SATYA MICROCAPITAL LIMITED

Risk Management Policy

Version 1.3

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1. Introduction & Objectives

SATYA is registered as a Non-Banking Financial Institution under section 45 I A of the Reserve Bank of India (RBI) Act, 1934. As per the registration granted to SATYA it is currently classified as a Non-Banking Finance Institution that may not accept public deposits.

SATYA started its microfinance operations by adopting the "Joint Liability Group (JLG) Model" with adequate use of technology and new adaptations.

Financial services business involves various types of risks like strategic risk, operational risk (Including technology risk), Financial risks (including liquidity & credit risk), Compliance/ Regulatory & Legal risk, Reputational risk, Investment risk, Interest Rate risk, Market risk, Concentration risk etc. which, if not managed properly, could lead to disruption in business and impact the attainment of main objectives of the organization. Risk management works towards identifying and managing threats that could adversely impact the organization. This involves reviewing operations, processes & procedures of the organization, identifying potential threats and likelihood of their occurrence, and taking appropriate actions to address the most likely threats.

Primary goal of risk management is to ensure that the enterprise's asset and liability profile, its trading exposures and its operational & business activities do not expose it to losses that threaten the viability of the enterprise. In all circumstances, all activities giving rise to risk must be identified, measured, managed and monitored.

Objectives of this policy includes:

- Establish methodologies for identification, measurement and management of risk.
- To build profitable and sustainable business with conservative risk management approach.
- To have risk management as an integral part of the organization's business strategy.
- To manage the risks proactively across the organization.
- To develop a strong risk culture across the organization.

2. Target Audience

The members of the Board, Risk Department, Finance Department, and ALCO shall be the primary audience for this document. The document shall not be circulated beyond mentioned individuals.

3. Composition of Risk Management Committee

The composition of the RMC will be decided by the Board from time to time, in compliance with the RBI guidelines issued. Further need based invitees can be called to attend the meeting as and when required.

Permanent invitees to the committee meetings include:

- Managing Director
- Chief Financial Officer
- Company Secretary
- Compliance Head
- Two Independent Directors

4. Applicability & Validity of the Policy

The policy will become applicable from such date as approved by the Board of Directors. The Board / Risk Management Committee will review, validate, update, and approve the Policy at least annually. Any revisions in specific aspects of this policy may be communicated through mandates issued by the relevant authority and will become part of this policy from the date they become effective.

5. Regulatory & Statutory Reference

RBI vide its circular no. RBI/2014-15/36 DNBS (PD) CC No. 390/03.10.001/2014-15 July 1, 2014 had instructed NBFC-ND-SIs to adopt guidelines on corporate governance. With the growing significance of NBFCs in the Indian economy, RBI vide its circular no. RBI/2014-15/552 DNBR (PD) CC. No. 029/ 03.10.001/ 2014-15 dated April 10, 2015, reviewed the Revised Regulatory Framework for NBFCs issued vide DNBR (PD) CC.No.002/ 03.10.001/ 2014-15 dated November 10, 2014, and issued the directions relating to corporate governance to be known as Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015.
Section 134 (3) of the Companies Act, 2013 requires Companies to include in their Board report a statement indicating development and implementation of a Risk Management Policy for the Company including identification therein of risks, if any, which in the opinion of the Board may threaten the existence of the Company for companies required to appoint independent directors and have an audit committee.

6. Risk Policy Statement

The Board of Directors of SATYA shall be responsible for framing, implementing and monitoring the risk management plan of SATYA. They shall further be responsible to periodically review the effectiveness of the risk management plan & activities and make appropriate changes as and when necessary to ensure that appropriate systems and controls in this regard are in place.

Therefore SATYA shall have in place a comprehensive risk management and reporting process, including appropriate board and senior management oversight and the process shall take into account appropriate steps to comply with applicable regulatory rules, regulations, principles and guidelines and to ensure the adequacy of relevant risk reporting to the supervisory and Board.

7. Risk Appetite

The risk appetite is the amount of risk, on a broad level, that the Company is willing to take on in pursuit of value. It is the total impact of risk that the Company is prepared to accept in the pursuit of its strategic objectives.

The risk appetite statement may be defined by the following key characteristics:

- Sets clear strategic direction and tolerances around controls;
- Reflective of strategy, including organizational objectives, business plans and stakeholder expectations;
- Reflective of all key aspects of the business;

- Considers the skills, resources and technology required to manage and monitor risk exposures in the context of the risk appetite;
- Inclusive of a tolerance of loss or negative events that can be reasonably quantified;
- Periodically reviewed and reconsidered with reference to evolving industry and market conditions

8. Governance framework

Effective implementation of the risk management would require active participation from all the stakeholders. The role and responsibility of various stake holders is listed below:

i. Role of the Board of Directors

The primary role of the Board will be to risk oversight of management and corporate issues that affect Risk. The Board can fulfil the role of Risk Oversight by:

- Developing Policy and Procedures around risk that are consistent with the organization's strategy and risk appetite.
- Take steps to foster risk awareness.
- Encourage on organizational culture of Risk adjusting awareness.
- Developing and implementing controls against Fraud Risk.

ii. Roles of Risk Management Committee

The purpose of the committee is to assist the board in its oversight of various risks. The committee:

- Approves and reviews compliance with risk policies, monitors breaches / triggers of risk tolerance limits and directs action.
- Reviews and analyses risk exposure related to specific issues and provides oversight of risk across organization.
- Reviews reports of significant issues prepared by internal risk oversight functional groups, including risk exposure related to specific issues, concentrations and limits excesses.
- Nurtures a healthy and independent risk management function in the company Inculcates risk culture within the organization.
- Approves the Enterprise wide Risk Management (ERM) framework.

As per RBI guidelines, constitution of Risk management committee is mandatory when SATYA crosses an asset size of INR100 crores. Accordingly, SATYA may constitute Risk Management Committee once the asset size crosses the defined threshold limits.

iii. Role of Audit Committee

As per RBI guidelines, SATYA may constitute an audit committee once its asset size crosses INR 50 crores and above as per its last audited balance sheet.

Audit committee shall evaluate the internal financial controls and risk management systems on quarterly basis. The risk management responsibility for the Audit committee will mainly be towards operational risk, as follows:

- Identifying and presenting operational risks in the course of regular internal audits with recommendations for corrective actions.
- Focusing the internal audit work for significant risks and auditing the risk management processes across the organization.

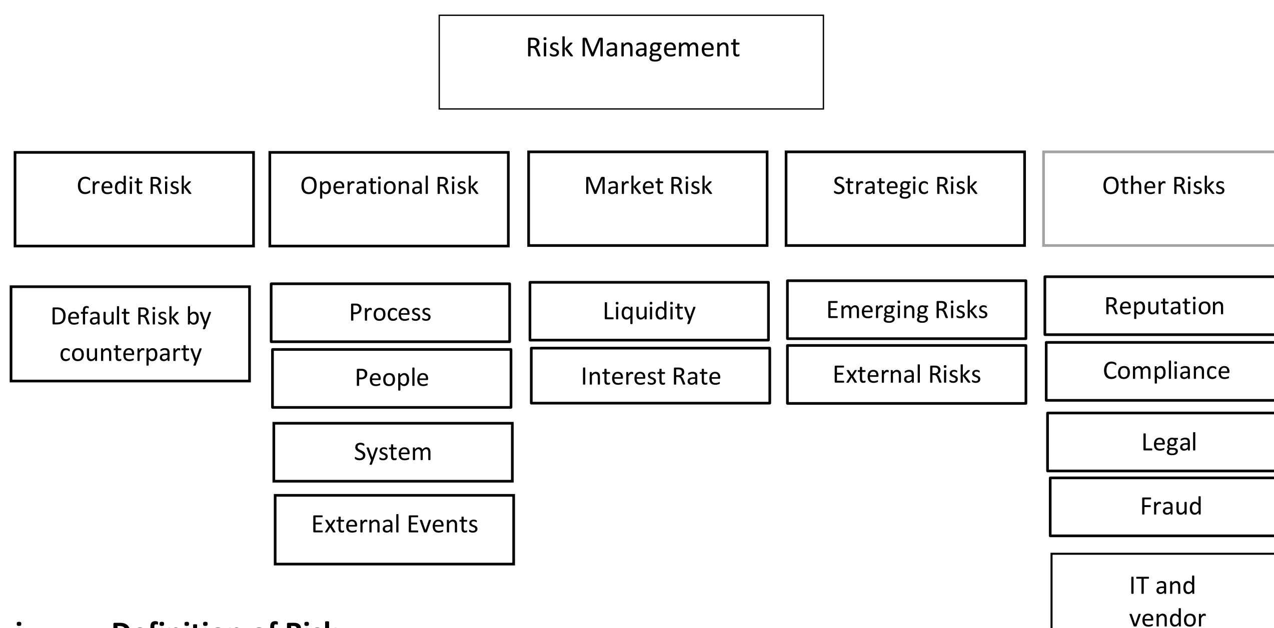
iv. Role of Risk Management Department

SATYA may set up a Risk Management Department to assist in day to day monitoring of the risks. The Risk Management Department shall be primarily responsible for:

- Assist in development of and manage processes to identify and evaluate businesses areas risk and risk and control self-assessments.
- Ensuring implementation of Risk Management Framework across Businesses.

9. Key Risks

Risks and uncertainties form an integral part of SATYA's business which by nature entails taking risks. Each transaction that SATYA undertakes changes its risk profile. The table below summarizes the Key risks SATYA needs to address.



i. Definition of Risk

The theoretical framework in which comprehensive risk management is developed is based on the following definitions:

Particulars	Definition
Credit Risk	Credit Risk is the risk of loss due to the failure of the counter party to meet its credit obligations in accordance with the agree contract terms. It is the result of either inability or unwillingness of a borrower or counter-party to meet commitments in relation to lending or any other financial transactions. There is always scope for the borrower to default from the commitments for one or the other reason resulting in crystallization of credit risk to SATYA. These losses could take the form of outright default or alternatively, losses from changes in portfolio value arising from actual or perceived deterioration in credit quality that is short of default. The objective of credit risk management is to minimize the risk and maximize

	SATYA risk adjusted rate of return by assuming and maintaining credit exposure within the acceptable parameters.
Operational Risk	Operational Risk is inherent in all product, activities, processes and systems of SATYA. It is a risk of loss arising from inadequate or failed internal processes, people and systems or from external events. Risk education for familiarizing the complex operations at all levels of staff can reduce operational risk. Operational risk events are associated with weak links in the internal control procedures. Operational risk involves breakdown in internal controls and corporate governance leading to error, fraud, performance failure, compromise on the interest of PFS resulting in financial loss. Putting in place proper corporate governance practices by itself would serve as an effective risk management tool. SATYA shall strive to promote a shared understanding of operational risk within the organization, especially since operational risk is often intertwined with market or credit risk and it is difficult to isolate.
Market Risk	Market Risk may be defined as the possibility of loss to SATYA caused by the changes in the market variables. It is the risk that the value of on-/off-balance sheet positions will be adversely affected by movements in equity and interest rate markets, currency exchange rates and commodity prices. Market risk is the risk to SATYA earnings and capital due to changes in the market level of interest rates or prices of securities, foreign exchange and equities, as well as the volatilities, of those prices. Market Risk consists of: a) Liquidity Risk b) Interest Rate Risk Maintaining an optimal balance sheet structure and cash flow patterns shall be the keystone of the market risk management strategy. A detailed description about managing market risks is available in the ALM policy.
Competition Risk	Competition Risk is the chance that competitive forces will prevent you from achieving a goal. It is often associated with the risk of declining business revenue or margins due to the actions of a competitor.
Liquidity Risk	Liquidity risk arises where the Company is unable to meet its obligations as and when they arise. Liquidity risk will be measured at a structural level and a dynamic short term level. SATYA may need to address liquidity risk and report to RBI on a periodic basis.
Interest Rate Risk	Interest rate risk management and reporting helps identify potential risks to earnings and capital resulting from adverse fluctuations in market interest rates.
Strategic Risk	Risks that derive from the decisions that the Management takes about the products or services that the organization provides. It include risks associated with developing and marketing those products or services, economic risks affecting product sales and costs, and risks arising from changes in the technological environment which impact on sales and production. It's a possible source of loss that might arise from the pursuit of an unsuccessful business plan. For example, strategic risk might arise from making poor business decisions, from the substandard execution of decisions, from inadequate resource allocation, or from a failure to respond well to changes in the business environment. Strategic Risk needs to be assessed both in qualitative & quantitative terms. Assessment of an incidence or a potential risk aims at quantifying the risk in financial terms to the extent possible. Risk control shall be laid down by capturing various strategic risk assessment process/measures of success to help assessment it effective implementation and maintenance.
Reputation Risk	SATYA is also exposed to reputation risk arising from failures in governance, business strategy and process, regulatory-compliance and legal risk. These risks are generally

	covered under Operational risks. Reputational risk is the risk of potential damage to the Company due to deterioration of its reputation. The reputation of the Company may suffer as a result of its failure to comply with laws, regulations, rules, reporting requirements, standards and codes of conduct applicable to its activities, rather than compliance with the internal limits or procedures. Proactive measures to minimize the risk of losing reputation could be a sound risk management framework, good corporate governance, high level ethics and integrity, rigorous anti moneylaundering procedures, good business practices and reporting of all breaches which lead to reputational risk to the attention of senior management and the board.
Compliance Risk	Compliance risk is the risk arising from non-adherence to prescribed law in force, regulations, policies, procedures and guidelines which may give rise to regulatory actions, litigations, deficiency in product or services depending on the level of non-adherence. The corporate governance function is primarily designed to avoid incurrence of compliance regulatory-legal risk.
Legal Risk	The possibility of incurring losses or negative contingencies as a result of flaws in contracts or transactions that may affect the institution's legal position and/or ability to function; legal risks are a direct result of human error, fraud, negligence or carelessness in the design, formalization, application or implementation of contracts or transactions. Legal risk is also caused by non-compliance with current laws or regulations. Legal risk can primarily be caused by: ➢ A fraudulent transaction ➢ A claim including a defense to a claim or a counterclaim being made or some other event occurring which results in a liability for the company or other loss ➢ Failing to take appropriate measures to protect the company's interests including the assets owned by the company; or Change in law which results in any of the transactions becoming illegal or bad in law or results on any of the above.
Cyber Security Risk	➢ Cybersecurity risks relate to the loss of confidentiality, integrity, or availability of information, data, or information (or control) systems and reflect the potential adverse impacts to organizational operations (i.e., mission, functions, image, or reputation) and assets, individuals, other organizations, and the Nation.

➢ ESG Risk (Environmental, Social and Governance risk)	➢ ESG risks include environmental risk, social risk and governance risk and the resulting impact on banks' P&L and liquidity. ESG risks can affect the NBFCs directly (e.g. storm damage to office buildings), but also affect customers (change in sales opportunities, production disruptions, etc.) leading to, for example, higher loan defaults. ➢ Environmental risks are divided into physical risks and transition risks: — ➢ Physical risks arise if economic activities or their value are threatened directly by failure to achieve climate-related objectives (e.g. the direct effects of climate change on the water supply of industrial companies). They can materialize as acute risks (i.e. individual, non-regular physical risk events) or as chronic risks (i.e. permanent deterioration in ESG target achievement with lasting adverse effects on own economic activities). ➢ Transition risks arise if the business model that economic activities are based on is permanently endangered by systemic changes and its own negative ESG impact (e.g. the effects of political measures to combat climate change and their impact on manufacturers of combustion engines). Examples of social risk can be: ➢ Noncompliance with labor standards. ➢ Inadequate payment of labor ➢ Lack of assurance of industrial safety standards and health protection for employees. ➢ Lack of assurance of product safety Examples of Governance risk include: ➢ Compliance with tax law ➢ Corruption or attempted bribery ➢ Inappropriate senior management compensation ➢ Lack of proper assurance of data protection

ii. Roles & Responsibilities

Type of Risk	Risk Ownership	Constitution	Key Roles & Responsibilities
Credit Risk	Credit Committee/Board	Board members and special invitees if any	• Frame credit policy, set prudential limits • Implementing and monitoring of Risk Management Framework • Periodic Review of the effectiveness of the Risk Management Plan and activities • Monitor portfolio risk
Market Risk • Interest rate Risk • Liquidity Risk • Competition Risk	ALCO/Board	• MD • Risk Head • Company Secretary • Compliance Officer	• Overall Responsibility to monitor and manage enterprise wide risk • Approval and periodic evaluation of ALCO Policy • Provide Directions for formulation of policies • Business/ Operations Head to review the market sentiments with respect to competition and take corrective action.

Operational Risk • People • Process • System • External Events	Board/Risk Management Department and Functional Heads	• Risk Head will be supervising the department. • Business Heads	• To ensure compliance with internal policies on risk management and regulatory guidelines issued by RBI • To ensure that Risks are identified and steps to mitigate are laid down and adhered to • Initiate action when portfolio triggers are breached • MIS/Reporting on a regular basis
Strategic Risk (Includes Emerging & External Risks)	Business heads	• Business Head of various products	• Compare the risk versus expected ROI. All business strategy initiation should have risk Vs return assessment at the launch of new initiatives. • Undertake data analytics for key decisions based on the defined critical parameters • Periodic Review of the effectiveness of the strategies • For every Strategic Business initiative prepare alternate plans.
Reputational Risk	Compliance Dept./ Customer Service/ Functional Heads		• All media communications would be handled by the Board/Committees authorized by the Board in consultation with the Company's Management team. • Timely response to statutory/ regulatory queries/ requirements. • Training of employees and the sales team on the various aspects of reputational risk • Respond to the customers' queries and needs within the committed turn-around time. • Be vigilant to customer's/ stakeholder's/ media feedback (including social media) and take quick remedial actions
Compliance Risk	Compliance Department		• Guidance to business & support functions on all compliance laws, rules & standards • Compliance function shall guide the company for seeking clarifications/interpretation of various regulatory statutory guidelines • Analysis and review of new products, policies and processes from a compliance perspective • Co-ordination of the regulatory/statutory inspections and correspondence with the authorities
Legal Risk	Legal Department		• Ensure that SATYA does not enter into a transaction which does not allocate rightsand obligations and associated risks in the manner intended • Prevent entering into a transaction which is or may be determined to be void or unenforceable in whole or with respect to a material part

			• Ensure that the basis of representations or investigations used to make investment decision are not misleading or false or which fail to disclose material facts or circumstances • Ensuring that SATYA does not misunderstand the effect of one or more transactions.
Technology and Vendor Risk	Technology Department – First line & CISO – Risk Department		• Evaluate and review effectiveness of Information Security Management System and ensure compliance with respect to legal and regulatory requirements for information security. • Compliance to the RBI mandate on technology outsourcing • Create and maintain the VRM policy, procedure manuals and documentation and conduct vendor risk assessments. • Assess and monitor vendor performance against contractual commitments.

10. Risk Management Framework

The company may lay down the guidelines with regard to the response to the various risks faced by the business. It may accordingly form the mitigation strategies which would be reviewed periodically whenever deemed fit.

i. Risk Identification & Assessment Process

Risks are events or conditions that may occur, and whose occurrence, if it does take place, has a harmful or negative impact on the achievement of the organization's business objectives. Identified risk needs to be defined adequately and recorded. Key characteristics by which risks can be identified are:

- Risks are adverse consequences of events or changed conditions.
- Their occurrence may be identified by the happening of trigger events.
- Their occurrence is uncertain and may have different extents of likelihood.

ii. Risk Prioritization & Exposure Process

In this process, the consequences of the risk occurrences may be quantified to the maximum extent possible, using quantitative, semi-quantitative or qualitative techniques. Process of risk quantification for the Company has to be qualitative, supported by quantitative impact analysis. It would consider the actual cost impacts (like claims by customer, regulatory penalties, and financial loss) as well as opportunity costs (like loss in realization of revenue, customer dissatisfaction) may be captured to arrive at the total cost impact of materialization of the risk.

iii. Risk Management Strategy

This involves identifying relevant strategies or tools to effectively mitigate possible risk events. Based on the Risk Appetite/Risk Tolerance level determined and reviewed from time to time,

the AFHPL would formulate its Risk Management Strategy. The strategy will broadly entail choosing among the various options for risk mitigation for each identified risk. The risk mitigation can be planned using the following key strategies:

- **Risk Avoidance:** By not performing an activity that could carry risk. Avoidance may seem the answer to all risks, but avoiding risks also means losing out on the potential gain that accepting (retaining) the risk may have allowed.
- **Risk Transfer:** Mitigation by having another party to accept the risk, either partial or total, typically by contract or by hedging.
- **Risk Reduction:** Employing methods/solutions that reduce the severity of the loss

- **Risk Retention:** Accepting the loss when it occurs. Risk retention is a viable strategy for small risks where the cost of insuring against the risk would be greater over time than the total losses sustained. All risks that are not avoided or transferred.

iv. Risk Communication, Reporting and Monitoring

Risk communication, reporting and monitoring, is a critical phase in the ERM framework. The framework will end as a project rather than a process if the risks are not monitored, communicated and reported on a constant basis.

- Risk communication helps develop an appropriate risk culture in the organization. Therisk monitoring and reporting is used as a management decision support system enabling them to perceive the overall risks of the organization and analyze the progress made on the same
- The risk mitigation strategy may be communicated to concerned stakeholders. Risk management policies framed should be rolled out to the employees wherever applicable.

Risk Monitoring can be done in two ways which are explained below:

(a) Key Risk Indicators

As mentioned in the definition of operational risk, operational losses are caused by four main factors viz. people, processes, systems or external factors.

KRIs are metrics/measures that are derived from these factors to indicate an early warning of or to monitor increasing risk or control failures in an activity. The key utility of KRIs is that one can set limits against the trends and monitor the same to work towards increasing controls where needed and mitigate risks. Tolerance levels should be defined while setting KRIs. In addition, these should be defined considering the risk appetite of the company, risk and opportunity identification, risk treatment and risk reporting. They should be continuously monitored and enhanced risk should be reported by the Risk Department to the Chief Risk Officer and the Business/Function Head.

There are two types of KRIs that will be used by the company: predictive and lagging. Ideally, the KRIs used in each business/function will include a balance of both types.
Predictive KRIs identify where there may be potential concern with the effectiveness of a control, or a change in the likelihood/impact of a future/emerging risk event.

Lagging KRIs measure retrospective data to identify the change in risk likelihood or impact over a given period and the current state of the control environment.

(b) Risk Controls Self-Assessment (RCSA)

RCSA is a process of regular, transparent and subjective assessment of the company's operational risk and controls undertaken by the businesses/functions. This is facilitated by the ORM SPOC assigned to the respective business/function. This will help in identifying control gaps and consequent actions proposed to remediate the gaps. The businesses/functions will be able to assess the operational risks inherent in their activities and analyze the strengths or weaknesses of controls in place.

Essentially RCSA can be used towards aspects such as identification & mitigation of operational risks, reporting of control deficiencies, monitoring of changes in control environment and assessment of operational risk profile. The focus of RCSA process is to ensure that all operational risks are understood and are being effectively monitored and controlled to improve business and operational efficiency.

(c) Portfolio Management Reports

- **Vintage Analysis Report -** This report compares different disbursement months (vintages) in the same point of time after the disbursement (months on books). This report will allow the selection by: type of product, branch of origin, loan officer, or field officer and will generate information for:

    - Number of accounts booked
    - Total amounts booked
    - Total loan balances
    - Total balances over 30 days past due
    - For each one of the previous headings we will have the last 12 months of observations

- **First Payment Default Report –** This report will be used to identify clients who are not paying their first monthly instalment. Usually the missing of the first instalment is related to operational issues, however missing the first three instalments in a row will be an indicator of fraud activity. This report will allow the selection by : type of product, branch of origin, loan officer or field officer and will include the following information:

    - There will be 12 row headings for each month, being the last one the most recent month observed.
    - In the second column the calculation will include the percentage of loans that missed the first payment after the first month on books.
    - In the third column the calculation will include the percentage of loans that missed the first and second payments after the second month on books.
    - In the fourth column the calculation will include the percentage of loans that missed the first, second and third payments after the third month on books.

- **Is/ Was Analysis Report –** This report tracks the monthly performance of the collection and recovery efforts and will allow the selection by: type of product, branch of origin, loan officer or field officer. It will include the following information;

    - The columns heading will be the delinquent amounts by delinquency range in the observation month.
    - The row heading will be the delinquent amounts by delinquency range in the previous month.

11. Fraud Risk

Also referred to as integrity risk, fraud risk is the risk of loss of earnings or capital as a result of intentional deception by an employee or client. The most common type of fraud at an MFI is the direct theft of funds by loan officers or other branch staff. Other forms of fraudulent activities include the creation of misleading financial statements, bribes, kickbacks and phantom loans.

i. Regulatory & Statutory Reference

RBI vide its circular number RBI/DNBS/2016-17/49 DNBS. PPD.01/66.15.001/2016-17 had instructed NBFC-ND-SIs to adopt guidelines for monitoring of frauds in NBFCs.

As per RBI guidelines, SATYA may adopt the guidelines mentioned in aforesaid circular once its assets size reaches INR 500 crores or more.

Section 143(12) of the Companies Act, 2013 read with rule 13 of the companies (Audit and Auditors) Rules, 2014 inter alia provide for the company's Auditor to report fraud in the manner specified. Section 134(3) of the Companies Act also provide for inclusion of such frauds reported in the report of the Company's Board of Directors.

ii. Classification of Fraud

Fraud has not been defined but has been classified in the RBI – Master Direction DNBS. PPD.01/66.15.001/2016-17 – Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016 (RBI/DNBS/2016-17/49) dated September 29, 2016. The difference between an instance of fraud and one of error is intent. In order to have uniformity in reporting, frauds have been classified as under mainly based on the provisions of the Indian Penal Code:

- Misappropriation and criminal breach of trust,
- Fraudulent encashment through forged instruments, manipulation of books of account or through fictitious accounts and conversion of property,
- Unauthorized credit facilities extended for reward or for illegal gratification,
- Negligence and cash shortages,
- Cheating and forgery,
- Irregularities in foreign exchange transactions, and
- Any other type of fraud not coming under the specific heads as above.

Reporting of frauds to Reserve Bank of India, the Board of Directors and to Police will be done as per the guidelines/ directions specified in Chapter IV, V, VI and VII of RBI/DNBS/2016-17/49 dated September 29, 2016 (with any amendments and, or enactments thereof).

iii. Reporting of Frauds to RBI

- Fraud reports should be submitted in all cases of fraud of ₹ 1 lakh and above perpetrated through misrepresentation, breach of trust, manipulation of books of account, fraudulent encashment of FDRs, unauthorized handling of securities charged to the applicable NBFC, misfeasance, embezzlement, misappropriation of funds, conversion of property, cheating, shortages, irregularities, etc.
- Fraud reports should also be submitted in cases where central investigating agencies have initiated criminal proceedings suo moto and/or where the Bank has directed that they be reported as frauds.
- Where the amount involved in fraud is ₹ 1 crore and above, the reports in the prescribed format shall be sent within three weeks from the date of detection of the fraud to:

Central Fraud Monitoring Cell ,
Department of Banking Supervision,
Reserve Bank of India, 10/3/8,
Nrupathunga Road,
P.B. No. 5467 Bengaluru – 560001
and to the Regional Office of the Department of Non-Banking Supervision of the Bank under whose jurisdiction the Registered Office of the applicable NBFC falls

- Where the amount involved in fraud is less than ₹ 1 crore, reports in the format given in FMR – 1 shall be sent to the Regional Office of the Department of Non-Banking Supervision of the Bank under whose jurisdiction the Registered Office of SATYA falls, within three weeks (21 days) form the date of detection of the fraud.
- SATYA shall furnish case-wise quarterly progress reports on frauds involving ₹ 1 lakh and above in the format given in FMR – 3 only to Regional Office of the Bank, Department of Non-Banking Supervision under whose jurisdiction the Registered Office of SATYA falls within 15 days of the end of the quarter to which it relates.
- SATYA shall close the fraud cases only where the actions are complete and prior approval is obtained from the respective Regional Offices of DNBS. The action would be considered complete when:
- the fraud cases pending with CBI/ Police /Court are finally disposed of;
- the examination of staff accountability has been completed;
- the amount of fraud has been recovered or written off;
- insurance claim wherever applicable has been settled; and
- The applicable NBFC has reviewed the systems and procedures, identified as the causative factors and plugged the lacunae and the fact of which has been certified by the appropriate authority (Board / Audit Committee of the Board).
- SATYA should pursue vigorously with CBI for final disposal of pending fraud cases especially where they have completed staff side action. All possible assistance should be extended by the SATYA to the Police/ CBI/ Court for investigation/trial and vigorous follow up with the police authorities and / or court for final disposal of fraud cases shall be undertaken by the applicable NBFCs.

iv. Risk Management Activities

Effective internal controls play a key role in protecting against fraud at the branch level, since line staff handles large amounts of client and MFI funds. The company handles the fraud risk by building the fraud prevention into operational policies and procedures. It then tests procedures by conducting surprise internal audits that perform random operational checks. Further, the risk is monitored and managed by stringent Human Resource policies.

12. Deviations

As far as possible, the guidelines specified under this policy should be followed. If deviations or exceptions are dictated by circumstances, they need to be approved in advance by the Compliance Department, Finance Department and ALCO.

13. Glossary

Abbreviations	**Details**
ALCO	Asset Liability Committee
ALM	Asset Liability Management
AUM	Asset under Management
CFO	Chief Financial Officer
NII	Net Interest Income
NIM	Net Interest Margin
RBI	Reserve Bank of India
ROI	Rate of Interest
SEBI	Securities and Exchange Board of India