Policy Number : TP86_CSR_2 of 2_FY 27

POLICY ON FINANCIAL LITERACY CENTERS (FLCs)

Federal Bank

Corporate Social Responsibility Dept

Date of Current Version: April 30,2026

Date of Previous Version: May 16, 2025

Record of Last 3-year Amendments		
Reviewer	Approver	Approval Date
Board	Board	16.05.2025
Board	Board	01.03.2024
Board	Board	30.03.2022

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Policy on Financial Literacy Centers (FLCs) from FY 2026-2027.

1. Introduction.

Reserve Bank of India, vide Circular dated 4th February 2009, advised all banks to set up Financial Literacy and Credit Counselling Centers (FLCCs) with the objective of providing free financial literacy/education and credit counselling. RBI has accorded utmost priority to the dissemination of financial literacy through such centers to the extent of mandating one center in every Block.

Vide RBI Circular dated June 6 ,2012 (RBI/2011-12/590 RPCD.FLC. No.12452 /12.01.018/2011-12) , the existing FLCC Scheme was modified with renewed focus on financial literacy and FLCCs were reconstituted as Financial Literacy Centres (FLCs)

Based on the revised guidelines for operation of FLCCs vide RBI Circular dated January 14,2016 *(RBI/2015-16/286 FIDD.FLC.BC.No.18/12.01.018/2015-16)* Board of the Bank adopted an approved policy for operation of Financial Literacy Centers and the policy is reviewed periodically.

The policy elucidates the operational guidelines for Bank to set up and run Financial Literacy Centers (FLCs) as envisaged by RBI through the Federal Ashwas Trust. These FLCs are called Federal Ashwas Financial Literacy Centres(FAFLCs)

The settlor will maintain an arm's-length relationship with the Federal Ashwas Trust and will keep the trustees informed, on an ongoing basis, of the RBI's instructions relating to the operation of FLCs. The trustees are expected to consider and adhere to RBI guidelines, as issued from time to time, while framing the rules and regulations governing FLCs.

2. Objectives of Federal Ashwas Financial Literacy Centres (FAFLCs)

The broad objective of the FAFLCs is to provide free financial literacy/education. The specific objectives of the FAFLCs are:

- To provide financial counselling services through face-to-face interaction as well as through other available media like e-mail, fax, mobile, etc. as per convenience of the interested persons, including education on responsible borrowing , proactive and early savings, and offering debt counselling to individuals who are indebted to formal and/or informal financial sectors;

- To educate the people in rural and urban areas with regard to various financial products and services available from the formal financial sector ;

- To make the people aware of the advantages of being connected with the formal financial sector.

- To formulate debt restructuring plans for borrowers in distress and recommend the same to formal financial institutions, including cooperatives for consideration.

- To take up any such activity that promotes financial literacy, awareness of the banking services, financial planning and amelioration of debt-related distress of an individual.

3. Setting up & Operations of FAFLCs

3.1 Governance Framework, Organizational /Administrative Setup & Coverage of FAFLCs

As per the model scheme envisaged by RBI, a Trust with the name Federal Ashwas Trust was constituted by the Bank in the year 2010 under the Indian Trust Act 1882 with the objective of establishing and running Federal Ashwas Financial Literacy Centers (FAFLCs). FAFLCs are fully funded by the Bank.

3.2 Procedure for Opening FAFLCs

The Trust with the prior approval of the settlor can open FAFLCs in the urban, semi urban and rural areas to provide financial literacy to the common man including those experiencing personal financial difficulties.

FAFLCs will be managed by an NGO or an Individual (Counsellor) who is found suitable by the Trust , in terms of the provisions laid down in the agreement to be entered into between the Trust and the NGO/Counselor. If an NGO is selected, it will be appointing the necessary Human Resources for running the FLC as per the agreed terms with the Trust.

The Trust will identify a suitable location for setting up the FAFLC and the selected NGO/Counsellor will run it as per the terms of agreement.

3.3 Modalities for Recruitment/Engagement of Counsellors

The Financial Literacy Counsellor heading the Financial Literacy Centre is the key stakeholder in driving the financial literacy initiatives at ground level and the day to day activities of FAFLCs

As per the Revised Guidelines for FLCs of Banks and Operational Guidelines for conduct of camps envisaged by RBI vide circular (RBI/2015-16/286 FIDD.FLC.BC.No.18/12.01.018/2015-16) dated January 14,2016; the Bank has come out with the following points for engaging Counsellors.

1. The applicant shall be preferably a Retired banker
2. In the case of non-retired hand, minimum qualification shall be graduation in any discipline (preferably in Social Work)
3. The upper age limit shall be 70 years
4. Working knowledge of computer.
5. Having a good knowledge of the local language

Necessary training as residential programmes /other models shall be conducted for the officials of FLCs on behavioral and other aspects as per RBI guidelines.

Note: Remuneration/Honorarium shall be fixed by the Board of Trustees of Federal Ashwas Trust and be reviewed periodically. The performance of the Counsellors/NGOs will be closely monitored by the Trust. Suitable actions, including termination of agreement, will be taken where any Counsellor/NGO underperforms or violates any contract provision.

3.4 Infrastructure Requirements at FAFLCs

As per the RBI guidelines, proper infrastructure would have to be put in place by the Bank with adequate communication and networking facilities. The following infrastructure facilities are provided in every FAFLCs in compliance with the guidelines.

- The FAFLCs have a separate room/space with a seating capacity of minimum 10 members to address walk in customers.
- Basic amenities like computers/laptops, printers, furniture and fixtures are provided.
- Each FAFLC has a dedicated helpline for addressing grievances of the public in the district.

3.5 Activities Carried Out by FAFLCs.

FAFLCs are expected to undertake activities as approved by the Trust based on the guidelines provided by RBI from time to time.

The nature of activities and their relative emphasis will be decided by the Trust as per the extant instructions of the Reserve Bank of India.

Presently, the focus of the financial literacy campaign is to scale up financial literacy efforts through conduct of Financial Literacy Camps as per regulatory directions from time to time.

Financial education, Counselling and Debt management services through FAFLCs are provided free of charge and FAFLCs are prohibited from levying any charge whatsoever.

RBI has identified a tailored approach to Financial Literacy and conduct of camps.

FAFLCs are instructed to identify different target groups at ground level and conduct camps for a homogenous audience so that there could be more focus and in-depth transmission of financial education.

3.5.1 Guidelines on Credit Counselling and preparation of Debt Management Plans

Credit counsellors should have sound knowledge of banking, law, finance, requisite communication skills, etc. While preventive credit counselling may be offered within the general financial literacy framework, curative credit counselling should be offered by only counsellors who are qualified to do so. Hence, whether a particular FAFLC may offer curative credit counselling or not will be decided by the trust with the assistance of the settlor. The RBI Guidelines as summarized below should be kept in view while undertaking credit counselling.

Debt counselling/credit counselling can be both preventive and curative. In case of preventive counselling, the centres could provide awareness regarding cost of credit, availability of backward and forward linkages, where warranted, etc. The clients could be encouraged to avail of credit on the basis of their repaying capacity. Preventive counselling can be through the media, workshops and seminars. The FAFLCs may conduct open-house seminars either at the centre or at various places in the district for group counselling.

In the case of curative counselling, the clients may approach the counselling centres to work out individual debt management plans for resolving their unmanageable debt portfolio. Here, the centres could work out effective debt restructuring plans that could include repayment of debt to informal sources, if necessary, in consultation with the bank branch.

It should be ensured that no willful defaulter is offered with this service. Centers should not be perceived as recovery or marketing agents of the bank concerned, and the general public / banks' constituents should feel comfortable in voluntarily approaching the centres

3.5.2 Operational Guidelines for Conduct of Financial Literacy camps

In a diverse country like ours, financial education should be customized to meet the requirements of different target groups, besides the basic financial literacy that every person is expected to know.

RBI vide their circular (RBI/2016-17/236 FIDD.FLC.BC.No.22/12.01.018/2016-17)dated March 2, 2017 has revised the approach for conducting of financial literacy camps by FLCs.

- FLCs shall conduct **Target specific camps** for the following segments.
    - Farmers
    - Self Help Groups
    - School Children
    - Senior Citizen
    - Micro & Small Entrepreneurs

  Target: Minimum One camp per month for each target group by each FLC

- FLCs may conduct **two special camps per month** in Gram Panchayats (once every fortnight).

  FLCs may utilize the posters and flyers prescribed by the RBI for promoting digital platforms and cyber security awareness. The focus of the special camps should be on process literacy through demonstrations of UPI, USSD and other digital platforms. People should be encouraged to register and onboard themselves onto these digital platforms.

  Target: Two special camps per month by each FLC on UPI, USSD and/or any other topics as directed by RBI from time to time.

3.6 Monitoring & Reporting of FAFLC Activities

Trustees periodically evaluate the performance of counsellors and take necessary corrective steps if any needed for proper functioning of the centers.

Activities of FLCs are reported to SLBCs quarterly through revised reporting formats as per RBI circular (RBI/2016-17/236 FIDD.FLC.BC.No.22/12.01.018/2016-17) dated March 2,2017 for onward submission to RBI. Each center is advised to submit the report on or before the 5th of the first month of next quarter.

The Bank has published its Policy on Financial Literacy Centers, along with center-specific details on its official website.

3.7 Annual Budgeting & Auditing

Trust is expected to ensure that budget discipline is inculcated throughout the organization.

- The Trustees in consultation with the Settlor shall prepare an annual budget for the expenditure that will be incurred by the FAFLCs.

- A memorandum/note requesting contribution to the Trust Fund will be placed before MD & CEO of the Bank , by the Department overseeing the administration of Trust.

- Books of accounts of the Trust are audited by qualified auditors and returns are filed by Federal Ashwas Trust regularly.

3.8 Points to remember - Do's & Don'ts for FAFLC Operations

- The FLCs should not act as investment advice centres /marketing centres for products of any particular bank/banks. Counsellors may refrain from marketing / providing advice regarding investment in insurance policies, investment in securities, purchase/ sale of securities, etc., or promoting investments only in bank's own products.

- The counselling centres(FLCs) should maintain arm's length relationship with the parent bank and, preferably not be located in the bank's premises. This is to avoid any impression that such centres are a part of the bank itself. The centres should not promote the products of their parent banks. Initially, if the branch premises are used to minimize cost, the FLC should be kept completely separated with a separate entrance and different look and feel from that of the bank's branch so as to maintain a distinct identity from the parent bank. The banks' officers may, for effective supervision and monitoring of activities of such Trusts /Societies, make dummy calls or incognito visits. It is necessary that these centres should not be perceived as recovery or marketing agents of the bank concerned, and the general public / banks' constituents should feel comfortable in voluntarily approaching the centres. The independence of the counselling centres has to be ensured so that non-partisan and objective guidance is provided to the customers.

- FAFLC counsellors shall coordinate closely with the Lead District Manager (LDM), who represents the Reserve Bank of India at the district level. As RBI issues FLC-related instructions through the SLBC, Federal Bank, as the Sponsor Bank, is responsible for ensuring that all FAFLCs maintain effective liaison with the LDM.

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