



GEECEE FINCAP LIMITED

COMPLIANCE POLICY



INTRODUCTION

As part of its ongoing efforts, Reserve Bank of India (RBI) has issued guidelines on 'Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs' vide Circular Ref.DOR.CRE.REC.No.60/03.10.001/2021-22 dated October 22, 2021 and circular Ref.No.DoS.CO.PPG./SEC.01/11.01.005/2022-23 dated April 11, 2022. As indicated therein, Non-Banking Financial Companies in the Upper Layer (NBFC-UL) and Middle Layer (NBFC-ML) would be required, inter alia, to have an independent Compliance Function and a Chief Compliance Officer (CCO).

OBJECTIVE OF COMPLIANCE FUNCTION

The purpose of the compliance function is to assist the NBFC in managing its compliance risk and is closely connected with its adherence to principles of integrity and fair dealing and embrace broader standards of integrity and ethical conduct.

COMPLIANCE FUNCTION AND ITS RELEVANCE

The Board-approved compliance policy clearly spells out its Compliance philosophy, expectations on Compliance culture, structure and role of the Compliance function, the role of CCO, processes for identifying, assessing, monitoring, managing, and reporting on Compliance risk. The Policy shall be reviewed at least once a year.

Compliance risk shall be included in the risk assessment framework of the Internal Audit Function, and Compliance Function shall be subject to regular internal audit. The CCO shall be kept informed of audit findings related to Compliance, which shall serve as a feedback mechanism for assessing the areas of Compliance failures.

DUTIES AND RESPONSIBILITIES OF THE COMPLIANCE FUNCTION

These shall include at least the following activities:

- Assist the Board and the Senior Management in overseeing the implementation of Compliance Policy, including policies and procedures, prescriptions in Compliance Manuals, internal codes of conduct, etc.
- Play the central role in identifying the level of Compliance risk in the organisation.



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- Compliance Function shall monitor and test Compliance by performing sufficient and representative Compliance testing, and the results of such Compliance testing shall be reported to the Senior Management.
- Ensure compliance of regulatory/ supervisory directions given by RBI in both letter and spirit in a time-bound and sustainable manner.
- Attend to compliance with directions from other regulators in cases where the activities of the entity are not limited to the regulation/supervision of RBI.
- The Compliance Department may also serve as a reference point for the staff from operational departments for seeking clarifications / interpretation of various regulatory and statutory guidelines.

COMPLIANCE PHILOSOPHY

Compliance philosophy of the Company includes the following:

- Obey laws, rules, regulations, various codes of conducts and adherence to fair practice codes
- to keep the promises to shareholders, customers, employees, etc., as a representative of the company or a person in charge
- Take steps to ensure protection of confidential information concerning the Company, customers or employees.
- Manage conflicts of interest

CHIEF COMPLIANCE OFFICER (CCO)

- As part of robust compliance system, the Company is required, inter-alia, to have an effective compliance culture, independent corporate compliance function and a strong compliance risk management programme. Such an independent compliance function is required to be headed by a designated Chief Compliance Officer (CCO) selected through a suitable process with an appropriate 'fit and proper' evaluation/selection criteria to manage compliance risk effectively. Fit & Proper criteria shall be examined and reported from the perspectives of competency, integrity and conflict of interest, among others.
- The Chief Compliance Officer (CCO) shall be the nodal point of contact between the NBFC and the regulators / supervisors and shall necessarily be a participant in the structured or other regular discussions held with RBI. Further, compliance to RBI inspection reports shall be communicated to RBI necessarily through the office of the Compliance Function. The Compliance Department shall be headed by the Chief Compliance Officer,



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- The CCO and Compliance Function shall have the authority to communicate with any staff member and have access to all records or files that are necessary to enable her / him to carry out entrusted responsibilities in respect of Compliance issues. This authority shall flow from the Compliance Policy of the NBFC.
- There shall not be any 'dual hatting,' i.e., the CCO shall not be given any responsibility which brings elements of conflict of interest, especially any role relating to business. The CCO shall generally not be a member of any committee which conflicts her / his role as CCO with responsibility as a member of the committee, including any committee dealing with purchases / sanctions. In case the CCO is a member of any such committee that would only be an advisory role.

APPOINTMENT AND TENURE OF CCO

- i) **Tenure:** The CCO shall be appointed for a minimum fixed tenure of not less than 3 years. However, in exceptional cases, the Board / Board Committee may relax the minimum tenure by one year, provided appropriate succession planning is put in place;
- ii) **Removal:** The CCO shall be transferred / removed before completion of the tenure only in exceptional circumstances, with the explicit prior approval of the Board / Board Committee, after following a well-defined and transparent internal administrative procedure;
- iii) **Rank:** The CCO shall be a senior executive of the NBFC with a position not below two levels from the CEO. However, in the case of NBFCs-ML, this requirement can be relaxed by one level further. If the NBFC considers necessary, the CCO can also be recruited from the market;
- iv) **Skills:** The CCO shall have a good understanding of the industry and risk management practices, knowledge of regulations, legal requirements, and have sensitivity to Supervisory expectations;
- v) **Stature:** The CCO shall have the ability to exercise judgment independently. She / He shall have the freedom and authority to interact with regulators / supervisors directly and ensure compliance;
- vi) **Conduct:** CCO shall have a clean track record and unquestionable integrity;
- vii) **Selection Process:** Selection of the candidate for the post of the CCO shall be made based on a well-defined selection process and recommendations made by a committee constituted by the Board / Board Committee for the purpose. The Board / Board Committee shall take final decision in the appointment of CCO.
- viii) **Reporting Requirements:** A prior intimation to the Senior Supervisory Manager, Department of Supervision, Reserve Bank of India, shall be provided before appointment, premature transfer, resignation, early retirement or removal of the CCO. Such information shall be supported by a detailed profile of the candidate along with the 'Fit and Proper' certification by the MD & CEO of the NBFC, confirming that the person meets the prescribed supervisory requirements and rationale for changes, if any. 'Fit and Proper' criteria may be examined based on the requirements spelt out in this Circular;



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- ix) Reporting Line: The CCO shall have direct reporting lines to the MD & CEO and / or Board / Board Committee. In case the CCO reports to the MD & CEO, the Board / Board Committee shall meet the CCO at quarterly intervals on a one-to-one basis, without the presence of the senior management, including MD & CEO. The CCO shall not have any reporting relationship with the business verticals. Further, the performance appraisal of the CCO shall be reviewed by the Board / Board Committee.

COMPLIANCE PROGRAMME

The NBFC shall carry out an annual Compliance risk assessment in order to identify and assess major Compliance risks faced by them and prepare a plan to manage the risks. The annual review, to be carried out by the Senior Management, shall ensure coverage of at least the following aspects:

- i) Compliance failures, if any, during the preceding year and consequential losses and regulatory action, as also steps taken to avoid recurrence of the same;
- ii) Listing of all major regulatory guidelines issued during the preceding year and steps taken to ensure compliance;
- iii) Compliance with fair practices codes and adherence to standards set by self-regulatory bodies and accounting standards; and
- iv) Progress in the rectification of significant deficiencies and implementation of recommendations pointed out in various audits and RBI inspection reports.

EFFECTIVE COMMUNICATION

Clarity and transparency should be promoted by making a distinction between general standards for all staff members and rules that only apply to specific groups of staff. An effective compliance culture requires continuous communication of expectations on risk and compliance and practices by the Company; compliance awareness channels for existing and new Board members, senior management and employees; process for containing conduct risk and whistle-blower mechanism.

PRINCIPLES OF COMPLIANCE

In addition to the above, following shall, in general, be equally important for effective management of Compliance and Compliance Functions. The Compliance Functionary/ies shall:

- Be looked at as a friend, philosopher and guide by the business units. There shall be close co-ordination between Compliance and Business Operations functions.
- Have right to access to information necessary to carry out their responsibility and for



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pointing out / looking into possible breaches of compliance policy.

- Be free to report on any irregularities without fear of disfavor from management or other staff members to the Board of Directors / Audit Committee of the Board or a committee of the Board, appointed for the purpose.

THE REVIEW & REPORTING MECHANISM

The responsibility of the compliance function shall be carried out in a planned way. Generally, Compliance Department shall review, revise and modify the compliance function annually with approval of the Board.