



## **AGRIM Housing Finance Private Limited**

### **Fraud Management Policy**

#### **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 Agrim HFCs stance towards frauds and its approach towards mitigating the same.

#### **Applicability**

The Policy is applicable to all employees, vendors, agents, applicants, borrowers and persons associated with Agrim HFC

#### **Definitions**

Disciplinary Committee – Committee which decided on matters related to frauds

– 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) 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

Head – Risk – Official who is responsible for all Anti-fraud related activities as well as for ensuring that fraud related returns are submitted to NHB 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
- Agrim HFC Code of Conduct

## Anti-Fraud Mechanism @ Agrim HFC

Agrim HFC, being mindful of the fraud risk to which it is susceptible to has established an operational risk team under the aegis of Head – Risk which looks after all the employee / third party perpetrated fraud alerts. All frauds perpetrated by loan applicants and Fraud Check Units (FCU) are handled by credit team under the guidance of Head – Underwriting. If any fraud related to third party / employee is detected by them then the same is forwarded to the Risk team for appropriate action.

## Executive Committee

Agrim HFC has instituted a Executive Committee which is responsible for taking decisions on matters related to employee / third party frauds.

## 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. Risk 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 Head – Risk
- 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 within 3 weeks of detected / 15 days of end of Quarter whichever comes first
- 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 perpetrated in subsidiaries / affiliates / joint ventures will also be reported
- Frauds committed by unscrupulous borrowers
- Frauds involving Rs. 1 crore or more will be reported to NHB within a week of such fraud coming to the notice
- Reporting to NHB as per FMR 1, FMR 2 and FMR 3
- 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

- Monthly Fraud Review by MD & CEO
- Quarterly Review of Frauds by the Board of Directors
- 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 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 will be closed where it warrants that
- 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.

## Police action on Frauds

Following cases will be referred to police for action:

- Cases of fraud involving an amount of ~1lakh and above, committed by outsiders on their own and/ or with the connivance of HFCs staff/ officers;
- Cases of fraud committed by employees of HFCs, when it involves the HFC funds exceeding ~ 10,000/-

## Provisioning on Frauds

NHB Guidelines with respect to provisioning on fraud will be followed

## Amendment / Modifications / Review

- There shall be an annual review of the Policy.
- Agrim HFC 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 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