

## **COMPLIANCE POLICY**

**(Approved by the Board of Directors on 21<sup>st</sup> December, 2023)**

The Compliance Policy aims at managing compliance risk and also oversees its implementation besides ensuring that compliance issues are resolved effectively and expeditiously with the assistance of compliance staff.

### **OBJECTIVES**

The purpose of the compliance function and compliance policy is to ensure the compliance of the applicable regulations /norms of RBI in both letter and spirit in a sustainable manner.

#### **The objectives of Compliance Policy are:**

1. To introduce, standards and procedures relating to compliance functions, which are in line with international and national practices.
2. To propagate Compliance Function as an integral part of Governance, Internal Control and Risk Management Process.
3. To enlighten all constituents for initiating preventive measures for mitigating compliance risk.
4. To prevent Material Financial Loss or Loss to Reputation, which the Company may suffer owing to failure to comply with Laws, Regulations, Rules, Relating to Regulatory Organizations; Standards and Code of Conducts applicable to NBFC Activity.
5. To frame NBFC compliance functions, which would help Senior Management and the Board of Directors in recognising the legal and reputation risks in the NBFC which required to be monitored for mitigating compliance risk.
6. To introduce a healthy compliance culture within the organization so that compliance functions are effectively complied with.

The Policy on Compliance will be reviewed as and when deemed fit and necessary by the Board in the context of changing regulations and emerging best practices with a view to enhancing the company's compliance.

## **SCOPE AND COVERAGE OF COMPLIANCE FUNCTION**

Compliance Function shall ensure strict observance of all statutory and regulatory requirements as may be applicable to the company under various RBI regulations & norms including standards of market conduct and managing conflict of interest. The purpose of the Compliance Function is to assist the company in managing its compliance risk which can be defined as “the risk of legal or regulatory sanctions, material financial loss or loss of reputation which an NBFC may suffer, as a result of its failure to comply with laws, regulations, rules and codes of conduct, etc., applicable to its activities”.

## **COMPLIANCE FUNCTIONS**

Compliance Functions shall have the following activities at the minimum:

- a)** Assist the Board and the Senior Management in overseeing the implementation of Compliance Policy, including policies and procedures, prescriptions in Compliance Manuals, internal codes of conduct, etc.
- b)** Play the central role in identifying the level of Compliance risk in the company. The Compliance risks in existing/ new products and processes shall be analysed and appropriate risk mitigants put in place.
- c)** Compliance Function shall monitor that all guidelines and regulations issued by the concerned regulators shall be strictly complied with in letter and spirit.
- d)** Ensure compliance of regulatory/ supervisory directions given by RBI and Risk Mitigation Plan (RMP) / Monitorable Action Plan (MAP) in both letter and spirit in the best possible manner.
- e)** Attend to compliance with directions from other regulators in cases where the activities of the company are not limited to the regulation/supervision of RBI. Further, discomfort conveyed to the company on any issue by other regulators, and action taken by any other authorities / law enforcement agencies, shall be brought to the notice of RBI.

### **Compliance Structure:**

The compliance function is an integral part of effective governance along with the internal control and risk management processes. The structural set up of the compliance function shall be consistent with the organisational needs. The Compliance function shall be headed by a Chief Compliance Officer (CCO) and shall consist of such number of professionals other than the CCO, as may be

required to effectively manage the compliance obligations of the company. The Function shall include staff with basic qualifications and practical experience in business lines / audit & inspection functions, who are knowledgeable in legal crossregulation, policy and products. The Compliance responsibilities pertaining to the specific area of work shall be exercised by staff of the respective departments, viz. Operations, Accounts, IT, HR etc. The departments concerned shall hold the prime responsibility to ensure the adherence to the statutory provisions and regulations applicable to their role in the company. However, the Compliance Function would need to ensure overall oversight.

### **Compliance Program**

The compliance function shall put in place an effective Compliance Program where all Risk Mitigation Plan (RMP) / Monitorable Action Plan (MAP) points are complied with within the timelines prescribed.

### **Authority**

The CCO and Compliance Function shall have the authority to communicate with any staff member and have access to all records or files that are necessary to enable her / him to carry out entrusted responsibilities in respect of Compliance issues.

### **Internal Audit & Independent Review of Compliance Function**

The internal audit shall cover the compliance function/risk in the internal audit reports. Further the CCO shall be kept informed of audit findings related to Compliance, which shall serve as a feedback mechanism for assessing the areas of Compliance failures.

### **Qualifications & Staffing of Compliance Function**

The Compliance function shall be headed by a Chief Compliance Officer (CCO) and shall consist of such number of professionals other than the CCO, as may be required to effectively manage the compliance obligations of the company. The Function shall include staff with basic qualifications and practical experience in business lines / audit & inspection functions, who are knowledgeable in legal crossregulation, policy and products. The Compliance responsibilities pertaining to the specific area of work shall be exercised by staff of the respective departments, viz. Operations, Accounts, IT, HR etc. The departments

concerned shall hold the prime responsibility to ensure the adherence to the statutory provisions and regulations applicable to their role in the company. However, the Compliance Function would need to ensure overall oversight.

### **Supervisory Focus**

The Chief Compliance Officer shall have good understanding of the industry and risk management practices, knowledge of regulations, legal requirements, and have sensitivity to Supervisory expectations

### **Compliance Risks**

“Compliance risk” is the risk of legal or regulatory sanctions, financial loss, or loss to reputation an organization may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to its activities. Compliance risk management is the process of the identification of the risks that a business can face in relation to its legal compliance, and developing internal policies and procedures to better manage the risks associated with non-compliance. The importance of compliance risk assessment lies in analyzing the compliance risks and taking precautionary steps to avoid and control such risks.

The Risk Management department shall in co-ordination with the Compliance department, carry out the Compliance risk assessment in order to identify and assess major Compliance risks faced by the company and prepare a plan to manage the risks. The review shall ensure coverage of the following aspects:

- i) Compliance failures, if any, and consequential losses and regulatory action, as also steps taken to avoid recurrence of the same;
- ii) Compliance with fair practices codes and adherence to standards set by selfregulatory bodies and accounting standards; and iii) Progress in the rectification of significant deficiencies and implementation of recommendations pointed out in various audits and regulatory inspection reports.

## **7. CHIEF COMPLIANCE OFFICER AS A NODAL POINT OF CONTACT**

The company shall appoint a Chief Compliance Officer (CCO), who should be sufficiently senior in the organization hierarchy as per the requirement of the

RBI Scale Based Regulation issued vide Circular no. DOR.CRE.REC.No.60/03.10.001/2021-22 dated October 22, 2021 and the Circular on Compliance Function and Role of Chief Compliance Officer (CCO) vide Circular no. Ref.No.DoS.CO.PPG./SEC. 01/11.01.005/2022-23 dated April 11, 2022.

The tenure of Chief Compliance Officer shall be three years which may be renewed for further terms of three years by the Board of Directors of the Company.

### **ROLE OF CHIEF COMPLIANCE OFFICER (CCO)**

1. CCO shall ensure strict observance of all statutory and regulatory requirements of the NBFC, including standards of market conduct, managing conflict of interest, treating customers fairly and ensuring the suitability of customer services.
2. The Board/Audit Committee shall ensure that an appropriate Compliance policy is put in place and implemented.
3. The NBFC shall lay down a Board – approved Compliance Policy clearly spelling out its Compliance philosophy, expectations on Compliance culture, structure and role of Compliance function, the role of CCO, processes for identifying, assessing, monitoring, managing and reporting on Compliance risk.
4. The Compliance Department shall be headed by the Chief Compliance officer. There shall not be any dual hatting i.e. the CCO shall not be given any responsibility which brings elements of conflict of interest, especially any role relating to business.
5. The Company shall carry out an annual Compliance risk assessment in order to identify and assess major Compliance risks faced by them and prepare a plan to manage the risks.
6. Compliance risk shall be included on the risk assessment framework of the Internal Audit Function, and Compliance Function shall be subject to regular internal audit.

### **BOARD OF DIRECTORS MEETINGS AND REVIEW**

The Board of Directors, at their meetings, shall oversee the implementation of the compliance management system and review its functioning periodically.

The above policy was approved by the Board on 21<sup>st</sup> December, 2023.