

# FRAUD RISK MANAGEMENT POLICY

Version 1.0

<b>Approved By:</b>	Board of Directors
<b>Review Frequency:</b>	Annual
<b>Policy Reference No.:</b>	SCPL-FRM-001
<b>Regulatory Reference:</b>	RBI Master Directions on Fraud Risk Management in NBFCs dated July 15, 2024

## 1. Scope and Applicability

This Policy has been adopted by Sankalp Capital Private Limited ("SCPL" or "the Company") 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, SCPL, as a responsible and compliant NBFC, hereby implements this Policy to institutionalise 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 all actions incidental or connected thereto.

## 2. Definition of "Fraud"

For the purposes of 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, the following:

Sr.	Category of Fraud
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, or 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.
xi.	Any other type of fraudulent activity not covered under any of the above categories.

### 3. Governance Structure for Fraud Risk Management

In line with the regulatory requirements prescribed by the Reserve Bank of India under the applicable Master Directions, SCPL 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:

#### 3.1 Principles of Natural Justice

- a. Issuance of a detailed Show Cause Notice (SCN): SCPL shall issue a SCN to the persons, entities, and their promoters/whole-time and executive directors against whom an allegation of fraud is being examined. The SCN shall provide complete details of transactions/actions/events on the basis of which declaration and reporting of a fraud is being contemplated.
- 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: SCPL shall have a well-laid-out system for the issuance of SCNs and for the examination of 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 SCPL regarding declaration/classification of the account as fraud or otherwise. Such Order(s) must contain the relevant facts/circumstances relied upon, submissions made against the SCN, and the reasons for classification as fraud or otherwise.

#### 3.2 Committee of Executives (COE)

SCPL shall constitute a Committee of Executives ("COE") with a minimum of three members, at least one of whom shall be a Whole-time Director or an official of equivalent rank. The composition of the COE is as follows:

Sl.	Designation	Role in COE
1.	Director / Chief Executive Officer	Chairman of the Committee (MD/CEO)
2.	Chief Financial Officer and Head – Risk	Member
3.	Manager – Credit Review & Customer Satisfaction	Member

#### 3.3 Roles and Responsibilities of the COE

- a. The COE shall oversee the effectiveness of fraud risk management in SCPL.
- b. The COE shall review and monitor cases of fraud on a quarterly basis, including root cause analysis, and shall suggest mitigating measures for strengthening internal controls, the risk management framework, and minimising the incidence of frauds.
- c. The COE shall be responsible for the implementation of this Fraud Risk Management Policy as approved by the Board. A periodic review of incidents of fraud (if any) shall also be placed before the Board annually.
- d. SCPL shall put in place a transparent mechanism to ensure that Whistle Blower complaints on possible fraud cases/suspicious activities are examined and concluded appropriately under the Whistle Blower Policy.

- e. The Nodal Officer of the Company shall be responsible for monitoring and reporting of frauds.
- f. SCPL shall disclose the amount related to fraud reported in the Company for the year in the Financial Statements – Notes to Accounts.

### 3.4 Independent Confirmation from Third-Party Service Providers

SCPL may incorporate necessary terms and conditions in its 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.

## 4. Detection Mechanisms

SCPL shall employ the following mechanisms to detect potential fraud:

- 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 (EWS): SCPL shall formulate Early Warning Signals (EWS), which shall be approved by the Risk Management Committee (RMC). The EWS shall be focused on loan transactions as well as other financial transactions. The framework shall include the EWS, its triggers, actions to be taken, and shall be integrated into the Company's system. Such EWS shall be reviewed annually by the RMC.

## 5. 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. SCPL shall ensure that all reports are treated confidentially and that whistleblowers are protected against retaliation.

## 6. Investigation

Upon receipt of a fraud report, the Fraud Control Unit (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, the Audit Committee, or the Risk Management Committee, as required under the RBI Fraud Directives.

## 7. Response and Remediation

SCPL shall take swift and decisive action in response to confirmed fraud incidents, including:

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

## 8. Staff Accountability

- a. SCPL 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 it deems fit, and shall place the outcome before the Board.

## 9. Penal Measures

- a. Persons/Entities classified and reported as fraud by SCPL, and also entities and persons associated with such entities, shall be debarred from raising 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, SCPL shall have the sole discretion to entertain or decline such requests for credit facilities after the expiry of the mandatory cooling period mentioned above.

## 10. Reporting of Frauds to Law Enforcement Agencies (LEAs)

- a. SCPL shall immediately report incidents of fraud to appropriate LEAs, viz., State Police authorities, etc., subject to applicable laws.
- b. SCPL 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.

## 11. Reporting of Incidents of Fraud to the Reserve Bank of India (RBI)

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

Sr.	Fraud Category (as per RBI)
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, or 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.

xi.	Any other type of fraudulent activity not covered under any of the above categories.
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## 12. Modalities of Reporting Incidents of Fraud to RBI

Clause	Requirement
a.	SCPL shall furnish Fraud Monitoring Returns (FMRs) 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.	SCPL 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. In case of an overseas financial group entity of an Indian NBFC, the parent NBFC shall also report incidents of fraud to RBI. The group entities shall comply with the principles of natural justice before declaration of fraud.
c.	SCPL shall adhere to the timeframes prescribed in the Master Directions for reporting of fraud cases to RBI. The Company must examine and fix staff accountability for delays in identification of fraud cases and in reporting to RBI.
d.	While reporting frauds, SCPL shall ensure that persons/entities who/which are not involved/associated with the fraud are not reported in the FMR.
e.	SCPL may, under exceptional circumstances, withdraw the FMR/remove name(s) of perpetrator(s) from the 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.

## 13. Closure of Fraud Cases Reported to RBI

- a. SCPL shall close fraud cases using the 'Closure Module' only where the following actions are complete:
  - i. The fraud cases pending with LEAs/Court are disposed of; and
  - ii. The examination of staff accountability has been completed.
- b. SCPL is allowed, for limited statistical/reporting purposes, to close those reported fraud cases involving amounts up to ₹ 25 lakh, where examination of staff accountability and disciplinary action (if any) has been taken and:
  - i. The investigation is ongoing or a charge-sheet has not been filed in Court by the LEA for more than three years from the date of registration of the First Information Report (FIR); or
  - ii. The charge-sheet is filed by the LEAs in a 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 the FIR.
- c. In all closure cases of reported frauds, SCPL shall maintain details of such cases for examination by auditors.

## 14. Treatment of Accounts Classified as Fraud and Sold to Other Lenders / ARCs

SCPL shall complete the investigation from a fraud angle before transferring any loan account/credit facility to other lenders or Asset Reconstruction Companies (ARCs). In cases where the Company concludes that a fraud has been perpetrated in the account, it shall report the same to RBI/NHB before selling the account to other lenders/ARCs.

## 15. Role of Auditors

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

## 16. Reporting Cases of Theft, Burglary, Dacoity, and Robbery

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Clause	Requirement
a.	SCPL shall report instances of theft, burglary, dacoity, and robbery (including attempted cases) to the Fraud Monitoring Group (FMG), Department of Supervision, Central Office, Reserve Bank of India, immediately — but not later than seven days — from their occurrence.
b.	SCPL shall also submit a Quarterly Return (RBR) on theft, burglary, dacoity, and robbery to RBI using the 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.

## 17. Training and Awareness

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

## 18. Review and Amendment

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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 this Policy shall be approved by the Board. The updated Policy shall be communicated to all relevant stakeholders.

## Annexure A – Format: Show Cause Notice

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Ref. No.:	
Date:	

To,  
Mr./Ms. \_\_\_\_\_  
Employee Code: \_\_\_\_\_  
Designation: \_\_\_\_\_  
Department: \_\_\_\_\_

### SHOW CAUSE NOTICE

#### 1. Background & Reference

This Notice is being issued to you 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, the following has been reported against you:

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The documents/evidence corroborating these allegations are kept for viewing purposes only with \_\_\_\_\_ (OR) are attached herewith this Notice.

#### 3. Apparent Breach / Violation

Based on the above, 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.

#### 4. 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 to 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 if it is found to be unsatisfactory, 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 herein shall be confidential in nature. 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.

## 5. Interim Measure

Further, please note that till such time as 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 (and other company assets) to \_\_\_\_\_ from the \_\_\_\_\_ team and take an acknowledgement of the same. Your laptop (and other assets), which are company property, shall remain with the \_\_\_\_\_ team until the proceedings are completed.

We anticipate your positive and constructive approach ahead.

For Sankalp Capital Private Limited

Name: \_\_\_\_\_

Designation: \_\_\_\_\_

Department: \_\_\_\_\_

Encl: Annex A – List of Documents / Evidence (Attach copies or indicate 'available for inspection at office')

## Annexure B – Format: Fraud Investigation Report

Report Title / Type of Fraud Case	_____
Date of Report	[DD-MMM-YYYY]
Case ID	[Auto-generated / Internal]
Loan Account ID	[Account Number]
Loan Amount	₹ _____
Product / Program	[Program Name]
Name (as per Application)	[Full Name of Applicant]
Investigator	[Name, Designation]
Reporting To	[Supervisor Name & Designation]
Fraud Reporting Category	[e.g., Identity Theft / Document Forgery]
Fraud Classification (as per RBI)	[e.g., Third-Party Fraud – Loan Fraud]
Fraud Code (Internal)	[Internal Fraud Classification Code]

### 1. Background of the Case

[Describe the background and context of the case, including how it came to light.]

### 2. Investigation Methodology

[Describe the methods used to verify the identity, documents, and background of the parties involved.]

### 3. Key Findings

[Summarise 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 the financial loss and provide the current status of loan recovery.]

### 6. Risk Mitigation & Control Recommendations

A. Immediate Controls: [Detail immediate actions taken.]

B. Process Enhancements: [Detail long-term process improvements recommended.]

## 7. Compliance Reporting & Regulatory Filing

[Outline required statutory and regulatory steps, including RBI Fraud Reporting via the CIMS/FRMS Portal.]

## 8. Conclusion

[Provide a closing statement summarising the fraud type, its execution, control gaps identified, and proposed preventive measures.]

Investigation Conducted By:

Name: \_\_\_\_\_

Designation: \_\_\_\_\_

Company: Sankalp Capital Private Limited

Date: \_\_\_\_\_

## **Annexure C – Format: Disciplinary Order (Final Action)**

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To: [Employee Name]

Date: [DD/MM/YYYY]

**Subject: Disciplinary Order**

Based on the investigation conducted on/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,

For Sankalp Capital Private Limited

[Authorized Signatory]

HR Head / Authorized Officer