

FAIR PRACTICES CODE

This Fair Practices Code has been framed with a view to providing to all its stake holders, especially customers an effective overview of the practices followed by the Company while offering its products and services. This Fair Practices Code has been prepared taking in to account the “Guidelines on Fair Practices Code for NBFCs” issued by the Reserve Bank of India updated from time to time and aims to enable customers to take informed decisions in respect of the facilities and services offered by the Company.

I. OBJECTIVES OF THE CODE

This Code has been drawn up to:

- a. Adopt the best practices in dealing with customers.
- b. Provide to the customers effective overview of practices followed by the Company in respect of financial facilities and services offered by the Company to its Customers.
- c. Enable customers to take informed decision about the financial facilities and services offered by the Company.
- d. Promote good, fair, transparent and legally tenable practices by setting minimum standards in dealings with customers.
- e. Enable customers to have better understanding of what they can reasonably expect of the services offered by the Company.
- f. Reckon with market forces, through competition and strive to achieve higher operating standards.
- g. Foster fair and cordial relationship between the customers and the Company.

The Fair Practices Code adopted by the Company covers the following areas.

1. Applications for loans and their processing.
2. Loan appraisal and terms/conditions.
3. Disbursement of loans, including changes in terms and conditions.
4. Disclosures about interest rates and approach for gradation of risk.
5. Policy on KYC, Appraisal, insurance, storage of securities, Auction etc.
6. Confidentiality.
7. Grievance redressal mechanism
8. General Provisions

II. APPLICATIONS FOR LOANS AND THEIR PROCESSING

- (a) All communications to the borrower shall be either in English or in vernacular language or in a language as understood by the borrower
- (b) Loan application forms issued by the Company shall include necessary information affecting the interests of the borrower, which will enable him to take an informed decision by comparing the terms and conditions with that of other similar NBFCs, and shall also indicate the documents required to be executed/submitted by the borrower.
- (c) If any additional documents/information are required from the Customer, the same shall be communicated to the Customer immediately.

III. LOAN APPRAISAL AND TERMS AND CONDITIONS

- a. The borrower shall be given a loan sanction letter and copy of the loan document together with annexures/enclosures quoted therein in vernacular language or a language as understood by the borrower which shall include the details of the loan such as amount sanctioned, annualized interest rate, method of application thereof and any other terms and conditions.
- b. The penal interest that will be charged for late payment shall be mentioned in bold letters in the sanction letter/loan document.
- c. An acknowledged copy of the sanction letter shall be kept as part of the document.
- d. Subject to receipt of all the requisite information and completion of documentation and creation of charge over the security, loan applications shall be disposed of in the normal course on the same day of receipt of the application form complete in all respects. . However, if there is any delay in sanctioning the loan beyond the period of 1 day due to reasons like field verification etc, customer shall be given an acknowledgement for receipt of the application also indicating the time frame within which the loan application will be disposed of. The customer shall be kept informed of the status of his application.

(A) Non-Coercive Methods of Recovery

As specified in the NBFC-MFIs (Reserve Bank) Directions, 2011, recovery should normally be made only at a central designated place. Field staff shall be allowed to make recovery at the place of residence or work of the borrower only if borrower fails to appear at central designated place on two or more successive occasions.

NBFC-MFIs shall ensure that a Board approved policy is in place with regard to Code of Conduct by field staff and systems for their recruitment, training and supervision. The Code should lay down minimum qualifications necessary for the field staff and shall have necessary training tools identified for them to deal with the customers. Training to field staff shall include programs to inculcate appropriate behavior towards borrowers without adopting any abusive or coercive debt collection / recovery practices. Compensation methods for staff should have more emphasis on areas of service and borrower satisfaction than merely the number of loans mobilized and the rate of recovery. Penalties may also be imposed in cases of non-compliance by field staff with the Code of conduct. Generally only employees and not out sourced recovery agents be used for recovery in sensitive areas.

(B) Internal control system

As the primary responsibility for compliance with the Directions rests with the NBFC-MFIs, they shall make necessary organizational arrangements to assign responsibility for compliance to designated individuals within the company and establish systems of internal control including audit and periodic inspection to ensure the same.

(C) Lending against collateral of gold jewellery

While lending to individuals against gold jewellery, NBFCs shall adopt the following in addition to the general guidelines as above.

(i) They shall put in place Board approved policy for lending against gold that should inter alia, cover the following:

- a. Adequate steps to ensure that the KYC guidelines stipulated by RBI are complied with and to ensure that adequate due diligence is carried out on the customer before extending any loan,
- b. Proper assaying procedure for the jewellery received,
- c. Internal systems to satisfy ownership of the gold jewellery,
- d. Adequate systems for storing the jewellery in safe custody, reviewing the systems on an on-going basis, training the concerned staff and periodic inspection by internal auditors to ensure that the procedures are strictly adhered to. Normally, such loans should not be extended by branches that do not have appropriate facility for storage of the jewellery,
- e. The jewellery accepted as collateral should be appropriately insured,
- f. Transparent auction procedure in case of non-repayment with adequate prior notice to the borrower. There should be no conflict of interest and the auction process must ensure that there is arm's length relationship in all transactions during the auction including with group companies and related entities,
- g. The auction should be announced to the public by issue of advertisements in at least two newspapers, one in vernacular language and another in national daily newspaper,
- h. As a policy, the NBFCs themselves should not participate in the auctions held,
- i. Gold pledged will be auctioned only through auctioneers approved by the Board,
- j. The policy shall also cover systems and procedures to be put in place for dealing with fraud including separation of duties of mobilization, execution and approval.

(E) The loan agreement shall also disclose details regarding auction procedure.

IV. DISBURSEMENTS OF LOANS INCLUDING CHANGES IN TERMS AND CONDITIONS

- a. The loan shall be disbursed on executing the necessary documents and completion of the formalities regarding creating a charge over the security offered by the borrower. Any change in the terms and conditions including interest rates, service charges, prepayment charges etc. shall be informed to the borrower in the vernacular or a language known to the borrower. Any changes in interest rates and charges shall be only prospective. A suitable condition in this regard shall be incorporated in the loan document obtained from the borrower.
- b. Decision to recall/accelerate payment or performance shall be as per the covenants in the loan document.
- c. The Company shall release all securities on repayment of all dues or on realization of the outstanding amount of loan subject to any legitimate right or lien for any other claim the Company may have against borrower. If such right of set off is to be exercised, the borrower shall be given notice about the same with full particulars about the remaining claims and the conditions under which the Company is entitled to retain the securities till the relevant claim is settled / paid.

V. RATE OF INTEREST

- a. The Company shall frame appropriate internal policies and procedures for determining the interest rates and processing and other charges, if any and also ensure that they are not excessive. The Company shall, at the time of disbursement, ensure that the interest rate and other charges, if any, on loan and advances are in strict adherence to above referred internal policies and procedures.
- b. The rate of interest will be annualized rates so that the borrower is aware of the exact rates that would be charged on the loan.
- c. The information published in the website shall be updated whenever there is change in the rates.
- d. The rate of interest and the approach for gradation of risk and rationale for charging different rates of interest to different schemes shall be disclosed in the application form and also communicated explicitly in the sanction letter issued to the borrower.
- e. The rates of interest and the approach for gradation of risk shall also be made available on the website.
- f. Interest rate slab changes meant to encourage timely interest payment, levying of additional interest for discouraging loans from crossing the sanctioned period etc, shall be mentioned clearly in the loan agreement.
- g. No Pre-payment penalties/foreclosure charges will be levied on gold loans in the normal course. In case such charges are applicable for any scheme, it will be disclosed in the sanction letter.

VI. POLICY ON KYC, APPRAISAL, INSURANCE, STORAGE OF SECURITIES, AUCTION ETC.

The Company shall put in place a policy duly approved by the Board covering the following aspects:

- a. Adequate steps to ensure that the KYC guidelines stipulated by RBI are complied with and to ensure that adequate due diligence is carried out on the customer before extending any loan.
- b. Proper appraisal procedure for assessing the value and purity of the jewellery accepted as collateral security.
- c. Declaration shall be obtained from the borrower confirming ownership of gold jewellery.
- d. All branches shall have proper storage facility of either Strong Rooms or Safes conforming to ISI Standards of approved make to store the jewellery in safe custody. The sets of keys to the strong room/safe shall be held separately by two officials and the operations thereof shall be done jointly. The staff shall be imparted training on a continuous basis to ensure that the guidelines covering security issues are strictly adhered to. The gold items shall be periodically inspected by the internal auditors to ensure quality, quantity and proper storage.
- e. The jewellery accepted as collateral security shall be adequately and appropriately insured. The auction procedure in case of non – repayment shall be transparent. Prior notice to the borrower shall be given before the auction and there shall not be any conflict of interest. The auction process shall ensure that an arms length relationship in all transactions during the auction is maintained including with group companies and related entities. The details regarding procedure for auction shall be disclosed in the loan document for availing the loan. The auction will be only through auctioneers approved by the Board and the Company shall not participate in the auction. The auction shall be announced to the public by issuing advertisements in at least two newspapers, one in vernacular language and the other in a national daily newspaper.
- f. Any fraud in the functioning of the Company shall be enquired into by the appropriate authority and suitable punitive measure shall be taken by the appropriate disciplinary authority. Any review of the decision of the disciplinary authority shall be carried out by the Managing Director

VII. CONFIDENTIALITY

- a. Unless authorized by the borrower, the Company will treat all personal information as private and confidential.
- b. The Company may not reveal transaction details of the borrowers to any other persons except under following circumstances.
- c. If the Company is required to provide the information as per regulatory directives to any statutory or regulatory body or bodies.
- d. If arising out of a duty to the public to reveal the information.
 - iii). If it is in the interest of the borrowers to provide such information (eg. Fraud prevention).
- e. If the borrower has authorized the Company to provide such information to its group/associate/entities or Companies or any such person/entity as specifically agreed upon.

VIII. GRIEVANCE REDRESSAL MECHANISM

Towards ensuring redressal of disputes arising out of decisions of the functionaries of the Company, the following mechanism is put in place:

- a. The decisions of any official below the Branch Manager shall be heard and disposed of by the Branch Manager.
- b. Decisions of Branch Managers shall be heard and disposed of by the Regional Manager.
- c. If not satisfied with the decision of the Regional Manager, the customer has the option to escalate the matter to Grievances Redressal Cell at the Company's Head Office at Kochi.
- I. Customer Grievances Redressal Cell at the Company's Head Office at Kochi will be headed by an official not below the grade of Asst. General Manager who will be designated as the Grievance Redressal Officer by a Management Committee consisting of the Chief General Manager and the General Manager(Operations). Complaints received directly and appeals against the decisions of Regional Managers on complaints handled by him shall be heard and disposed of by the Grievances Redressal Officer.
- II. The contact details of the Grievance Redressal Officer as also that of the Regional Office of the Reserve Bank of India shall be displayed in all the Branches for the benefit of customers. If the complaint/dispute is not redressed within a period of one month, the customer may appeal to the Officer-in-Charge of the Regional Office of DNBS of RBI as per the contact details displayed in the branch.
- III. Proper training shall be imparted to staff on an ongoing basis with a view to improving staff behavior and customer service.
- IV. The compliance of the fair practices code as well as the functioning of the Customer Grievances Redressal Cell shall be reviewed by the Executive Director on a Quarterly basis and a consolidated report of such reviews shall be placed before the Board of Directors.

IX. GENERAL PROVISIONS

- a. The Company shall refrain from interfering in the affairs of the borrower except for the purposes provided in the terms and conditions of the letter of undertaking (unless new information, not earlier disclosed by the borrower, has come to the notice of the Company).
- b. The Company will not entertain any request for transfer of borrowed accounts as this is not practicable in the case of loans granted against collateral of gold jewellery.
- c. In the matter of recovery of loans, the Company shall not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans etc. The staff of the Company shall be adequately trained to deal with the customers in an appropriate manner so as to ensure proper behaviour.
- d. The Company will call delinquent customers between 0900 hrs to 1800 hrs unless special circumstances of the borrower's business require to call them otherwise outside the hours mentioned.

X. A PERIODICAL REVIEW OF THE FAIR PRACTICES CODE AND FUNCTIONING OF THE GRIEVANCES REDRESSAL MECHANISM AT VARIOUS LEVELS OF MANAGEMENT WOULD BE UNDERTAKEN BY THE COMPANY AT YEARLY INTERVALS AND A CONSOLIDATED REPORT OF SUCH REVIEWS SHALL BE SUBMITTED TO THE BOARD OF DIRECTORS IN JANUARY EVERY YEAR.

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SIGNATURE :

CHECKED BY : SUJAN MATHEW(COO)

SIGNATURE :

VERIFIED BY : RAJAN K XAVIER(DIRECTOR OPERATION)

SIGNATURE :

APPROVED : ELBY THOMSON(MD & CEO)

SIGNATURE