



POLICY ON FINANCIAL LITERACY CENTRES (FLCs)

Approved by	Board
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1. INTRODUCTION

1.1 Financial Literacy and Inclusive Growth

Low level of financial inclusion results in meagre participation of masses in the economic growth process. Financial literacy is a necessary condition to achieve financial inclusion. Large numbers of beneficiaries of Government's various welfare /subsidies schemes do not have even a basic savings bank account to receive subsidies/ other payments. Misuse and diversion of government funds under these circumstances are endemic and demand immediate remedial action. Authorities have been sensitive to the malady and have devised Direct Benefit Transfer Scheme as a part of the national campaign on financial inclusion. The Prime Minister's Jan Dhan Yojana (2014) re-emphasizes the need to spread financial literacy and thereby inclusion. There has been remarkable increase in the number of bank branches over the years, but common man's access to banking services has been low especially in the rural areas. It is now recognized that the issue has to be tackled both on the sides of Supply (availability of easy banking access through branch networks or Business Correspondents) and Demand (demand for banking services stimulated by empowering common people through financial literacy). There are also vast sections of otherwise literate people who are not familiar with the various products offered by banking, insurance and investment institutions, their comparative merits, the related processes and regulations. They, therefore, find it difficult to make proper choices relating to their own finance and many a time fall prey to fraudulent schemes floated by unscrupulous persons. Financial education aims to improve their knowledge and empower them to make informed choices about their finances.

2. OBJECTIVES OF THE FINANCIAL LITERACY

The Main objectives of Financial Literacy Centres (FLCs) are the following;

- To facilitate financial inclusion through provision of two essentials i.e. Literacy and easy access.
- To disseminate information regarding the central bank and general banking concepts to various target groups, including schools and college students, women, rural and urban poor, defence person and senior citizens.
- For effective use of financial services by common man.

3. FINANCIAL LITERACY CENTRES (FLCs)

3.1 Federal Ashwas Financial Literacy Centres (FAFLCs)

Banks, under RBI's guidance, have set up Trusts/Societies for establishing centres to spread financial literacy and provide credit counselling. The Federal Bank Ltd. has established a Trust namely "Federal Ashwas Trust" for the establishment and running of such centres under the name, "Federal Ashwas Financial Literacy Centres" (FAFLC) for promoting financial literacy among the common populace. The Trust will establish, develop, maintain and run the Financial Literacy Centres, in various locations all over India as envisaged in the trust deed. The settlor will keep the trustees, on an on-going basis, abreast of the RBI's instructions relating to financial literacy and financial inclusion and trustees will be expected to keep RBI guidelines always in view. The Trust was formally inaugurated by Dr. K C Chakraborty, the then Deputy Governor, Reserve Bank of India.

The Federal Ashwas Trust (The Trust) is constituted under the Indian Trust Act, 1882. The

Registered Office of the Trust is at PB No. 103, Federal Towers Aluva. The Administrative Office is functioning at Federal Bank, Micro and Rural Banking Department, Federal Towers, Marine Drive, Kochi. All the communications relating to the Federal Ashwas Trust shall be addressed to the Administrative Office.

Copy of the Trust Deed is attached as ***Annexure I***.

The "Settlor" of the Trust is The Federal Bank Ltd.

The "Trustees" are appointed by the Settlor. They are responsible to run the FAFLCs as per the provisions contained in the trust deed. The current trustees are;

- **Shri. John Kurien** (Retired Chief General Manager, NABARD)
- **Dr. (Prof.) Indira Devi P** (Retired Professor of Agricultural Economics and Director of Research - Kerala Agricultural University)
- **Smt. Suma Varma** (Retired Principal Chief General Manager, RBI)

3.2 Operational Guidelines Framed by the Trust

Clause 6 of the trust deed provides for framing of Rules and Regulations regarding appointment/induction of employees to be engaged in the FAFLCs, the terms of employment of the employee/ employees of the FAFLCs in general or in particular to any individual, their honorarium, working of FAFLCs including working hours , working days etc., centres of working of FAFLCs, shifting of FALCCs to other centres from one centre, their winding up and such other matters which are necessary and

expedient in connection with the trust and its objectives. This document contains the regulations and guidelines covering these aspects framed under Clause 6 of the Trust Deed. The document is NOT intended to lay down any standard operating procedures to be followed by the FAFLCs but is a set of regulations and guidelines to be followed by the trust and settlor for establishing and running the Financial Literacy Centres. One copy of these “Guidelines” will be kept with the Settlor and trustees will be provided a copy each of the same.

Based on these operational guidelines, the trust will establish and run the FAFLCs and issue operational instructions to them. The Consultants appointed by the trust on contract basis to run the FAFLCs are expected to meticulously follow such operational instructions issued by the trust and also ensure that the counsellors and other staff appointed by him also follow them.

These Guidelines are subject to amendments as and when deemed necessary by the trust. Any amendment to the guidelines will be made by the trust with the approval of the settlor and such amendment will have effect after their issue. The amendments will be serially numbered and all users of this volume of the Operational Guidelines (2014) will incorporate the amendment in the copy in their possession.

3.3 Objectives of the Trust

The Trust is formed for the purpose of imparting financial literacy to common people in the urban, semi urban and rural areas, through the “Federal Ashwas Financial Literacy Centres (FAFLCs)”. The objectives of the trust are:-

- (i) 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;
- (ii) To educate the people in rural and urban areas with regard to various financial products and services available from the formal financial sector ;
- (iii) To make the people aware of the advantages of being connected with the formal financial sector ;
- (iv) To formulate debt restructuring plans for borrowers in distress and recommend the same to formal financial institutions, including cooperatives, for consideration ;
- (v) 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;

FAFLCs should not act as investment advice centres /marketing centres for products of any particular bank/banks. The centres shall refrain from marketing / providing advice regarding investment in insurance policies, investment in securities, value of securities, purchase/ sale of securities, etc., or promoting investments in bank's own products. Wilful defaulters will **not** be provided credit counselling services.

The specific objectives of establishing FAFLCs as listed above are those prescribed by the RBI and are subject to amendments consequent to changes, as and when, made by RBI. FAFLCs will be issued clear guidance and operational instructions by the trust to achieve the above objectives. Such guidance would outline the strategies and methods having regard to the local conditions taking into account the suggestions of the settlor.

3.4 Method of Operation of the Trust

The Federal Ashwas Trust is formed by the Federal Bank Ltd. as settlor. The Managing Trustee and in his absence, the Alternate Managing Trustee will be responsible for the day to day operations of the trust.

The trustees are required to meet periodically to attend to matters relating to the establishment and running of FAFLCs and also to review the financial position and half yearly and annual accounts of the trust. Representatives of the settlor bank are invited to the trust meetings to enable the trustees and the settlor to jointly review the working of the FAFLCs and decide on necessary actions in response to the findings of such reviews. The overall policy of the Government and the guidelines issued by the Reserve Bank on financial inclusion and financial literacy should be kept in view by the trust while making decisions relating to the running of FAFLCs.

3.5 Role of the trustees and Settlor in Management, Development and Control

Role of Trustees

Trustees are responsible for establishing and running the FAFLCs, issuing general directions to the FAFLCs and their effective management as per the terms laid down in the trust deed. The Managing Trustee, while being responsible for the day to day operations of the trust, will be discharging his role through an Authorised Official of the Administrative office of the trust. Roles expected of the trustees and especially the Managing Trustee are outlined in Clause 8 of the Trust Deed (**Annexure1**) They include:

- 1) To look after the day-to-day administrative affairs of the Trust.
- 2) To ensure that the trust funds are applied to the objects of the trust as deemed fit to apply from time to time.

- 3) To discuss and negotiate, on behalf of the trust, with the Government Departments, public and others in matters relating to the objects of the trust and to ensure compliance with the condition set out by them.
- 4) The Managing Trustee shall apply and try to obtain all concessions, benefits and allowances as are available, in law in the matter of taxation, investments and exemptions.
- 5) The Managing Trustee shall make sure that the board meetings are held at regular intervals and decisions taken by Trustees are ratified by a resolution and the said resolutions are recorded in the minutes book of Trust and signed by the Trustees present during the meeting.
- 6) The original minutes of the proceedings of every such meeting shall be maintained and deposited at the office of the Trust so as to ensure their safe custody. The original documents and certificates relating to the Trust shall be listed and deposited at the office of the Trust.
- 7) The Managing Trustee may convene a meeting of the Trustees for any particular transaction to be carried out by the Trust.
- 8) In centres where infrastructure is not available, the Managing Trustee will inform the Settlor the need to provide suitable premises for the functioning of the FAFLCs. Based on the request, the Settlor will identify suitable premises and execute the lease deed with the landlord for and on behalf of the Trust.
- 9) The Managing Trustee will be monitoring the fund transactions of the Trust on a regular basis and shall sign cheques on behalf of the Trust jointly with any one of the Trustees.
- 10) The Managing Trustee will be filing statutory Income Tax returns with the Income Tax Authorities.
- 11) The Managing Trustee will be executing documents, contracts/agreements (other than lease deed) for the functioning of the Trust and allocate expenses on behalf of the Trust as and when required.
- 12) The Managing Trustee in consultation with the other Trustees and the Settlor shall engage or replace Consultants at various centres as and when required.

Role of the Authorised Officer

The Managing Trustee will be assisted by an authorized officer of the Settlor ("Authorised Officer") in administration and management of the Trust's activities. Illustratively, the following duties will be looked after by the Authorized Official:-

- 1) The Authorised Officer shall assist the Managing Trustee to look after the day to day activities of the Trust including monitoring the activities carried out at various FAFLCs.

- 2) The Authorised Officer shall act on the directions of the Managing Trustee and shall carry out the decisions taken by the Board of Trustees. He shall be reporting to the Managing Trustee on the activities carried out by the Trust and the FAFLCs on a regular basis by email. In this regard, the Authorised Officer shall adhere to the format and frequency of reporting as instructed by the Managing Trustee. Hard copies of the email correspondence shall be maintained by the Authorised Officer as regular office record.
- 3) The Authorised Officer will function as the connecting link between the Consultants and the Trust.
- 4) The Authorised Officer shall assist the Managing Trustee in maintaining various registers including the minute's book, Original Trust Deed, Registration Certificates, list of Fixed Assets owned by the Trust etc.
- 5) The Authorised Officer shall receive the expense details in the form of vouchers, invoices, notes; bills forwarded by the Consultants from various FAFLCs and shall verify such claims for reimbursement.
- 6) On verifying such claims forwarded by the Consultants from various centres and if found correct, the Authorised Officer shall certify the bills for payment and transfer such amounts to respective Consultant's bank accounts. The accounting arrangement for making such transfers and adjusting the payments in the books of the trust will be worked out between the settlor and the trust.
- 7) The Authorised Officer shall maintain all original records of expenses sanctioned and reimbursed to Consultants at various FAFLC's along with the fund transfer details to enable preparation of the books of account and for audit purposes.
- 8) The Authorised Officer shall make arrangements for convening the meeting of the board of trustees. He shall prepare agenda to be discussed in such Board Meeting in consultation with the Managing Trustee. The proceedings of such meetings shall be recorded in the Minutes Book. He must ensure that the Resolutions passed in such meetings are signed by the Trustees.
- 9) The Authorised Officer shall verify the incidental expenses and allowances incurred for halting and travelling by each Consultant/Counsellor and maintain adequate control over them.
- 10) The authorised officer shall collect the monthly visit report from the Branch Head of nearby branch of FAFLCs and Quarterly visit report from respective Regional Heads of the settlor bank. The format of Monthly and Quarterly visit reports are enclosed in ***Annexure 2***
- 11) The Authorised Officer will be assisting the Managing Trustee in executing documents, contracts/agreements for the efficient functioning of the Trust.
- 12) The consultants may, with the prior approval of the Trust, assist bank borrowers facing genuine difficulties in making repayments, by assisting the borrower with the preparation of a tentative debt management plan for submission to the lending bank. When such debt management plans are received by the Trust

Office from the FAFLCs, the Authorised Officer shall ensure that such debt management plans are immediately brought to the notice of the Managing Trustee for guidance.

3.6 Setting up of FAFLCs and their Operations:

The Federal Ashwas Trust is established for setting up of and running financial literacy centres as per the guidelines issued by the Reserve Bank. These centres are presently known as Federal Ashwas Financial Literacy Centres (FAFLCs).

The centres are run through Consultants with whom the trust enters into agreements (on a principal to principal basis) valid of three years at a time. The relationship between the trust and the Consultants is contractual. Consultants will be responsible for maintaining at the FAFLC, the required staff with skills and qualifications as prescribed by the trust. Normally each FAFLC should have a staff component consisting of one Counsellor and one Assistant. In the case of individual consultant with the required qualification, the consultant can also act as counsellor with the approval of the trust. The consultant will be required to ensure that he complies with all the legal requirements and local laws with regards to the employment of staff by him at the centre.

The Consultant and his employees are required to be service minded and take up spreading of financial literacy with passion rather than as the main source of income. Consequently, the trust would appreciate retired bank officers or NGOs with a proven track record of social service to come forward to take up the role of Consultant /Counsellor. The Consultant /Counsellor shall be a person with reasonable banking knowledge and with a passion to help the needy, preferably retired bank officers etc. The Consultant, an individual or NGO, will have to undertake the financial literacy activities strictly as per the guidelines issued by the Trust. They are welcome to suggest changes in the procedure or strategy to suit the local conditions, but such deviations from the normal procedures would require to be approved by the Trust before they are implemented.

3.6.1 Procedure for Opening of FAFLC

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 a “CONSULTANT” in terms of the provisions laid down in the agreement to be entered into between the Trust and the Consultant. The Consultant can be an NGO or individual who is found suitable by the trust subject to approval by the settlor. The Trust will identify the suitable location for setting up the FAFLC and Consultant to run it as per the terms of agreement.

Sometimes the Consultant may not be able to provide suitable premises for running the FAFLC in the identified location and may request the trust to arrange the premises. In such case, the third Para of the agreement to be executed between the Trust and the Consultant needs to be suitably amended as shown in Annexure 2. The Managing Trustee will request the Settlor to provide suitable premises for functioning of the FAFLC in that location. A Lease deed will be executed between the owner of the premises and the Settlor.

The Consultant will be responsible for the appointment of Counsellors and Assistants in each centre. The Consultant should issue appointment letters or other communications to Counsellors/Assistants in his/their letterheads. He/they shall not use the words "Federal Ashwas Trust" or "Federal Ashwas Financial Literacy Centres" in any of the appointment letters issued by him/them. The Consultants will, however, be provided Identity Cards/ Visiting Cards by the Trust with Federal Ashwas Logo as per the format approved by the settlor. The Consultant, in turn, may issue such cards to their employees, expenditures in respect of which will be reimbursed by the trust within limits agreed to by the trust.

3.6.2 Appointment/induction of employees to be engaged in the FAFLCs and the terms of employment, working hours, working days etc.

The FAFLCs will be run by Consultants appointed by the trust on contract basis. The Consultant, in turn, will be required to maintain the staff strength as prescribed by the trust, presently one Counsellor and one Assistant. In the case of Consultants who are qualified, as per the judgment of the trust, to function as Counsellor also, the Consultant may be permitted by the trust to double as Counsellor.

The final selection of Consultant will be made by a Panel consisting of three members as below:

1. The Managing Trustee or one of the trustees duly authorized by the trust,
2. a senior officer from the settlor bank and
3. An outside expert qualified to evaluate the candidate's behavioural aspects and mental qualities.

The trust will enter into an Agreement valid for a period of three year renewable each time for a further period of three years. The performance of the consultants will be closely monitored by the Administrative office of the trust. Suitable actions, including termination of agreement, will be taken where any consultant underperform or violate any contract provision.

The FAFLCs will work five days a week (Monday to Friday) with normal working hours from 10.00 am to 5.00 p m with half an hour lunch recess. It will be the responsibility of the Consultant to ensure that the FAFLC under him is manned

during the prescribed working hours. He may make any change in the working time only after consulting the Administrative Office of the trust, if any situation arises due to local developments such as the counsellor arranging field programmes outside the prescribed office hours or if local government authorities so require.

3.6.3 Modalities for engagement/recruitment of Counsellors in FLCs

The Financial Literacy Counsellor/Director heading the Financial Literacy Centre is the key stakeholder in driving the financial literacy initiatives at the ground level. The qualifications for an individual to eligible for appointing as counsellor is given below;

1. The applicant shall be preferably a Retired banker
2. In 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 is obligatory
5. Having a good knowledge in local language
6. Remuneration shall be capped at a maximum of Rs. 25,000/- for Counsellor and Rs 7,000/- for Office assistant, to be reviewed periodically.
7. Necessary training as residential programmes/other models shall be conducted for the officials of FLCs on behavioural and other aspects as per RBI guidelines.

Honorarium and reimbursements

For the functioning of the FAFLCs, the Trust has identified certain monthly expenses under the following heads which are recurring in nature:

- Rent
- Honorarium for Counsellor
- Honorarium for Office Assistant
- Travelling and Halting Allowance for Consultant/ Counsellor
- Training Expenses
- Printing & Stationery
- Publicity
- Telephone & Internet Charges (combined eligibility for landline and mobile)
- Electricity Charges
- Postage Expenses
- Maintenance Charges

While the quantum of honorarium and scales of TA will be fixed and revised as and when considered necessary, ceilings for variable expenditures such as telephone and internet charges will be stipulated and reimbursement will be made within such ceilings on the basis of certification of incurring of expenditures by the claimant. Remaining items of expenditures such as rent, training expenses, printing, electricity, postage and maintenance charges will be as per the actual and will be monitored and controlled, where necessary, under the annual budget.

Incidental Expenses and Allowances *

The incidental expenses and allowances to the Counsellor/Consultant include:

Expenses	Maximum Eligibility
Travelling Allowances (On submission of vouchers)	Up to 3 tier A/c train travel
Lodging Allowances (On submission of vouchers)	Rs. 1,200 plus tax
Halting Allowances (When place of duty is more than 20 km from the FAFLC, but within 50 km and when the time of halting is more than 4 hours)	Rs. 150/-
Halting Allowances (When place of duty is more than 50km from the FAFLC and when the time of halting is 4 to 8 hours)	Rs. 250/-
Halting Allowances (When place of duty is more than 50km from the FAFLC and when the time of halting is more than 8 hours)	Rs. 500/-

**(The Consultant shall inform the Authorised Officer about such incidental expenses and allowances in advance. The Authorised Officer – paragraph 5.2-shall verify the expenses incurred by each Counsellor/Consultant for halting and travelling. The Trust shall reimburse only the actual expenses on producing original vouchers/invoices/receipts.)*

The Consultant is expected to incur the expenditure under the above heads in advance and forward to the Authorised Officer within 5 working days from the end of each month a Statement in respect of the expenditure incurred by the Consultant supported by the original vouchers, receipts and invoices. Once the expenses forwarded by the Consultant are certified for payment by the Authorised Officer, the Trust shall reimburse such expenses to the Consultant.

The vouchers of the expenditure which are fixed in nature such as rent, honorarium to the Counsellor and to the assistant, should be scanned, attached and emailed to the Authorised Officer of the Settlor on the last working day of the month so that the Authorised Officer of the Settlor can reimburse the actual

expenses incurred by transferring the said amount to the Consultants account on or before fifth of the succeeding month.

Payments to the Consultants will be made after deduction of taxes, as applicable, as per the provisions of extant laws.

Annual Budgeting on the recurring monthly expenditure

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 on the recurring expenditures that will be incurred by the FAFLCs. The annual budget for the coming year (April-March) will be finalized in the last quarter of the current year. Within the Annual Budget, the settlor shall, on a quarterly basis, transfer funds to the Trust Account bearing No. 10010100368593. Such transfers will be as per the advance quarterly estimate of expenditures for the ensuing quarter as arrived at by the Trust in the meeting. The Trust will issue cheques or transfer funds to each centre/Consultant's account after verification by the Authorised Officer as to the correctness and reasonableness of the expenditures claimed by the FALCs concerned. The Authorised Officer should also certify the relative claim bills before the trustees approve such payments.

The Capital expenses met by the Consultant will be reimbursed by the Trust as per the scheme and budget approved by the Trust. Present budget for capital expenditure in each centre is Rs.105,000/- (Rupees One lakh Five Thousand Only) and an inaugural expense is Rs.35,000/- (Rupees Thirty Five Thousand Only). If the Consultant is not in a position to invest Capital Expenditure, the Authorised Officer of the Settlor after obtaining permission from Trustees shall make necessary arrangements for meeting Capital Expenditure and shall make arrangements for the inauguration expenses. Apart from the above, a monthly budget as decided by the Bank/Settlor may be provided for publicity purposes of FLCCs.

Taking charge of the premises/ assets at the FAFLCs by the Trust

The Authorised Officer will take possession of the premises taken on lease for setting up the FAFLC. He will record the details of the leased premises and terms of lease in a separate Register to be maintained in the trust's administrative office. He will prepare a detailed list of fixed assets and other stationeries required at each FAFLC and place such requirements before the Board of trustees for approval. The Authorised Officer shall monitor the operations of each centre right from its inauguration.

3.6.4 Infrastructure to be provided at the FAFLCs

1. One desktop Computer/ Laptop including Printer and scanner
2. One Handheld Projector with Screen
3. Telephone and Internet connection
4. One table and one computer table
5. One executive chair and six ordinary chairs
6. Two FAFLC Sign Boards
7. Cabins if required
8. Financial literacy material to be displayed
9. Any other item with the specific approval of the trust.

The premise should have a separate room/space with a seating capacity of minimum 10 members to address walk in customers. The FAFLC concerned will maintain a detailed inventory of the assets. The Authorised officer will maintain the same inventory list at the administrative Office.

3.6.5 Activities to Be Carried Out By Federal Ashwas Financial Literacy and Counselling Centres (FAFLCs)

FAFLCs are expected to undertake activities as approved by the trust 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 or Government. The objectives of the Federal Ashwas Trust as detailed in paragraph 3 above are kept in view while designing any activity. Presently, the focus of the financial literacy campaign is to scale up financial literacy efforts through conduct of outdoor Financial Literacy Camps as per regulatory directions from time to time to facilitate financial inclusion through provision of two essentials i.e. 'Financial Literacy' and easy 'Financial Access'. The instructions for imparting financial literacy through the camp-mode leading to financial access will be issued separately to the FAFLCs.

Financial education and debt management services will be provided free of charge to the public. FAFLCs are prohibited from levying any charge whatsoever.

On an on-going basis, the following activities should be given importance:

1. Financial education 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;

2. FAFLCs shall use only a generic financial education module developed and prepared by the Trust with the assistance from the Settlor and provided in both English and vernacular language. Broadly, the module content would include the need for savings, budgeting, advantages of banking with formal financial institutions, concept of risk and rewards and time value of money, various products offered by banks, insurance companies, etc. The module may also cover aspects relating to deposits and various other financial products, the method of calculation of interest on SB A/c, fixed deposits, etc., and method of compounding;
3. Imparting education on various financial products and services available from the formal financial sector and their qualitative superiority over the products/schemes offered by the informal sector;
4. Making the people aware of the advantages of being connected with the formal financial sector;
5. Undertaking preventive Credit Counselling. FAFLCs may also, with the approval of the trust, undertake curative credit counselling and formulate tentative debt management plans for borrowers in distress as laid down in paragraph 7 below. **FAFLCs will not take up cases of wilful defaulters;**
6. Adopt a segmented approach while providing credit counselling services in rural, semi urban, urban and metropolitan areas, specific to different categories of borrowers, rather than broad-based generalized one;
7. Since promoting awareness is one of the primary objectives, the FAFLCs should give due emphasis to customers' rights and obligations under fair practices code advocated by BCSBI, features of the Banking Ombudsman Scheme, benefits of nomination facilities, caution to be exercised in the operation of accounts, etc;
8. The FAFLC should liaise closely with Local Bodies/Lead Bank/NABARD/SHGs and NGOs to be recognized in their area of operation and reach out the message of 'FAFLC' to common people. The Consultants and counsellors should keep themselves abreast with the latest developments in banking concerning the common persons so as to develop effective relationships with these agencies and provide meaningful financial education;
9. Counsellors should participate in farmers' meets organized by the above organizations and utilize the occasion to address the gathering to spread financial literacy;
10. Counsellors will liaise with NGOs/other organizations /Government departments who are actively involved in any relief work/development work/social welfare measures in the area;

11. Pamphlets/posters on the functioning of `FAFLCs` can be distributed for creating awareness with the help of the Government Agencies /LDMs/NGOs etc. while participating in their meetings etc.;
12. FAFLC Counsellors can assist farmers in preparing of Project report for availing various subsidies/assistance from Government agencies and Banks;
13. FAFLCs can serve as a information centre on various loan schemes, and subsidies of different Banks/Government Departments;
14. Wherever possible, the Counsellor will also participate in the DCC/DLRC meetings to sensitize the members about the role of `FAFLCs`;
15. Based on local conditions, FAFLCs may take up, with the approval of the trust, any such activity that promotes financial literacy, awareness of the banking services, financial planning and amelioration of debt-related distress of an individual.
16. Product of the parent bank shall not be promoted through the FLCs. However, if any individual propose to avail any of the bank's services/products, the same shall not be refused.

3.6.6 Functions of the Consultant; Duties of Counsellors and office assistants

The Consultant shall be responsible for carrying out the activities of FAFLCs as per the terms of the Agreement with the trust as well as the guidance provided by it. The Consultant should ensure that the FAFLC provide financial literacy in the manner required and laid down by the trust. The responsibilities would include

- (i) Systematically interacting with both individuals and targeted groups in taking forward the activities
- (ii) Establishing contacts with local authorities, other community service organizations, schools, NGOs like Kudumbasree, Lead Bank officials and eliciting their cooperation in conducting of the activities of the FAFLC.
- (iii) Undergo training programmes/ attend workshops/seminars conducted by RBI, Settlor bank etc. as required by the trust. Consultant is also required to depute the Counsellor employed by him for training as required by the trust.
- (iv) Offer themselves as resources persons in the financial literacy initiatives of the above organizations/ authorities.
- (v) It is the duty of the Consultant to forward monthly expenses report supported by the vouchers, invoices and other notes if any along with the activities report of the FAFLC to the Authorised Officer
- (vi) Ensure that all the other returns/ statements called for by the trust are submitted promptly
- (vii) Maintain proper records and registers as required by the trust

- (viii) Offer all the records of FAFLC for scrutiny by the trustees, designated officers of the settlor, inspecting officials of the settlor/trustee or the Reserve Bank and provide full information called for by the inspecting officials expeditiously.

Personnel to be appointed by the Consultant

- a. One Counsellor and*
- b. One Office assistant*

Duties of Counsellor

It would be primarily through the Counsellor that the FAFLC undertakes its mission of spreading financial literacy and improving financial access to the common people. The Counsellor should familiarise himself with the comprehensive “Financial Literacy Guide” issued by the Reserve Bank, a copy of which will be provided to the FAFLC. The Guide contains Guidance Note for Trainers, Operational Guidelines for conduct of Financial Literacy Camps & Financial Literacy Material as also a Financial Diary and a set of 16 posters.

The Financial Literacy Guide contains operational guidelines which clearly spell out the manner in which Financial Literacy Camps should be conducted so as to synchronise it with providing financial access and thus linking the financially excluded section with the banking system. The objective of Financial Literacy material is to aid creating financial awareness and educate common people on management of money, importance of savings, advantages of saving with banks, other facilities provided by banks and benefits of borrowing from banks.

The Financial Diary has been prepared for distribution to the target audience with the objective of enabling them to keep a record of their income and expenses leading to better financial planning and understanding of how they spend.

The posters with simple and appealing slogans, which communicate the messages of money management, savings, borrowings and basic banking products pictorially, may be displayed prominently before, during and after the Financial Literacy Camps. The Counsellor is required to use the above material as the guide to follow.

The financial counsellor employed by the Consultant at the FAFLC has a crucial role to play as a friend, philosopher and guide to persons in the area who suffer for want of access to financial products offered by the formal financial sector including banks. His job profile requires of him to be knowledgeable about the various financial products, schemes of government and bank, customer rights and duties etc. He is not expected to recommend any particular financial product, but make people aware of the various products to empower them with knowledge to

choose the product most suited to his needs. FAFLC Counsellor is not certainly an Investment Advisor. He has to scrupulously avoid a situation where the FAFLC could be accused of selling or mis-selling of any financial product.

The aspects covering the responsibilities of the Counsellor, compliance of which should be ensured by the Consultant, are outlined below:

- (i) Comply with the instructions issued by the Consultant.
- (ii) Responsible to undertake financial literacy activities strictly as per the guidelines issued to him
- (iii) Maintain prescribed registers and records and provide required statistics and statements on FAFLC's activities.
- (iv) Co-operate with respect to reviews, evaluations and development activities relating to FLC
- (ix) Co-operate with the audit and inspection conducted by Trust's internal / external auditors.
- (x) Prepare and submit report on case studies and impact analysis every quarter. The consultant should submit the case studies and impact analysis prepared by the Counsellors to the Trust.
- (xi) Submit quarterly report of activities undertaken by him to the Consultant within 3 days from the end of every quarter as per the format prescribed by the trust. The Consultant, after verification must forward the same to the trust.
- (xii) Provide all records and render assistance to the representatives of trustees/settlers, regulatory bodies to inspect the working of the FALCC and its records.
- (xiii) Other duties as directed by the Consultant.

Duties of the Office Assistant

The office assistant shall assist in the proper maintenance of the office premises and attend to the Consultant and Counsellor as a subordinate staff.

4 Guidelines on Credit Counselling and preparation of Debt Management Plans

4.6 Trust to use their discretion in the matter of permitting FAFLCs to offer credit counselling and debt management services.

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. Banks operating in the district may be requested, through the Trust Secretariat to sponsor, wholly or partly, such seminars in areas predominantly covered by them

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. Care should be taken to ensure that no wilful defaulter is provided this service.

4.2 Operational aspects of Curative Credit Counselling.

1. Lending institutions in the area may be informed about the service offered by the FAFLC and may be requested to encourage its borrowers/ customers in financial distress to approach the FAFLC for credit counselling.
2. Information about the FAFLCs shall be provided through the various forums available under the Lead Bank Scheme. Banks may be persuaded by the FAFLC to refer cases, where there are early warning signals, to the counselling centre before taking measures for recovery.
3. Timely intervention by the bank and the FAFLC should be aimed to arrest any further financial deterioration of the borrower.
4. The FAFLC in consultation with the Trustees and the Authorised officer shall refer cases to banks/financial institutions and work out Debt Management Plans for distressed borrowers with a view to facilitating restructuring/ rescheduling their debts.
5. The FAFLCs could assist the distressed borrower, in consultation with the Trustees and the Authorised officer in negotiating with the bank concerned. In case of multiple loans availed of by individuals, the FAFLCs may negotiate with

the bank/s having the largest exposure to restructure the debt and the recoveries to be shared on a pro-rata basis.

6. For the above purpose, and if deemed necessary, the FAFLCs may call for a joint meeting with the concerned bank/banks for putting forward their concerns / proposals for restructuring of debts. The Trustees and the Authorised officer should be consulted in all these matters.
7. FAFLC's role ends with making recommendations to the bank in specific cases and it is for the bank concerned to make their independent decision to accept the recommendation in its original form or in such other modified form as deemed fit. FAFLC should not make any comments/ pass any opinion on the decision taken by the bank concerned.
8. In case of non-acceptance or rejection by the bank concerned of restructuring proposals, the FAFLC should ascertain the reasons for such rejection and record the same in the Proposals Sent Register.

The FAFLCs should never involve themselves in recovering and distributing such recoveries.

4.3 Credit Counselling Process

Credit counselling is a process that is geared toward educating candidates on the role of bank finance to meet their production and life cycle needs and the circumstances and limits up to which credit may be resorted to. The candidate will be informed about the types of bank finance, their real cost and, in a simple manner, technical aspects like margin, security, documentation etc. He would be counselled on the type of finance appropriate to his need. It would also focus on how to avoid incurring debts that they cannot pay back. Credit counselling helps candidates learn the need to apply credit purposefully and ways to repay their debt through careful budgeting and management of money. In short, credit counselling would aim to teach common people their credit options and inculcate good credit culture among them.

During the credit counselling session, the counsellor may assess the current financial situation of the candidate and inform the candidate, the advantages of responsible borrowings and inform them about the dangers involved in availing private finances from unauthorized persons and institutions. The candidate is also informed about the options available to him to sort out the financial issues. To attain the desired results, the candidate may also be introduced to educational material available, financial education classes conducted by the FAFLC in his area;

Credit counselling may also require of the Counsellor to expand his role by helping the candidate with a Debt Management Plan (DMP). A DMP may help the debtor repay his or her debt in a more timely fashion, by working out a

repayment plan with the creditor. DMPs, designed by credit counsellors for the consideration of the lending bank, may seek reduced payments (which make the monthly payments more manageable for the debtor), fees and interest rates to the candidate. Credits counsellors may prepare the DMPs taking into account the possible postponement/reductions/ waiver of payments of instalments/ interest which the lending bank is likely to agree as per its policy. But, if any further reductions are warranted in a specific case, the restructuring proposals should clearly bring out the reasons for recommending such reductions for consideration by the higher authorities in the bank.

The FAFLC should undertake preparation of DMP and the further actions related to it only in consultation with the Trustees and the Authorised Officer.

4.4 Counsellor's Role during the Counselling Session

- Reduce the distressed borrower's anxiety level.
- Help the borrower/ candidate to be on the right track to practice financial behaviours that will bring personal success and increase happiness.
- Impress upon the candidate the importance of saving and money management. Inculcate in him the necessary knowledge and skill for budgeting of family income, expenses, savings and investments.
- Provide him education on aspects of credit relevant to him.
- Assist in planning for increasing savings/returns.
- Provide information to manage money pre - post retirement without anxiety.

4.5 Forms to be prepared during the Curative Credit counselling Session

The Counsellor has to collect adequate information from the candidate to assess his personal, social and financial position for the purpose of undertaking effective credit counselling. He has to use his discretion in collection of only such information which is really needed. The request form in the following format may be taken from the candidate who approaches the FAFLC for curative credit counselling.

Federal Ashwas Financial Literacy and Counselling Centre (FAFLC)

Counselling Session Request Form

Name of the Centre:

1	Name in full					
2	Contact Telephone Nos.					
	Residential		Office		Mobile No	
3	Residential Address		Office Address			
4	E mail ID:		Date of Birth			
5	Profession/Business					
6	No. of members in family including dependents					
7	Monthly income (self)	Gross				
		Net				
8	Monthly income (spouse)	Gross				
		Net				
9	Monthly expenses					
10	Whether present accommodation is rented or owned? If rented, monthly rentals paid					
11	Details of borrowing including outstanding under Credit Cards/personal loans and names of lenders					
	Name of Bank/ Branch/ Lender	Nature of loan purpose- rate of interest	Amount of Original of Loan	Present outstanding	Present Overdues	Date when last amount was paid
12	Monthly dues required to be paid					
13	Monthly dues that can be paid at present					
14	Approximate value of assets	Immovable assets				
		Deposits/investments				

		Other movable assets	
15	Reason/s which caused repayment problem if necessary please furnish the details in a separate letter		
16	How do you intend to resolve the problem including your future plans?		

I herein declare that:

- i) The above information is true and correct and I have not misreported or concealed any fact.
- ii) The subject matter of the present case has not been decided by any forum/court/Arbitrator.
- iii) I am aware that the advice tendered by the Counsellors will be recommendatory in nature and will not be binding on me or the bank which has extended credit facility to me.
- iv) I authorize the Counsellors to disclose any such information/documents furnished by me to the banks and disclosure whereof are, in their opinion, necessary.

Place:

Date:

Signature of borrower

List of Documents to be submitted with the request form

1. Copy of latest salary slip both self and spouse, if spouse is employed
2. Copy of rental receipts of residential accommodation, if applicable
3. Copies of latest Credit Card/Loan Account Statements

5. Operational Guidelines by RBI on 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.

In this regard, FLCs and rural branches should identify different target groups at the ground level and conduct camps for a homogenous audience so that there could be more focus and in depth transmission of financial education.

RBI vide their circular no. FIDD.FLC.BC.No.22/12.01.018/2016-17 has revised the approach for conducting of financial literacy camps by FLCs. Operational guidelines for FLCs on conduct of special camps are as follows;

1. FLCs may conduct **Target specific camps** for the following segments;

- Farmers
- Self Help Groups
- School Children
- Senior Citizen
- Micro & Small Entrepreneurs

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

2. FLCs may conduct **two special camps per month** in two Gram Panchayats (once in every fortnight). FLCs may utilize the posters and flyers prescribed by RBI for propagating the UPI and USSD platforms. The focus of the camp should be on process literacy through demonstrations of UPI and *99# (USSD). People should be encouraged to register and get on board the digital platforms. The calendar for each quarter (6 camps per quarter) may be prepared in advance by each FLC and shared with the SLBC and Regional Office concerned of RBI. DCCs/BLNCs may discuss the conduct of special camps by FLCs as a separate agenda item in the quarterly DCC/BLBC meetings and provide necessary support in terms of identifying public places where camps can be held, enabling participation of bankers and public authorities for a concerted approach, giving publicity to camps and continuous monitoring of conduct of the camps by the FLCs.

Target: Two special camps per month on UPI and USSD by each FLC


