

Fraud Management Policy

Approvals

Date	Approving Authority
October 27, 2023	Board of Directors
July 30, 2022	Board of Directors
November 02, 2021	Board of Directors
September 17, 2020	Board of Directors
June 10, 2020	Board of Directors

Version Control

Version	Date	Change History
2.0	October 27, 2023	No change
1.3	July 30, 2022	Deleted reference to whistle blower mechanism
1.2	November 02, 2021	Changes w.r.t. RBI HFC Directions
1.1	September 17, 2020	Inclusion the leakages/pilferages w.r.t. digitalization and technology related issues in the fraud definition. Further, responsibility w.r.t transactions and reconciliations with respect to digital mode of payments/collections/ net banking etc have been defined in the policy.
1	June 10, 2020	No Change

Policy Owner: Audit Department

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Introduction

Financial Institutions are targeted by fraudsters intending to dupe the company / customers. Housing Finance in which an average loan size is usually more than the other industry is more susceptible to both organized frauds and individuals committing fraud as an opportunity. Thus, there is a need to formulate a policy which enunciates India Shelter Finance Corporation's (India Shelter) stance towards frauds and its approach towards mitigating the same.

Applicability

The Policy is applicable to all employees, vendors, agents, applicants, borrowers and persons/stakeholders associated with India Shelter.

Definitions

Disciplinary Committee – Committee which decide on matters related to

frauds Fraud – Fraud would mean and include

- a) Mis-appropriation and criminal breach of trust
- b) Fraudulent encashment through forged instruments, manipulation of books of accounts or through fictitious accounts and conversion of property
- c) Unauthorized credit facilities extended for reward or for illegal gratification
- d) Negligence and cash storages
- e) Cheating and forgery
- f) Irregularities in foreign exchange transactions
- g) Leakages/pilferages in digital payments/ collections / Net Banking
- h) Any other type of fraud not coming under the specific heads as above

NHB – National Housing Bank who is the regulator of all Housing Finance Companies and which issues guidelines to all HFCs

Anti-Fraud and Compliance Department shall be responsible for all Anti-fraud related activities as well as for ensuring that fraud related returns are submitted to NHB/RBI on time.

Governing laws / guidelines

Laws / Guidelines which governs the framework are:

- NHB Policy Circular 92 on Guidelines on Reporting and Monitoring of Frauds in Housing Finance Companies
- Master Direction-Non-Banking Financial Company-Housing Finance Company (Reserve Bank) Directions, 2021
- India Shelter Code of Conduct

- Any other applicable regulations

Anti-Fraud Mechanism @ India Shelter

India Shelter has established an operational anti-fraud team which looks after all the employee / third party perpetuated fraud alerts.

All frauds perpetuated by loan applicants and Fraud Check Units (FCU) are handled by credit team under the guidance of Head – Underwriting and Head-FCU. If any fraud related to third party / employee is detected by them then the same is forwarded to the Anti-fraud team for appropriate action

Transactions and reconciliations with respect to digital mode of payments/ collections/ net banking etc are handled by finance team under the guidance of CFO. If any fraud related to third party / employee is detected by them then the same is forwarded to the Risk team for appropriate action.

Disciplinary Committee

India Shelter has instituted a Disciplinary Committee which is responsible for taking decisions on matters related to employee / third party frauds

Composition of Committee

Permanent Members

1. Head – Human Resource
2. Head – Risk / CFO (Handling Employee / third party fraud related matters)

Temporary Member

1. Head of Department of the team who has been accused

Powers of Committee

Committee will have authority to decide on the matter presented before it. Committee has authority to:

1. Decide on the culpability of the accused
2. Decide on the punishment to be given to the accused basis the GRID
3. Call for hearing any other employee / person related to the case

Working of Committee

1. Committee will be called for meeting by Anti-Fraud Team on need basis
2. Case to be presented by the committee along with a case report
3. Committee can call for evidence basis which Anti-fraud team has presented the finding
4. Committee is to take decision basis GRID but can override it in extreme cases post documenting the factors which led to divergence; wherever such discretion is exercised exception report is to be published to MD & CEO
5. Usually, Decision must be taken unanimously
6. In exceptional cases where decision has not been arrived at unanimously; decision will be referred to MD & CEO
7. Decision taken by the committee may be referred to MD & CEO on following grounds
(a) Committee has not considered a fact which it should have considered even after it was brought to the notice of committee, (b) there is gross injustice committed by the committee; person taking the matter to the MD & CEO needs to prove either of the above factors

Staff Accountability

In all fraud cases, staff accountability will be mandatorily explored. It is required to (a) confirm whether there was any lapse / mala-fide on part of employee which led to fraud and (b) if so then to take action against the staff concerned.

Anti-Fraud Team will be responsible for setting the staff accountability and submit the report to the Disciplinary Committee for action, if any.

Reporting of Frauds

- Reporting of Frauds shall be responsibility of the Head of the department
- Frauds to be reported in the Balance Sheet in Notes to Accounts Section
- All frauds above Rs. 1 lakhs to be reported to Board of Directors
- Frauds involving more than Rs. 1 lakhs to be reported to NHB/RBI as per the applicable regulations
- Cases directed by NHB to be treated as Frauds are also to be reported as Fraud
- Cases where investigation is on-going by central investigation agencies who have initiated criminal proceedings suo moto will be reported as fraud
- Frauds perpetuated in subsidiaries / affiliates / joint ventures will also be reported
- Frauds committed by unscrupulous borrowers
- Reporting to NHB/RBI in the applicable returns
- All individual cases of attempted fraud involving Rs. 25 lakhs or more will be reported to the Audit Committee of the Board along with below details:
 - 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;

Review of Frauds

- Quarterly Review of Frauds by the HOD
- Annual review for all fraud cases detected during the year as on 31 Dec every year in the Board Meeting to be held by next March
- Annual consolidated review of attempted fraud cases detected for the year as on March 31 every year within three months of the end of the relative year will be presented to the Audit Committee of Board

Closure of Frauds

Fraud case will be closed only where the actions are complete and with approval of the Audit Committee/Board of the company. 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 HFC 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).

Fraud cases involving amounts up to Rs. ~25.00 lakh, will be closed where:

- the investigation is on or challan / charge sheet not filed in the Court for more than three years from the date of filing of First Information Report (FIR) by the CBI/ Police; or
- the trial in the courts, after filing of charge sheet / challan by CBI / Police, has not started, or is in progress.

Provisioning on Frauds

RBI Guidelines with respect to provisioning on fraud will be followed

Amendment / Modifications / Review

- There shall be an annual review of the Policy.
- India Shelter with the approval of the Board of Directors, can at any time modify or amend, either the whole or any part of this Policy.
- Operational changes to the policy can be done with approval of MD & CEO.
- Statutory changes will be read mutatis mutandis in the policy document even if not amended
- Any clause or reference in the policy document which is contrary to or on violation of statutory or regulatory shall be deemed to be severed from the policy

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