

# SF3-IN Interest Rate Policy

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**BMW India Financial Services**

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## 1 Introduction

The Board of Directors of BMW India Financial Services Private Limited (“Company”) have approved the Interest Rate Policy which outlays the internal procedures in determining interest rates as per the requirement of the Reserve Bank of India. Reserve Bank of India had vide its Circular DNBS / PD / CC No. 95/ 03.05.002/ 2006-07 dated May 24, 2007 advised that Boards of NBFCs to lay out appropriate internal principles and procedures in determining interest rates, processing and other charges. This was considered in view of the several complaints RBI received regarding levying of excessive interest and charges on certain loans by NBFCs.

While reiterating these guidelines vide their circular DNBS (PD) C.C. No. 133 /03.10.001/ 2008-09 January 2, 2009, RBI further advised the NBFCs to adopt appropriate interest rate model taking into account relevant factors and to disclose the rate of interest, gradations of risk and rationale for charging different rate of interest.

## 2 Key Commitments and Declarations

Keeping in view the RBI guidelines as cited above, the following internal guiding principles and interest rate model are therefore laid out that need to be taken cognizance of while determining interest rates and other charges.

The interest rates for each of the loan product would be decided by Asset and Liabilities Committee (ALCO) or its empowered subcommittee National Risk Committee (NRC) from time to time.

- The average yield on product and minimum rate of interest under each product line would be decided from time to time by the above mentioned empowered Committees.
- These rates would be based on the cost of borrowed funds, matching tenor cost, market liquidity, refinance avenues, RBI policies on credit flow, offerings by competition, tenure of customer relationship, market reputation, cost of disbursements, cost of capital required, inherent credit and default risk in the products and customer per se arising from customer segment, profile of the customers, professional qualification, stability in earning and employment, subventions and subsidies available, deviations permitted, ancillary business opportunities, future potential, group strength and value to lender group, overall customer yield, nature and value of primary and collateral securities, past repayment track record of the customers, external ratings of the customers, industry trends, switchover options, canvassed accounts etc.
- The Company shall adopt discrete interest rate model / policy whereby the rate of interest for same product and tenor availed during same period by customers

would not be a standardized one but could be different for different customers depending upon consideration of any or combination of a few or all factors listed out in above point.

- The annualized rate of interest would be intimated to the customer.
- The interest rates would be offered on fixed, floating, variable basis.
- The interest re-set period would be decided by the Company from time to time.
- The interest would be charged on monthly or longer rests.
- Interest rates would be intimated to the customers at the time of sanction/ availing of the loan and the EMI apportionment towards interest and principal dues would be made available to the customer.
- The interest shall be deemed payable immediately on debits and no grace period for payment of Interest unless otherwise specifically mentioned in the finance agreement entered / to be entered with the customer.
- Besides normal interest, the Company may levy additional interest for adhoc facilities, penal interest for any delay or default in making payments of any dues. These additional or penal interests for different products or facilities would be decided by the above mentioned committees.
- Interest changes would be prospective in effect and intimation of change of interest or other charges would be communicated to customers in a mode and manner deemed fit.
- Besides interest, other financial charges like processing fees, cheque bouncing charges, pre payment/ foreclosure charges, part disbursement charges, cheque swaps, cash handling charges, RTGS/ other remittance charges, commitment fees, charges on various other services like issuing NO DUE certificates, NOC, letters ceding charge on assets/ security, security swap & exchange charges etc. would be levied by the Company wherever considered necessary.
- Besides the base charges, the service tax and other government charges would be collected at applicable rates from time to time. Any revision in these charges would be from prospective effect. These charges would be decided by the above mentioned committees.
- In case deemed fit the Company may consider necessary moratorium for interest payment and repayment of principal with proper built in pricing.

- The interest rate models and other charges applicable from time to time to be hosted on the website (after it is developed and available) and updated from time to time.
- In case of staggered disbursements, the rates of interest would be subjected to review and the same may vary according to the prevailing rate at the time of disbursements or as may be decided by the Company.
- No claims for refund or waiver of such charges/ penal interest / additional interest would normally be entertained by the Company and it is the sole discretion of the Company to deal with such requests, if any.