3rd Line of Defence and review the new product approval process and provide independent management assurance on the effectiveness of implementation of this policy.

1. **Review of New Products**

Review of performance of the new product after 6 months to be placed to Senior Management based on which Management decision can be made on its continuance.

1. **Review of Policy**

Policy should be reviewed annually. If any new regulatory guidelines that alter the business regulatory framework or prudential guidelines, review policy immediately.

# Internal MIS

Success of a new product can be evaluated with a robust MIS. For Business team the following data (illustrative) should be available on an ongoing basis:

* Cost incurred for development of the product.
* Recurring expenses for management of the product.
* Customer base for the product.
* Growth of customers.
* Revenue generated by the product.
* Profit earned / losses incurred from the product.

MIS required for the Risk team may inter alia contain the following:

* Complaints about functioning of the product.
* Instances of any data leakage.
* Instances of customer or employee fraud.
* Profitability of the product.
* Instances of any negative publicity / news affecting reputation of the company.

**Annexure I**

**Suggestive Table of Content for Product Program Document (PPD)**

|  |  |
| --- | --- |
| **Background & Objective** | Introduction, market overview and need for the specific product. What is the competitive land scape? |
| **Product Ownership** | Who is the Product owner (Designation or department)? Who is the Back up? Staff involved in Product development. Name of the Product manager. |
| **List of Group involved** | List of Group Companies / departments involved in operationalization of the product |
| **Product Category** | Eg: Retail Lending / Alliance Products / Corporate Lending |
| **Product Type** | * Sub-category (E.g. Vehicle Loan/LAP   System nomenclature (Product Code) |
| **Product Variants** | * Sub-variants within a Product for e.g. Vehicle Finance will have –   + Two Wheeler   + Commercial Vehicle   + Used Vehicles |
| **Product Name** | Nomenclature / Brand name for the specific product or variant |
| **Key Strategies/ Initiatives** | Key strategies supporting the product success |
| **Analysis of Market Ecosystem** | Expected changes in the market, leading players and their practices |
| **Product Details** |  |
| **Customer Segment** | Target customer segment(s) and opportunity size |
| **Balances & Eligibility Criterion** | Mention if any minimum balance requirements, minimum loan amount etc, |
| **Offering** | Features of the product variant (benefits and services available to customers; limits, etc.)  Phasing of the features (if any) |
| **Customer Value Proposition** | What’s in it for the customer?  Compelling reason for the target customer to choose/ prefer this product (over own variants / competition) |
| **Schedule of Charges** | List of features / benefits / services with charges as to be applicable |
| **Acquisition / Onboarding / Servicing Process** | Key channels for acquisition and servicing, documentation norms; exception handling |
| **Activation Process** | Product / Channel, if applicable |
| **Customer Service Channels** | Channel access & norms, as applicable |
| **Product / Business P&L** | Basis the, revenue from fees & charges, other income (interchange, commissions, etc.), interest payouts & costs (deliverables; acquisition costs – commissions, incentives; processing costs; marketing & promotions, etc.) |
| **Key Risks and Mitigations** | Credit Risk, Operating Risks, Market Risks (if applicable) |
| **Regulatory and Compliance** | List of regulatory circulars and compliance requirements applicable to this product |
| **Legal** | Legal vetting involved in product roll-out |
| **Business MIS Reports** | Key MIS Reports at various levels, their frequency etc. |