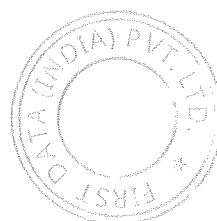


## MERCHANT ON-BOARDING POLICY

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*Rishi*

## MERCHANT ON BOARDING POLICY

### 1. INTRODUCTION

First Data India Private Limited (“Company” “we”, “us” and “our” ) is committed to provide an effective and seamless onboarding process for the merchants (“Merchants”). As the traditional on-boarding of merchants was a time-consuming and labour-intensive process, Company has streamlined the merchant onboarding process digitally to overcome this challenge. This policy has been built based on the regulatory guidelines, industry best practices, recommendation from our banking partners and most of all, more than 20 (twenty) years of expertise in the financial technology services, where we have on-boarded and managed countless merchants on our system.

### 2. REVISION AND UPDATE

This policy documents shall be updated whenever there is a change in process initiated by Company with Company’s Board Approval.

### 3. OBJECTIVE

This Policy has been developed with the aim of:

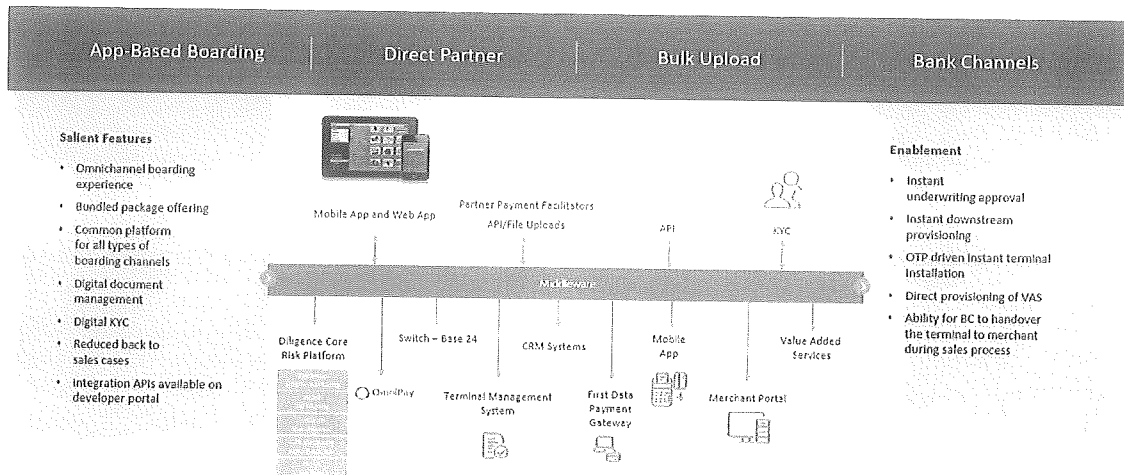
- 3.1. establishing a framework for the execution of suitable merchant on-boarding processes, procedures, and controls;
- 3.2. ensuring that the merchants on-boarded do not have any mala-fide purpose of misleading their consumers;
- 3.3. assessing a prospective merchant for a detailed risk assessment, based on variety of factors including but not limited to the pre-screening, merchant history check, business details, model and functioning, business owners check, website check, credit report and checking for ‘restricted business’ activities etc. or to sell fake, counterfeit, or forbidden items, etc.

### 4. SCOPE

This policy defines the merchant on-boarding process followed by the Company. We follows a 3 (three)-step process to successfully onboard a Merchant, i.e.,:

- 4.1. On-Boarding Documentation
- 4.2. Merchant Risk Assessment
- 4.3. Merchant Risk Underwriting

# Digital Boarding Landscape

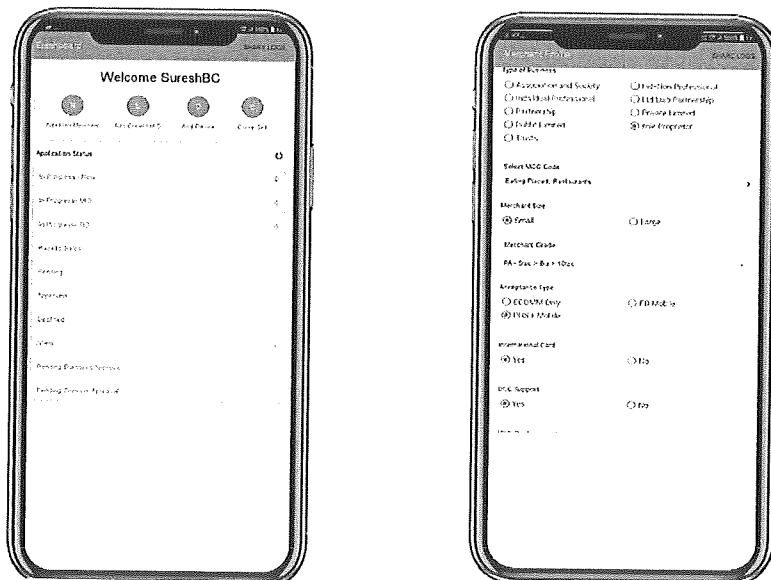


## 5. DIGITAL ONBOARDING OF MERCHANTS

5.1. The Company provides for multi-channel Merchant Onboarding which helps through each of the 3 (three) step on-boarding process. Below is the detailed pre-screening process followed and merchant on-boarding journey at the Company.

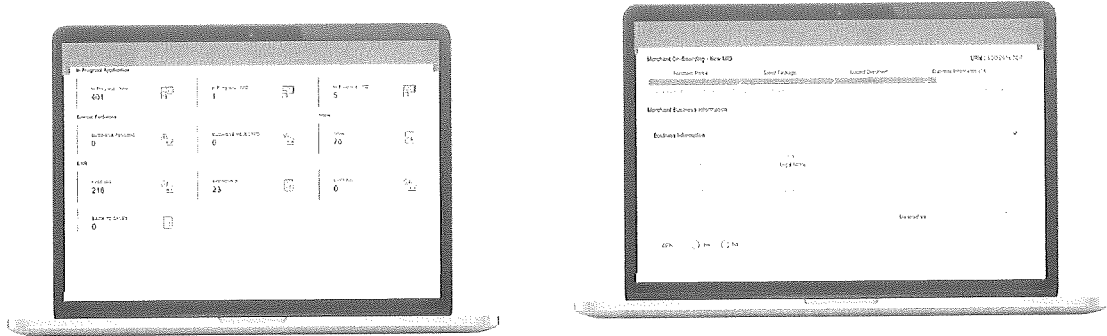
### a) Onboarding through Android Mobile Application:

- The Merchant onboarding through the Android Mobile Application provided by the Company shall upload its information on such mobile application which allows the Merchants to opt for various services and pricing.
- The Merchant shall then upload its KYC documents in the same android application.
- Merchant shall sign the physical copies of Terms and Conditions and other requisite documents and upload the scanned copies of such documents to the mobile application as an image for future reference.
- Once application is submitted, the Company shall send a PDF copy of application form via email to Merchant.



## b) Onboarding through the Company's Web UI

- i. The Company has a Web UI to initiate Merchant application. The flow of filling up the merchant application is like that of Mobile based application.
- ii. Below screenshot shows the Onboarding UI Dashboard with summary status of various applications boarded.



## 6. MERCHANT ON-BOARDING PROCESS:

### 6.1. Standard Documentation Requirements

All new merchant relationships must contain minimum documentation requirements, which are either contained on the online applications or are the responsibility of the salesperson to obtain. When all or part of this information is obtained, the package is ready to enter the Credit Review process.

- 6.2. **Application/Agreement** – All new business must complete an application and agree to the terms of the current processing agreement. As the primary document used in the underwriting of the merchant accounts, it is imperative that the application contains all the pertinent fields (i.e., ownership information, business entity, products, services, volumes, etc.) utilized by Credit/Risk in the underwriting process. Equally as important, the terms and conditions must be constructed in such a way to provide Credit/Risk officers with the ability to take actions and protect the Company's interest. Therefore, merchant on-boarding shall be in conjunction with legal and other business representatives, changes to the applications and language contained in the agreements. Only the latest approved contract will be accepted as valid. It is expected that the applications are fully completed. Risk Management approval is necessary for any procedure that addresses required application fields or alterations to data previously obtained from the merchant.

- 6.3. **Agreement/Merchant Signing Authority** – The following individuals can execute agreements on behalf of merchants:

- a) Private Limited Company/Public Limited Company/Unlimited Company. The contract must be endorsed by an officer of the corporation (preferably the majority shareholder).
- b) An individual with power of attorney to sign on the company's behalf.
- c) Partnership/Limited Liability Partnership. The contract must be endorsed by any partners of the firm (or an individual with power of attorney).
- d) Sole Proprietorship. The contract must be endorsed by the proprietor and/or an individual with power of attorney to sign on the proprietor's behalf.

6.4. **Website/ On-Site Analysis** – The purpose of website or on-site analysis is to conduct an inspection of the merchant's website to ensure that the merchant is a legitimate entity and has the proper facilities, inventory and business and when necessary, a license or permit to conduct its business. In compliance with Card Brand rules and regulations, Website /on-site inspection reports are required for all new applicants with such exceptions as elaborated in our risk assessment policies.

6.5. The following validations should be performed and documented:

- a) Business Name – compare the dba name on the website to that of the merchant's application;
- b) Business Location – verify the full address of the merchant is in India and matches the location on the application. Verify the addresses of related outlets and confirm that they are located in India;
- c) Validate transaction currency accepted;
- d) Customer Service Number (toll free is preferable). Ensure information is clearly and properly displayed;
- e) E-Mail Address – to contact the company. Ensure information is clearly and properly displayed;
- f) Free trials on website, review terms/policies;
- g) Identify any potential signs of deceptive practices (i.e. free gifts, prizes/sweepstakes, hidden disclosures etc.);
- h) Legal or Export Restriction – review if applicable (such as age-appropriate restrictions);
- i) Product Sold – determine if the product sold is consistent with the product/service listed on the application;
- j) Delivery Timeframe – if detailed on the website, confirm that the NDX matches the application to ensure proper risk calculation;
- k) Refund/Cancellation Policy – review the refund/cancellation policy;
- l) Privacy Statement – review privacy policy;
- m) Security – does the website have a secure method of accepting payments (SSL or SQL) and disclose to consumers;
- n) When disclosed, examine links to other sites to evaluate products/services are consistent with application;
- o) That the merchant has signed for 3D secure services where internet card payments are to be accepted;
- p) Third Party Fulfilment – identify if merchant is using fulfilment house for customer orders and highlight any impact.

## 6.6. Large Volume Calls

**Referral Guidelines** – If required, a call to the merchant by the Credit Officer is required to validate the merchant's operations/legitimacy.

## 6.7. Voided Cheque – When voided cheque are required, they should adhere to the following guidelines:

- a) Cross-out on cheque or bank letter head are unacceptable;
- b) If voided cheque are unavailable, a letter on bank letterhead signed by an officer of the bank is acceptable as long as the merchant's name, checking account and bank code number are provided.

## 6.8. Financial Statements – When financial statements are required, they should adhere to the following guidelines:

- b) Financial statements should include, at a minimum, 2 years balance sheet, 2 years income statement (Profit and Loss) and any of their accompanying notes.
- c) Preferred formats for financial information are (in order of preference):
  - i. Certified/audited financial statement and income statement.
  - ii. Compilation report, or prior years tax returns.
  - iii. Internally prepared financial statements.

## 6.9. Previous Processing Statements – When required, the merchant is to furnish recent statements from prior/existing processing relationship. Attempts should be made to obtain at least 2 recent consecutive months. Statements should document sales, returns and chargebacks.

## 6.10. Brochures/Advertisements/Catalogues – When required, used to verify product or service, distribution and delivery timeframes. Prior ads, catalogues, Yellow Page ads (or Indian equivalent), Web sites and videos are all acceptable media.

# 7. UNDERWRITING OVERVIEW & DEFINITION

## 7.1. The Company's Risk Assessment Process:

The risk presented by specific merchants can vary widely. Exposure is dependent on:

- a) Industry characteristics;
- b) Deposit volumes;
- c) Return rates;
- d) Delivery timeframes;
- e) Operational characteristics of a merchant's business;
- f) Billing cycles;
- g) Cardholder chargeback rights provided by Card Brand rules;
- h) Adherence to contractual obligations.

## 7.2. The Underwriting team is responsible for screening new and prospective merchants in accordance with the Company's Policy and the Card Brands minimum credit review requirements, while minimizing any financial risk that these accounts may pose to the

Company once approved. The goal is to validate the legitimacy of the prospect and to assess the merchant's ability to meet current and future obligations.

7.3. In order to recruit new business, it is essential for the underwriting team to ascertain three key elements:

- a) The legitimacy of the business;
- b) The estimated exposure to the Company in underwriting the merchant;
- c) The ability of the business to meet its day-to-day financial needs.

7.4. All applications must be accompanied by sufficient information to enable the above to be satisfied, although the extent to which the third item is required is a factor of the second, i.e. the higher the exposure, the more detailed the information required to demonstrate financial stability. As a general rule, applications for merchants operating in sectors on the High Exposure Business list will require more information than those in other sectors.

7.5. During the pre-conversion period, Risk Officers must be mindful that much of the back-end risk management is performed manually, whilst fraud is prevalent, and collection rates on negative balances are poor. As such, a cautious approach is to be adopted until such time as back-end risk management has appropriate tools in place to manage and mitigate risk.

## **8. CREDIT INVESTIGATION/ANALYSIS**

New business accounts must meet the minimum credit review requirements of the Card Brand and the Company. The following highlights potential credit investigation steps for all prospective clients:

### **8.1. Required For All Reviews**

- a) **Members Alert to Control High-Risk ("MATCH")** - All prospective clients must be checked against the MATCH file to determine whether the applicant was involved and, if so, the reasons for termination. Merchants appearing on the MATCH file will be declined/cancelled immediately unless:
  - i. Details of fraud problem from reliable sources indicate non-merchant collusion (i.e., employee problem);
  - ii. Level of fraud is not deemed excessive;
  - iii. Favorable non-financial findings;
  - iv. Situation that caused listing has been corrected;
  - v. Evidence of removal from MATCH must be independently verified with the Card Brand and if possible, the previous processor;
  - vi. Risk Director Level or higher sign-off is required for waivers to sign MATCH listed accounts and information and sign-off must be properly documented.
- b) **G2 On boarding Check** - A mandatory check is undertaken by G2 to ensure:
  - i. The MCC given by the merchant matches the merchants actual line of business/trade on their website;

- ii. The merchant has no previous violation history known to G2;
- iii. The IP address registration details are confirmed;
- iv. Details of the merchants web host are validated.

- c) **Applicable Sanctions and Compliance Screening-** The Company will screen all new merchants against various government sanctions lists, regimes and all other applicable sanction laws. All potential matches will be investigated by the Company Regulatory Compliance verifying available data. If a potential match is made, the Company will analyze the same and if the match is assessed as true, the case will not be onboarded.
- d) **Negative Files (GNF)-** Internal negative files (when available) should be accessed to determine if a prospective merchant or principal has previously been terminated for cause. Merchants appearing on GNF will be investigated/analyzed to determine reason for cancellation. For positive matches on the GNF, similar analysis to that described above for MATCH is warranted to approve GNF listed accounts. Credit Director Level or higher sign-off along with supporting information is required for approval.
- e) **Product/Service-** Each prospective client's product or service should be understood, including verification for a possible match against unacceptable/unqualified category listing. Any unacceptable/unqualified merchant must be approved by a Risk Director or higher.
- f) **Calculate Credit Risk-** The risk exposure for each account should be determined based on bankcard volumes, delivery timeframes and industry standards.

## 8.2. Optional Review Steps (Varies by Account Type and Risk)

- a) **Merchant Phone Listing and Trade, Legal Name -** Telephone listing can be verified through web-pages, contact databases available to the RSA, or a Telephone Company, to see if the prospective client is operating or not, and whether operating from the stated address. A check must be made to ensure that the name(s) the telephone number is listed to matches the trade/legal name of the client. If telephone details are unpublished or not listed, the client should be called directly to verify the telephone number and trade/legal name.
- b) **Business Address Verification -** The purpose is to verify that the business is operating from the stated address and to verify that the business address is different from the principal's home address.
- c) **Bank -** Each prospective client is verified by bank direct debit confirmation, which is applied to all merchants.
- d) **Financial Analysis – On case-to-case basis,** analysis of the merchant's financial statements is undertaken to review the entity's operating performance. Items to be examined include the balance sheet, income statement, and the statement of sources and application of funds. The following key financial statement items should be evaluated from these statements:
  - i. Liquidity
  - ii. Cash Flow
  - v. Profitability
  - vi. Trend Analysis



- iii. Capital Structure
- iv. Operating Efficiency

vii. Comparative Analysis

- e) **Principal's Verification** - The purpose of obtaining and verifying the principal's home telephone number and address is to further establish the legitimacy of the principal(s) in the business.
- f) **Previous Bankcard Processor** - Previous bankcard statements or contact with the processor can be used to confirm signed volume, CB and credit rates and to uncover possible terminations for unacceptable activity.
- g) **Decline Re-Evaluations** – If an account is declined after a risk review is conducted, an account can enter the Risk Review Decline Re-Evaluation Process. If the account meets the requisite criteria, the account will be reviewed by the next Risk signer. If declined after a Risk review is conducted," then Sales should present the account to Risk team again only if the team is provided with additional, favorable, pertinent information, which was not available at the time of the initial review and adds value to the merchant's profile (i.e., audited financial statements, collateral, additional corporate banking references, new signers, etc.).

**NOTE:** Since each account is unique, as are the reasons for a decline decision, Sales should discuss the account in question with the Risk team to determine what additional information would be required to enter the decline re- evaluation process.

If after the account has been through the decline re-evaluation process and Sales remains steadfast on the approval of the account, the account can then be reviewed by either the VP of Risk Initiation or VP of Risk Policy.

