

FRAUD DETECTION (PREVENTION & MANAGEMENT) POLICY (v.05)*Approved in Board Meeting held on 27th November 2020***TABLE OF CONTENTS**

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FRAUD DETECTION (PREVENTION & MANAGEMENT) POLICY

SECTION 1

PREAMBLE

The corporate policy for Fraud Detection, Prevention & Management is established to facilitate the development of controls which will aid in the detection and prevention of fraud against Nivara Home Finance Ltd.

POLICY OBJECTIVES

The " Fraud Detection, Prevention & Management Policy" has been framed to provide a system for detection and prevention of fraud, reporting of any fraud that is detected or suspected and fair dealing of matters pertaining to fraud. The policy will ensure and provide for the following:

- i) To ensure that management is aware of its responsibilities for detection and prevention of fraud and for establishing procedures for preventing fraud and/or detecting fraud when it occurs.
- ii) To provide a clear guidance to employees and others dealing with Nivara Home Finance Ltd. forbidding them from involvement in any fraudulent activity and the action to be taken by them where they suspect any fraudulent activity.
- iii) To conduct investigations into fraudulent activities.
- iv) To provide assurances that any and all suspected fraudulent activity will be fully investigated.

SCOPE OF POLICY

This policy applies to any fraud, or suspected fraud, involving employees as well as shareholders, consultants, vendors, lenders, borrowers, contractors, outside agencies doing business with Nivara Home Finance Ltd., employees of such agencies, and/or any other parties with a business relationship with Nivara Home Finance Ltd.

COMMITTEE (Fraud Detection, Prevention & Management Committee)

The Committee will consist of 4 members as determined by the Board of Directors.

SECTION 2

CLASSIFICATION OF FRAUDS (based on the provisions of the Indian Penal Code)

- a) Misappropriation and criminal breach of trust
- b) Fraudulent encashment through forged instruments, manipulation of books of account or through fictitious accounts and conversion of property
- c) Unauthorized credit facilities extended for reward or for illegal gratification.
- d) Negligence and cash shortages
- e) Cheating and forgery
- f) Irregularities in foreign exchange transactions
- g) Any other type of fraud not coming under the specific heads as above.
- h) Ps: Cases of 'negligence and cash shortages' and 'irregularities in foreign exchange transactions' referred to in items (d) and (f) above are to be reported as fraud if the intention to cheat / defraud is suspected / proved.

However, the following cases where fraudulent intention is not suspected / proved, at the time of detection, will be treated as fraud and reported accordingly:

- (a) Cases of cash shortages more than Rs.10,000/- and
- (b) Cases of cash shortages more than Rs. 5000/- if detected by management / auditor/ inspecting officer and not reported on the occurrence by the persons handling cash.

REPORTING OF FRAUDS (including cases of attempted fraud)

- (i) Fraud reports should be submitted in all cases of fraud of **₹ 1 lakh and above**
- (ii) perpetrated through misrepresentation, breach of trust, manipulation of books of account, fabrication of documents like income tax return, salary slip/ balance sheet etc., loan amount disbursed by way of cheque/ demand drafts encashed by third parties/ agents, title documents being forged- stamped documents forged by borrower/ customer/ builder, over valuation of property, multiple financing, cancellation of booking of flats/ property i.e. collusion between customer and builder, sale of property by loanee without clearing existing loan, mis-representation of end use of loan, sale of property by builder without clearing/ repaying construction funding loan availed by them from HFC, fraudulent encashment of FDRs, unauthorized handling of securities charged to the HFC, misfeasance, embezzlement, misappropriation of funds, conversion of property, cheating, shortages, irregularities, etc.

(iii) Fraud reports should also be submitted in case central investigating agencies have initiated criminal proceedings suo-moto and/or where the NHB/RBI has directed that they be reported as frauds.

(iv) Frauds committed by unscrupulous borrowers including companies, partnership firms/ proprietary concerns and/or their directors/ partners, Group of Associations, Trusts etc. by various methods including the following:

- a) Diversion of funds outside the borrowing units,
- b) lack of interest or criminal neglect on the part of borrowers, their partners, etc.,
- c) due to managerial failure leading to the unit becoming sick and due to laxity in effective supervision over the operations in borrower accounts on the part of the HFC functionaries rendering the advance difficult of recovery;

SECTION 3

FRAUDS: REVIEW BY AUDIT COMMITTEE

All individual cases involving 05 lakh or more should be placed before the Audit Committee of HFC's Board. The report containing attempted frauds which is to be placed before the Audit Committee of the Board should cover inter alia the following viz;

- The modus operandi of the attempted fraud;
- How the attempt did not materialize in the fraud or how the attempt failed / was foiled;
- The measures taken by the HFC to strengthen the existing systems and controls;
- New systems and controls put in place in the area where fraud was attempted;
- In addition to the above, yearly consolidated review of such cases detected during the year containing information regarding area of operations where such attempts were made, effectiveness of new process and procedures put in place during the year, trend of such cases during the last three years, need for further change in process and procedures, if any, etc. as on March 31 every year within three months of the end of the relative year.

FRAUDS: REVIEW BY BOARD OF DIRECTORS

All frauds of ₹ 1 lakh and above to be reported to Board of Directors promptly on their detection.

Such reports should, among other things, take note of the failure on the part of the concerned officials, and consider initiation of appropriate action against the officials responsible for the fraud.

Frauds shall be reviewed quarterly and annually by the board.

Quarterly review:

Information relating to frauds for the quarters ending March, June and September shall be placed before the Board of Directors during the month following the quarter to which it pertains.

Annual review:

The reviews for the year-ended December should be put up to the Board before the end of March the following year. Annual review should also, among other things, include the following details:

- (a) Total number of frauds detected during the year and the amount involved as compared to the previous two years;
- (b) Analysis of frauds according to different categories detailed in Chapter IV of RBI circular RBI/DNBS/2016-17/49 Master Direction DNBS.PPD.01/66.15.001/2016-17 dt.29-Sept-2016 and also the different business areas indicated in the Quarterly Report on Frauds Outstanding (vide FMR – 2);
- (c) Modus operandi of major frauds reported during the year along with their present position;
- (d) Detailed analyses of frauds of ₹ 1 lakh and above;
- (e) Estimated loss to Nivara during the year on account of frauds, amount recovered and provisions made;
- (f) Number of cases (with amounts) where staff are involved and the action taken against staff;
- (g) Time taken to detect frauds (number of cases detected within three months, six months and one year of their taking place);
- (h) Position with regard to frauds reported to Police;
- (i) Number of frauds where final action has been taken by Nivara and cases disposed of;

(j) Preventive/punitive steps taken by Nivara during the year to reduce/minimise the incidence of frauds;

(k) Timely reporting of frauds to the concerned authorities.

CLOSURE OF FRAUDS

Nivara is permitted to close the fraud cases, as per directions vide circular, NHB (ND)/DRS/Policy Circular No.92/2018-19 February 05, 2019

REPORTING OF FRAUDS TO NHB

Nivara is required to report the fraud cases, as per directions vide circular, NHB (ND)/DRS/Policy Circular No.92/2018-19 February 05, 2019

SECTION 4

FRAUDS PREVENTION THROUGH AWARENESS

The Policy recognises that proper awareness is the main pillar of fraud prevention effort.

- i. Nivara Home Finance Ltd. would endeavour to put systems in place for fraud prevention.
- ii. Nivara Home Finance Ltd. would focus on continuously educating its employees/ clients/ third parties on fraud prevention.
- iii. For the benefit of all employees/clients/third parties etc., Nivara Home Finance Ltd. shall appropriately include necessary caution in its Contracts/ Service Agreements/ relevant documents, duly highlighting the consequences of submitting false statements/ documents and/ or incomplete information.
- iv. This Anti-Fraud Policy document shall be published on the website of the Company

REVIEW & INTERPRETATION: FRAUD DETECTION POLICY

- The responsibility for the administration of this policy is vested on Business Head who will review it minimum once a year.
- The Chairman-cum-Managing Director is accorded the authority to issue directions and clarifications in furtherance of the implementation of this Policy.

