MEMORANDUM ON CUSTOMER COMPENSATION FOR PRODUCTS/SERVICES PROVIDED BY CITIBANK N.A., INDIA

Introduction

This Compensation memorandum of the Bank is designed to cover areas relating to delay in credit of RTGS / NEFT inwards, payment of interest to customers for delayed collection of cheques / instruments, payment of cheques after acknowledgement of stop payment instructions, remittances within India, foreign exchange services, issue of duplicate demand draft, erroneous debits resulting in financial loss to the client etc. The memorandum also includes scenarios where Markets, Securities Services and Banking business may consider compensation.

The memorandum is based on principles of transparency and fairness in the treatment of customers. The objective of this memorandum is to establish a framework whereby the Bank compensates the customer for any financial loss incurred due to deficiency in service on the part of the Bank or any act of omission or commission directly attributable to the Bank. By ensuring that the customer is compensated without having to ask for it, the Bank expects instances when the customer has to approach the Banking Ombudsman or any other forum for redressal to come down significantly.

It is reiterated that the memorandum covers only compensation for actual financial loss, if any, which customer might incur due to deficiency in the services offered by the Bank which can be measured directly and as such the commitments under this memorandum are without prejudice to the lawful rights available to the Bank. For the sake of clarity, in no event Bank is liable for any indirect/ consequential loss.

In the event of non-receipt of compensation amount as enumerated under the Bank's compensation - memorandum and a complaint is received from the customer in this regard, and it is proved to the satisfaction of the Bank about incurring actual/direct loss due to such delay, the Bank shall pay penalty at prorated prevailing savings rate of interest, where applicable, for the period of such delay. Such penalty will be paid in addition to the applicable compensation amount as enumerated under the compensation memorandum.

Board approval

This memorandum will be reviewed and approved by the Country Coordinating Committee (CCC) at least on an annual basis. Any amendments to this memorandum will be approved by the CCC. The most recent CCC approved version of the document continues to remain in force until the same is replaced by a subsequent CCC approved version.

Customer compensation aspects covered in this memorandum:

1. a. Unauthorized / Erroneous debit

In instances of erroneous debit to banking account, the Bank shall investigate the matter, and upon confirmation of error, the entry shall be reversed. If the result of the erroneous debit is a financial loss for the customer by way of reduction in the minimum balance applicable for payment of interest, or the payment of additional interest to the Bank, the Bank will compensate the customer for such loss with an amount calculated at the prevailing savings account interest rate on the date of debit, for the period between such erroneous debit and its reversal. Where verification for confirmation regarding an entry reported to be erroneous, does not involve a third party, the Bank will endeavor to complete the process within 7 working days from the date it receives an erroneous debit complaint from the customer.

Where a third party is involved, the Bank shall on a best-effort basis endeavor to complete the process within 14 working days from the date it receives an erroneous debit complaint from the customer. Erroneous transaction reported by customers in respect of credit card operations which require reference to a merchant establishment will be handled as per rules laid down by the card association.

1. b. NACH direct debits/ service charge debits to accounts

The Bank will undertake to carry out direct debit / NACH debit instructions of customers in time. In the event the Bank fails to meet such commitments, customer will be compensated to the extent of any **incidental penal / late payment charges demonstrated as incurred by the customer**. Where a service charge is inadvertently erroneously levied, the Bank will reverse the erroneous entry within 7 working days of the Bank receiving communication in this regard from the customer.

a. The Bank will undertake to carry out direct debit/ NACH debit instructions of customers in time. In the event the Bank fails to meet such commitments customer will be compensated to the incidental penal / late payment charges demonstrated as incurred by the customer in carrying out the instruction/failure to carry out the instructions.

b. The Bank would debit the customer's account with any applicable service charge as per the schedule of charges notified by the Bank. In the event the Bank levies any charge in violation of the arrangement, the Bank will reverse the charges when pointed out by the customer subject to scrutiny of agreed terms and conditions.

2. Payment of Cheques after Stop Payment Instructions

In case a cheque has been paid after stop payment instruction is acknowledged by the Bank, and there have been no subsequent and contradictory instructions received by the Bank, the Bank shall reverse the transaction and give value-dated credit to protect the interest of the customer. The financial loss incurred to the customer will be compensated with an amount calculated at the prevailing savings account interest rate on the date of debit, for the period between such erroneous debit and its reversal. Such debits will be reversed within 2 working days of the customer intimating the transaction to the Bank.

3. Foreign Exchange Services

For collection of cheques designated in foreign currencies, the Bank will compensate the customer for any undue delay in affording credit after the cheque proceeds are credited to the Nostro Account of the Bank. The compensation amount in such an instance will be arrived at as detailed in the Bank's Cheque Collections Memorandum, for:

a) Interest for the delay in crediting proceeds as indicated in the cheque collection policy of the Bank.

b) Compensation for any possible loss on account of adverse movement in foreign exchange rate which will be calculated basis the foreign exchange rate differential and the delay time period.

4.1 Remittances in India

4.1.1 Delay in crediting RTGS/NEFT to the beneficiary beyond the timeline as per the procedural/regulatory guidelines:

As per the earlier circular - RBI/2010-11/188 DPSS (CO) EPPD No. 477 / 04.03.01 / 2010-11 issued by RBI customers were paid compensation only in cases where delay in crediting customer account was beyond one day. Further, Reserve Bank of India (RBI) vide its circular DPSS (CO) RPPD No. 1097 / 04.03.01 / 2019-20 dated December 6, 2019 notified that National Electronic Funds Transfer (NEFT) system will made be operational for 24*7 timeframe w.e.f. December 16, 2019.

Citi informed RBI on January 02, 2020 that it has downtime of less than 60 minutes during weekdays and Saturdays and ~ 10 hours on Sundays in order to carry out various system maintenances and back up activities. We also informed that Citi does not decline any NEFT transactions received during the downtime window i.e. transactions are queued up for processing and are processed in the first batch. Monthly planned downtime for NEFT & RTGS is 6 hours to support release & maintenance related activities. In addition - to support ½ yearly COB RBI requirement we take 8hrs downtime for COB failover and normalization. Post Saturday End of day , CITIFT which is processing RTGS transaction also requires 1.5 hrs downtime to complete weekly refresh of services on production.

Basis circular issued by RBI to compensate client for delay in credit and post implementation of NEFT 24*7, banks were advised that their system must be enabled to provide inward credit facility 24*7 as part of ensuring 'Batch +4' (As NEFT settlement now happen in 30 min batches) hours credit / return discipline.

Beneficiary banks must adhere to the instructions on payment of penal interest for delayed credit /return i.e. beneficiary bank is liable to pay penal interest to Customer for delay in effecting credit to beneficiary account within two hours of batch settlement on NEFT working day

For all days from December 16, 2019, compensation for RTGS and NEFT is paid as follows:

- For RTGS, compensation at current Repo Rate plus 2% to the beneficiary customer per day for any delay beyond 30 mins.

- For NEFT, any delay beyond 2 hours, compensation will be computed at RBI's LAF Repo rate plus two percent.
- The calculation of compensation will be on fortnightly data.

The proposed process has been put in place for all NEFT & RTGS transactions on and after Dec 16, 2019.

Note - In case credits are withheld to manage any risk (e.g. Sanctions, account restriction like No credit), or transactions which cannot be completed due to incomplete account details, compensation as stated above is not effected. These exclusions are basis guidance given in point 8 (vii) (a) NEFT Procedural Guidelines 2011. Penal interest shall be paid to the customer as specified in the Procedural guidelines even if no claim is lodged by the customer to that effect.

4.2 <u>As per Citi's Cheque Collection Memorandum:</u>

Compensation for delay in collection of instruments is as described in the TTS Cheque Collection Memorandum and provides for: a) Payment of interest for delayed collection of local and outstation cheques, b) Cheques/instruments lost in transit / in clearing process or at paying Bank's branch.

Clearing of outstation (inter-city) cheques/instruments and payment of interest for delayed collections. The timeframe for collection of cheques/instruments drawn on outstation locations once the cheque is sent for collection is as given below (except when it is ascertained that the delay is due to force majeure scenarios like COVID delays etc.)

S. No.	Drawee Location details	Timeframe for clearing
(i)	Citibank branch locations (where drawee location is a METRO location)	5 business days
(ii)	Citibank branch locations (where drawee location is a STATE CAPITAL location)	6 business days
(iii)	Citibank branch locations (where drawee location is NEITHER OF THE ABOVE TWO – "OTHERS")	8 business days
(iv)	Locations where Citibank does not have a branch	14 business days

For the last point (iv) mentioned above, if funds, and/or the related information, have not been received by Citibank from the drawee bank so as to enable Citibank to credit the customer account with the funds within 14 business days, Citibank is not liable to pay any compensation to the customer.

For any delay in realization of cheque beyond the timeframe stipulated in table above, the bank will compensate the customer with interest for the delayed period on the basis of the then prevailing savings account interest rate or Rs. 10/- whichever is higher.

For cheques/instruments lost in transit, Citibank will inform the customer immediately on receipt of this information and will request the client / drawee bank to place a stop payment. Except where the cheques/instruments are lost under force majeure circumstances, return charges on cheques/instruments lost in transit will not be levied to the customer's bank account. The bank will also not levy any additional charges for the replacement cheques/instruments sent into Clearing or on Collection and compensation for the delay will be provided as mentioned above.

Note – The realization of cheque (like non-cts) would also be dependent on the drawee location(s) and hence interest compensation for delay credit may not be applicable.

The bank will on a monthly basis, undertake the exercise of computing compensation and crediting the customer's bank account with the compensation amount for instances where there has been a delay as explained above.

As part of the compensation memorandum of the Bank, the Bank will pay interest to its customer on the amount of collection instruments in case there is delay in giving credit beyond the time specified in Citibank's cheque collection memorandum. Such interest shall be paid without any demand from customers in all types of accounts.

5. Issue of Duplicate Demand Draft

The Bank will issue duplicate demand draft, in lieu of lost draft, up to and including Rs. 5,000/- to the purchaser based on adequate indemnity from customer and without insistence on seeking nonpayment advice from the drawee office. The Bank will issue duplicate demand draft to the customer within a fortnight from the date of receipt of the request. In case of delay beyond this period, the Bank will pay interest at the rate applicable for fixed deposit of corresponding maturity to compensate the customer. The period of fortnight prescribed would be applicable only in cases where the request for duplicate demand draft is made by the purchaser or the beneficiary and will not be applicable in the case of drafts endorsed to third parties.

6. Force Majeure

The Bank shall not be liable to compensate customers for delayed credit if some unforeseen event (including but not limited to civil commotion, sabotage, lockout, strike or other labor disturbances, accident, fires, natural disasters or other "Acts of God", war, damage to the Bank's facilities or of its correspondent bank/s, absence of the usual means of communication or all types of transportation, exigencies due to COVID restrictions etc.) beyond the control of the Bank prevents it from performing its obligations within the specified service delivery parameters.

7. Violation of the Code by Bank's agent

In the event of receipt of any complaint from the customer that the Bank's representative / courier or DSA has engaged in any improper conduct or acted in violation of the Code of Bank's Commitment to Customers which the Bank has adopted voluntarily, the Bank is committed to investigate the matter and endeavor to communicate the findings to the customer within 7 working days from the date of receipt of complaint and wherever justified, compensate the customer for financial loss, if any, as contemplated under this memorandum.

8. Compensation for delayed payment / delayed credit of foreign inward remittance

Authorized Dealers shall pay or send intimation, as the case may be, to the beneficiary in two business days from the date of receipt of credit advice / Nostro statement. On receipt of disposal instruction complying with guidelines, required documents from the beneficiary the Bank shall transfer funds for the credit of beneficiary's account immediately but not exceeding two business days from date of such receipt.

In case of delay, the Bank shall pay the beneficiary interest @ 2 % over its savings bank interest rate. The Bank shall also pay compensation for adverse movement of exchange rate, if any, as per its compensation memorandum specifying the reference rate and date applicable for calculating such exchange loss.

In case, the beneficiary does not respond within five business days from receipt of credit intimation as above and the bank does not return the remittance to the remitting bank, the Bank shall initiate action to crystallize the remittance.

a. Bank notify due action to the remitting bank and the beneficiary

b. Bank shall crystallize the remittance within certain period as per their memorandum, not exceeding the time allow not exceeding the time allowed for surrendering of foreign currency under any Stature or Regulation or RBI Directions.

9. Harmonization of TAT

RBI Circular – (RBI/2019-20/67 DPSS.CO.PD No.629/02.01.014/2019-20 dated September 20, 2019) on Harmonization of Turn Around Time (TAT) and Customer compensation for failed transactions using authorized Payment Systems provides the timelines for resolution of failed transactions where the Account or Credit Card has been debited/charged along with the penalty to be paid in case of delays. This covers transactions on card, IMPS, UPI and NACH related transactions. The Bank is in adherence to the circular and the compensation memorandum is being appended to be in line with the timelines and penalties as mentioned in the table below.

Harmonization of Turn Around Time (TAT) and customer compensation for failed transactions using authorized Payment Systems

Sl. no.	Description of the incident	Framework for auto-reversal and compensation	
		Timeline for auto-reversal	Compensation payable
I	II	III	IV
1	**Immediate Payment System (IMPS)**		
A	Account debited but the beneficiary account is not credited.	If unable to credit to beneficiary account, auto reversal (R) by the Beneficiary bank latest on T + 1 day.	₹100/- per day if delay is beyond T + 1 day.

2	**Unified Payments Interface (UPI)**		
A	Account debited but the beneficiary account is not credited (transfer of funds).	If unable to credit the beneficiary account, auto reversal (R) by the Beneficiary bank latest on T + 1 day.	₹100/- per day if delay is beyond T + 1 day.
B	Account debited but transaction confirmation not received at merchant location (payment to merchant).	Auto-reversal within T + 5 days.	₹100/- per day if delay is beyond T + 5 days.
C	Account debited but beneficiary account not credited.		
3	**National Automated Clearing House (NACH)**		
A	Delay in crediting beneficiary's account or reversal of amount.	Beneficiary bank to reverse the uncredited transaction within T + 1 day.	₹100/- per day if delay is beyond T + 1 day.
B	Account debited despite revocation of debit mandate with the bank by the customer.	Customer's bank will be responsible for such debit. Resolution to be completed within T + 1 day.	

10. <u>Limiting Liability of Customers in Unauthorized Electronic Banking Transactions</u>

Broadly, electronic banking transactions would include transaction initiated either through online payment transaction such as internet banking, mobile banking, card not present (CNP) transactions, or through Face-to-face/ proximity payment transactions requiring the physical payment instrument such as a card to be present at the point of transaction e.g. POS.

Customers are encouraged to promptly report any fraudulent electronic banking transaction at the earliest after the occurrence of such transaction, and informed that the longer the time taken to notify the bank, the higher will be the risk of loss to the bank/ customer. This can be done using Bank's service channels like email or by notifying any of the Citibank branches.

Customers are encouraged to actively update their mobile numbers at all times with the Bank.

For Commercial Cards, if the Corporate or a cardholder believes that an amount charged to a Commercial Card Account is the result of fraud or unauthorized use by a third party, Citi offers a dispute process subject to the card network rules and procedures. Cardholders and Program Administrators are required to notify Citi as soon as they become aware that their card is lost or stolen to enable Citi to block the card account post such notification. This can be done using Bank's service channels like Citimanager or by calling on the Bank's phone lines.

For internet banking, mobile banking and commercial cards, customer liability is covered in line with RBI Circular reference, Chapter IV. D. of Reserve Bank of India (Commercial Banks - Responsible Business Conduct) Directions, 2025 DOR.MCS.REC.No.89/01-01-032/2025-26 dated November 28, 2025 on Customer Protection – Limiting Liability of Customers in Unauthorized Electronic Banking Transactions, extract appended below:

(a) Zero Liability of a Customer

A customer's entitlement to zero liability shall arise where the unauthorised transaction occurs in the following events: (i) Contributory fraud/ negligence/ deficiency on the part of the bank (irrespective of whether or not the transaction is reported by the customer). (ii) Third party breach where the deficiency lies neither with the bank nor with the customer but lies elsewhere in the system, and **the customer notifies the bank within three working days** of receiving the communication from the bank regarding the unauthorised transaction.

(b) **Limited Liability of a Customer**

A customer shall be liable for the loss occurring due to unauthorised transactions in the following cases: (i) In cases where the loss is due to negligence by a customer, such as where he has shared the payment credentials, the customer will bear the entire loss until he reports the unauthorised transaction to the bank. Any loss occurring after the reporting of the unauthorised transaction shall be borne by the bank.

(ii) In cases where the responsibility for the unauthorised electronic banking transaction lies neither with the bank nor with the customer, but lies elsewhere in the system and **when there is a delay (of four to seven working days after receiving the communication from the bank) on the part of the customer in notifying the bank of such a transaction**, the per transaction liability of the customer shall be limited to the transaction value or the amount mentioned in Table 1, whichever is lower.

Type of Account	Maximum liability (₹)
• BSBD Accounts	5,000
• All other SB accounts • Pre-paid Payment Instruments and Gift Cards • Current/ Cash Credit/ Overdraft Accounts of MSMEs • Current Accounts/ Cash Credit/ Overdraft Accounts of Individuals with annual average balance (during 365 days preceding the incidence of fraud)/ limit up to Rs.25 lakh • Credit cards with limit up to Rs.5 lakh	10,000
• All other Current/ Cash Credit/ Overdraft Accounts • Credit cards with limit above Rs.5 lakh	25,000

Further**, if the delay in reporting is beyond seven working days,** the customer liability should be for the full amount with any further determinations to be done on a case to case basis by the Bank.

The number of working days shall be counted as per the working schedule of the home branch of the customer excluding the date of receiving the communication.

Reversal Timeline for Zero Liability/ Limited Liability of customer
On being notified by the customer, the bank shall credit (shadow reversal*) the amount involved in the unauthorised electronic transaction to the customer's account within 10 working days from the date of such notification by the customer (without waiting for settlement of insurance claim, if any). Banks may also at their discretion decide to waive off any customer liability in case of unauthorised electronic banking transactions even in cases of customer negligence. The credit shall be value dated to be as of the date of the unauthorised transaction.

(*) Shadow Reversal: Client will not be allowed to draw till actual resolution, it's only indicative.

Further, banks shall ensure that:

(i) a complaint is resolved and liability of the customer, if any, established within such time, as may be specified in the bank's Board approved policy, but not exceeding 90 days from the date of receipt of the complaint, and the customer is compensated as per provisions of paragraphs 6 to 9 above;

(ii) (ii) where it is unable to resolve the complaint or determine the customer liability, if any, within 90 days, the compensation as prescribed in paragraphs 67 to 72 of the said Master direction and also summarized above is paid to the customer; and (iii) in case of debit card/ bank account, the customer does not suffer loss of interest, and in case of credit card, the customer does not bear any additional burden of interest.

11. <u>Compensation for unsolicited issuance/upgradation of Credit Cards</u>

Citi executes a Commercial Card Agreement with the Corporate with facility amount details prior to enabling the associated credit facility for usage in the program. Citi does not upgrade such a credit facility without the Corporate's consent.

Where it is established that an unsolicited Commercial Card program is set up/ Card is issued under the program without the explicit consent of the Corporate and the latter is billed for the same, the Bank shall not only reverse the charges forthwith, but also pay a penalty without demur to the recipient amounting to twice the value of the charges reversed. Further, where it is established that an unsolicited credit facility is extended without the written/explicit consent of the Corporate, and the latter objects to the same, the Bank shall not only withdraw the facility, but also be liable to pay such penalty as may be considered appropriate by the Banking Ombudsman, if approached.

12. <u>Compensation payable in the event of delays in Closure of Credit Card:</u>

Any card closure request will be honoured within seven working days from the date of receipt by Citi. Closure may be subject to the clearance of all dues by the Corporate. Failure on the part of Citi to complete the process of closure within seven working days shall result in a penalty of INR 500 per calendar day of delay payable to the customer, till the closure of the account, provided there are no dues outstanding in the account.

13. Compensation to customers for delayed updation/ rectification of credit information

As per the RBI circular (RBI/2023-24/72 DoR.FIN.REC.48/20.16.003/2023-24 dated October 26, 2023), the Bank/ Credit Information Company shall compensate customers for delayed updation/ rectification of credit information. Customers shall be entitled to a compensation of ₹100 per calendar day in case their complaint is not resolved within a period of thirty (30) calendar days from the date of the initial filing of the complaint by the complainant with a Bank/ CIC. However, the Bank shall pay compensation to the complainant if the Bank has failed to send updated credit information to the CICs by making an appropriate correction or addition or otherwise within twenty-one (21) calendar days of being informed by the complainant or a CIC. The compensation shall be credited to the bank account of the complainant within five (5) working days of the resolution of the complaint.

14. Delay in sighting funds paid by borrower

If there is a delay in sighting the funds paid by the borrower to the bank towards installments/ interest due on the due date for the loan product. The bank shall investigate the reason for the delay. Post investigation, if it is determined that this delay is attributable on account of delay in sighting the funds at the banks end, the bank shall compensate the customer @2% on the excess interest charged for the number of days of delay. The bank will endeavor to complete the process of investigation and refund within a maximum period of 7 working days from the date of reporting done by the customer.

15. Markets business may consider customer/counterparty compensation for any financial loss incurred due to deficiency in service on the part of the Bank or any act of omission or commission directly attributable to the Bank including but not limited to the following scenarios:

- Delayed payment settlement: the Bank will compensate the customer/counterparty for any undue delay in settlement of FX/Rates transaction being settled by Markets/ Markets Operations. The compensation will be by way of interest on delayed settlement at MCLR rate or as may be mutually agreed with the customer/counterparty.
- Booking errors: The bank may consider compensation to client for a dealer error which resulted in any financial loss to the customer to the extent of FX spread levied to the customer. This will

be reviewed based on the facts of the case and the amount of the compensation will be determined accordingly.

- Any other customer complaint or claims requiring financial compensation shall be made in accordance with any applicable escalation, operational loss and customer relationship considerations, and where required, in consultation with, or approved by Legal.

16. <u>Securities Services</u> business typically accepts payment of compensation to the Client for its direct damages where Citi has not satisfied its service obligations of due skill, care and diligence and which has resulted in an event of operational/processing error. Some of the key events of such operational/processing errors is listed below may qualify for customer compensation-

i. Client Instruction - Incorrect execution of client Instruction (like trade instruction, FX conversion) leading to settlement failure despite Client Instruction being timely and correct. In such cases direct damages will include penalties imposed by exchanges/clearing corporations or regulators due to settlement delay
ii. Corporate Action – Missed deadline or incorrect execution of corporate action events (right events, IPO etc.) resulting in any financial loss due to non-participation or misallocation.
iii. Client Reporting - Error or delays in client reporting or statements leading to financial loss.
iv. Assets under Safekeeping – Incorrect execution of Client Instruction or without proper client authorization resulting in erroneous movement of client's securities/cash.

All customer complaint or claims requiring financial compensation shall be made in accordance with Custody Agreement, operational loss and customer relationship considerations, and where required, in consultation with, or approved by Legal.