

FRAUD RISK MANAGEMENT POLICY
OF
SAYYAM INVESTMENTS PRIVATE LIMITED

V2



Scope:

This Policy has been adopted by Sayyam Investments Private Limited ("SIPL") in strict adherence to the RBI Master Directions on Fraud Risk Management in Non-Banking Financial Companies (NBFCs) dated July 15, 2024 ("**RBI Fraud Directives**")

The said Directions provide a structured regulatory framework to strengthen the internal controls of Applicable NBFCs for the prevention, early detection, and timely reporting of fraud to the Reserve Bank of India (RBI), National Housing Bank (NHB) (where applicable), and appropriate Law Enforcement Agencies (LEAs).

In alignment with these Directions, SIPL, as a responsible and compliant NBFC, hereby implements this Policy to institutionalize robust mechanisms for:

- a. Identification and investigation of suspicious activities;
- b. Observance of the principles of natural justice in handling fraud allegations; and
- c. Ensuring time-bound and transparent classification and reporting of frauds.

This Policy shall apply to all relevant internal stakeholders and functionaries of the Company and shall govern all processes and procedures related to fraud detection, examination, classification, and reporting, including actions incidental or connected thereto.

To this policy, "**Fraud**" is defined as per the RBI Fraud Directives. Fraud includes any act, expression, omission, or concealment involving a breach of legal duty, which leads to a benefit for one party and/or a loss for another. Examples include but are not limited to:

- i. Misappropriation of funds and criminal breach of trust.
- ii. Fraudulent encashment through forged instruments.
- iii. Manipulation of books of accounts or through fictitious accounts, and conversion of property.
- iv. Cheating by concealment of facts with the intention to deceive any person and cheating by impersonation.
- v. Forgery with the intention to commit fraud by making any false documents/electronic records.
- vi. Wilful falsification, destruction, alteration, mutilation of any book, electronic record, paper, writing, valuable security or account with intent to defraud.
- vii. Fraudulent credit facilities extended for illegal gratification.
- viii. Cash shortages on account of frauds.
- ix. Fraudulent transactions involving foreign exchange.
- x. Fraudulent electronic banking / digital payment related transactions committed on NBFCs; and
- xi. Other type of fraudulent activity not covered under any of the above.



Governance Structure in Applicable NBFCs for Fraud Risk Management:

In line with the regulatory requirements prescribed by the Reserve Bank of India under the applicable Master Directions, SIPL shall implement the following measures to ensure strict adherence to the principles of natural justice in a fair and time-bound manner while examining any case involving allegations of fraud:

a. Issuance of a detailed Show Cause Notice (SCN) :- SIPL shall issue SCN to the Persons, Entities and its Promoters / whole-time and Executive Directors against whom allegation of fraud is being examined. The SCN shall provide complete details of transactions / actions / events basis which declaration and reporting of a fraud is being contemplated under these Directions.

b. Opportunity of being heard :- A reasonable time of not less than 21 days shall be provided to the Persons / Entities on whom the SCN was served to respond to the said SCN.

c. Internal Examination Framework:- SIPL shall have a well laid out system for issuance of SCN and examination of the responses / submissions made by the Persons/Entities prior to declaring such Persons / Entities as fraudulent.

d. Issuance of Reasoned Order:- A reasoned Order shall be served on the Persons / Entities conveying the decision of the SIPL regarding declaration / classification of the account as fraud or otherwise. Such Order(s) must contain relevant facts / circumstances relied upon, submission made against the SCN and the reasons for classification as fraud or otherwise.

Committee of Executives:

SIPL shall constitute a Committee of the Executives ("COE") with a minimum of three members of the Board, atleast one of whom shall be a Whole-time director or equivalent rank official. The committee members are as follow :-

1. Director/Chief Executive Officer
2. Chief Financial Officer and Head Risk
3. Manager- Credit Review & Customer Satisfaction

The Committee shall be headed by the MD/CEO

The roles and responsibility of the committee shall be as follows:-

a. COE shall oversee the effectiveness of the fraud risk management in SIPL.

b. COE shall review and monitor cases of frauds, including root cause analysis, and suggest mitigating measures for strengthening the internal controls, risk management framework and minimising the incidence of frauds. The coverage and periodicity of such reviews shall be quarterly.

c. COE shall be responsible for implementation of the fraud risk management policy approved by the Board. A



periodic review of incidents of fraud (if any) shall also be placed before Board annually.

d. SIPL shall put in place a transparent mechanism to ensure that Whistle Blower complaints on possible fraud cases / suspicious activities in account(s) are examined and concluded appropriately under their Whistle Blower Policy.

e. Nodal Officer of the Company shall be responsible for monitoring and reporting of frauds.

f. SIPL shall disclose the amount related to fraud reported in the company for the year in their Financial Statements – Notes to Accounts.

Independent confirmation from the third-party service providers including professionals

SIPL may incorporate necessary terms and conditions in their agreements with third-party service providers to hold them accountable in situations where wilful negligence / malpractice by them is found to be a causative factor for fraud.

In accordance with Paragraph 6.1 to 6.4.3 of the RBI FRM Directions, we acknowledge the critical importance of timely reporting of fraud incidents to the regulatory authorities. As mandated, FMRs must be filed through the Centralized Information Management System (CIMS) for each individual fraud case, irrespective of the amount involved, within 14 days from the date of classification of the incident/account as fraud.

Detection Mechanisms – The Company should employ various mechanisms to detect potential fraud, including:

- **Whistleblower Hotline:** A confidential reporting channel for employees and stakeholders to report suspected fraud, as per the Company's Whistle Blower Policy.
- **Data Analytics:** Application of data analytics tools to identify potential fraud risks.
- **Early Warning Signals:** The Company shall formulate Early Warning Signals (EWS) which shall be approved by the RMC. The EWS shall be focused on loan transactions as well as other financial transactions in the Company. The framework shall include the EWS, its triggers, action to be taken, and shall be integrated into the system of the Company. Such EWS shall be reviewed annually by the RMC.

Reporting Procedures - All employees, directors, officers, and external stakeholders are required to report any suspected fraud immediately. Reports can be made through the designated officer or the whistleblower hotline. Company shall ensure that all reports are treated confidentially, and whistleblowers are protected against retaliation.

Investigation - Upon receipt of a fraud report, FCU shall conduct a thorough investigation. The investigation shall be conducted promptly, and the findings shall be documented. The COE shall review the findings and recommend appropriate actions to the Board or Audit Committee or Risk Management Committee, if required as per RBI Fraud Directives.



Response and Remediation - Company shall take swift and decisive action in response to confirmed fraud incidents, including:

- **Disciplinary Action:** Appropriate disciplinary action against individuals found responsible for fraud.
- **Legal Action:** Pursuing legal remedies, including filing criminal charges where necessary.
- **Recovery of Assets:** Efforts to recover any assets lost due to fraud.
- **Strengthening Controls:** Enhancing existing controls or implementing new controls to prevent recurrence.

Staff Accountability

- a. SIPL shall initiate and complete the examination of staff accountability in all fraud cases in a time-bound manner in accordance with this policy.
- b. In cases involving very senior executives of the Company (MD & CEO / Executive Director / Executives of equivalent rank), the Board may delegate the examination of their accountability to such executives as deemed fit and place it before the Board.

Penal Measures

- a. Persons / Entities classified and reported as fraud by SIPL and also Entities and Persons associated with such Entities, shall be debarred from raising of funds and / or seeking additional credit facilities from financial entities regulated by RBI, for a period of five years from the date of full repayment of the defrauded amount / settlement amount agreed upon in case of a compromise settlement.
- b. Lending to such Persons / Entities being commercial decisions, SIPL shall have the sole discretion to entertain or decline such requests for credit facilities after the expiry of the above mandatory cooling period as mentioned above.

Reporting of Frauds to Law Enforcement Agencies (LEAs)

- a. SIPL shall immediately report the incidents of fraud to appropriate LEAs, viz. State Police authorities, etc., subject to applicable laws.
- b. SIPL shall establish suitable nodal point(s) / designate officer(s) for reporting incidents of fraud to LEAs and for proper coordination to meet the requirements of the LEAs.

Reporting of Incidents of Fraud to Reserve Bank of India (RBI)

To ensure uniformity and consistency while reporting incidents of fraud to RBI through Fraud Monitoring Returns (FMRs) using online portal, SIPL shall choose the most appropriate category from any one of the following:

- i. Misappropriation of funds and criminal breach of trust;
- ii. Fraudulent encashment through forged instruments;



- iii. Manipulation of books of accounts or through fictitious accounts, and conversion of property;
- iv. Cheating by concealment of facts with the intention to deceive any person and cheating by impersonation;
- v. Forgery with the intention to commit fraud by making any false documents/electronic records;
- vi. Wilful falsification, destruction, alteration, mutilation of any book, electronic record, paper, writing, valuable security or account with intent to defraud;
- vii. Fraudulent credit facilities extended for illegal gratification;
- viii. Cash shortages on account of frauds;
- ix. Fraudulent transactions involving foreign exchange;
- x. Fraudulent electronic banking / digital payment related transactions committed on NBFCs; and
- xi. Other type of fraudulent activity not covered under any of the above.

Modalities of Reporting Incidents of Fraud to RBI

- a. SIPL shall furnish FMR in individual fraud cases, irrespective of the amount involved, immediately but not later than 14 days from the date of classification of an incident / account as fraud.
- b. SIPL shall also report frauds perpetrated in their group entities to RBI separately, if such entities are not regulated / supervised by any financial sector regulatory / supervisory authority. However, in case of overseas financial group entity of Indian NBFC, the parent NBFC shall also report incidents of fraud to RBI. The group entities will have to comply with the principles of natural justice before declaration of fraud.
- c. SIPL shall adhere to the timeframe prescribed in these Master Directions for reporting of fraud cases to RBI. Company must examine and fix staff accountability for delays in identification of fraud cases and in reporting to RBI.
- d. While reporting frauds, SIPL shall ensure that persons / entities who / which are not involved / associated with the fraud are not reported in the FMR.
- e. SIPL may, under exceptional circumstances, withdraw FMR / remove name(s) of perpetrator(s) from FMR. Such withdrawal / removal shall, however, be made with due justification and with the approval of an official at least in the rank of a director.

Closure of Fraud Cases Reported to RBI

- a. SIPL shall close fraud cases using 'Closure Module' where the actions as stated below are



complete:

- i. The fraud cases pending with LEAs / Court are disposed of; and
 - ii. The examination of staff accountability has been completed.
- b. SIPL is allowed, for limited statistical / reporting purposes, to close those reported fraud cases involving amount upto ₹25 lakh, where examination of staff accountability and disciplinary action, if any, has been taken and:
- i. The investigation is going on or charge-sheet has not been filed in the Court by LEA for more than three years from the date of registration of First Information Report (FIR); or
 - ii. The charge-sheet is filed by the LEAs in trial court and the trial in the court has not commenced or is pending before the court for more than three years from the date of registration of FIR.
- c. In all closure cases of reported frauds, SIPL shall maintain details of such cases for examination by auditors.

Treatment of Accounts classified as Fraud and sold to other Lenders / Asset Reconstruction Companies (ARCs)

SIPL shall complete the investigation from fraud angle before transferring the loan account / credit facility to other lenders / ARCs. In cases where Company concludes that a fraud has been perpetrated in the account, they shall report it to RBI / NHB before selling the accounts to other lenders / ARCs.

Role of Auditors

a. During the course of the audit, auditors may come across instances where the transactions in the account or the documents point to the possibility of fraudulent transactions in the account. In such a situation, the auditor should immediately bring it to the notice of the senior management (CEO and Operations Head) and if necessary, to the Board of the SIPL for appropriate action.

Reporting Cases of Theft, Burglary, Dacoity and Robbery

a. SIPL shall report instances of theft, burglary, dacoity and robbery (including attempted cases), to Fraud Monitoring Group (FMG), Department of Supervision, Central Office, Reserve Bank of India, immediately (not later than seven days) from their occurrence.

b. SIPL shall also submit a quarterly Return (RBR) on theft, burglary, dacoity and robbery to RBI using online portal, covering all such cases during the quarter. This shall be submitted within 15 days from the end of the quarter to which it relates.



Training and Awareness - The Company's FCU team shall conduct regular training programs to enhance awareness of fraud risks and the importance of ethical behaviors. Relevant employees shall be trained on the detection and reporting of fraud, as well as the consequences of engaging in fraudulent activities. The training program shall be reviewed and updated periodically to reflect emerging risks and changes in the regulatory landscape.

Review and Amendment - This Policy shall be reviewed at least annually or more frequently if required due to changes in regulations, business operations, or the external environment. Any amendments to the policy shall be approved by the Board. The updated policy shall be communicated to all relevant stakeholders.



Annexures**Annexure A – Format: Show Cause Notice**

Ref no. _____	Date: _____
To, Mr/Ms _____	
Employee Code:	
Designation:	
Department:	
SHOW CAUSE NOTICE	
1. Background & Reference	
This Notice is being issued to you in pursuant to the Employment Agreement dated _____, which obliges you to comply with __ (Insert the respective clause of the Employment Agreement) __	
2. Alleged Acts / Omissions	
Preliminarily it has been reported against you as under: _____ _____	
(The following is to be utilized if required) The documents/ evidence corroborating these allegations are kept for viewing purpose only with _____ (OR) The documents/ evidence corroborating these allegations are attached herewith the Notice.	
3. Apparent Breach/ Violation	
Based on this the Company is prima facie of the view that you have violated _____ of the Employment Agreement. Such breach, if established, constitutes (misconduct / material default / fundamental breach) and attracts action under _____ of the said Employment Agreement. Opportunity to be heard/ show cause By way of this Notice, you are hereby called upon to submit your written explanation, with documents/ evidence substantiating your stance, if any; and show cause as to why (disciplinary/ attendance/performance) action should not be taken against you. Your explanation must reach the undersigned within _____ days from the date of receiving this Notice, and be marked as "private and confidential". Should you fail to submit your explanation as required, or it is found to be of an unsatisfactory explanation, it will be presumed that you have admitted the charges and have no explanation to offer and the matter will be decided ex-parte without any further reference to you. Please be apprised that the proceedings undertaken here shall be confidential in nature. And that you are directed not to discuss this matter with work colleagues or any person likely to have information relevant to the allegation(s) against you.	
4. Interim measure	
Further, it is being brought to your notice that till such time the matter is under investigation, you are suspended from immediate effect for a period of _____ days with 50% pay for the reasons of _____ (mention the allegation	



in brief) ____.

You are instructed to deposit the laptop (other assets) to _____ from ____ team and take an acknowledgement of the same. Your laptop (other assets), which is a company's asset, shall remain confined with the ____ team till the time proceedings is completed.

We anticipate your positive and constructive approach ahead.

Sayyam Investment Private Limited

Name:

Department:

(To be attached if required)

Annex A – List of Documents / Evidence

(Attach copies or indicate “available for inspection at office”)



Annexure B – Format: Investigation Report**Fraud Investigation Report – [Type of Fraud Case]****Date of Report:** [DD-MMM-YYYY]**Case ID:** [Auto-generated/Internal]**Loan Account ID:** [Account Number]**Loan Amount:** ₹[Loan Amount]**Product/Program:** [Program Name]**Name (As per Application):** [Full Name of Applicant]**Investigator:** [Investigator Name, Designation]**Reporting To:** [Supervisor Name & Designation]**Fraud Reporting Category:** [E.g., Identity Theft / Document Forgery]**Fraud Classification (as per RBI Guidelines):** [E.g., Third-Party Fraud – Loan Fraud]**Fraud Code (Internal):** [Internal Fraud Classification Code]**1. Background of the Case****2. Investigation Methodology**

Describe the methods used to verify the identity, documents, and background.

3. Key Findings

Summarize findings across major fraud areas, grouped into clear subsections.

4. Accountability Assessment

Assign probable accountability and identify parties involved.

5. Financial Impact & Recovery Status

Quantify financial loss and current status of loan recovery.

6. Risk Mitigation & Control Recommendations

Detail immediate actions and long-term process improvements.

A. Immediate Controls**B. Process Enhancements****7. Compliance Reporting & Regulatory Filing**

Outline required statutory and regulatory steps.: RBI Fraud Reporting via FRMS Portal

8. Conclusion

Provide a closing statement summarizing the fraud type, its execution, control gaps, and proposed preventive measures.



Investigation Conducted By:

[Name]

[Designation]

[Company Name]

Date: [DD-MMM-YYYY]



Annexure C – Format: Order (Final Action)

To: [Employee Name]

Date: [DD/MM/YYYY]

Subject: Disciplinary Order

Based on the investigation dated [XX/XX/XXXX], the following decision has been taken:

[Details of action: Warning / Termination / Suspension / Legal Action]

This action is in accordance with the Staff Accountability Policy and applicable laws.

Sincerely,
[Authorized Signatory]
HR Head

