

Keertana Finserv Private Limited

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Compliance Policy

1. INTRODUCTION, SCOPE AND OBJECTIVE

1.1 Background and Introduction

'Compliance Risk' is the risk of legal or regulatory sanctions, material financial loss or loss of reputation an entity may suffer, as a result of the entity's failure to comply with laws, regulations, rules and codes of conduct, etc., applicable to the entity's activities.

Keertana Finserv Private Limited ('Keertana' Or "Company") is required to ensure compliance to various applicable statutory provisions, rules and regulations, and its own internal rules, policies and procedures. The company predominantly is involved in extending loans against Gold, JLG Loans, MSME loans and LAP.

As per the "Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs dated October 22, 2021" ("**SBR Framework**") prescribed by the Reserve Bank of India ("**RBI**") in order to ensure an effective compliance culture, Non-Banking Financial Companies ("**NBFCs**"), are required to have an independent compliance department and a strong compliance risk management framework. As per the SBR framework, NBFCs are required to appoint a Chief Compliance Officer ("**CCO**") and put in place a Board approved policy laying down the role and responsibilities of the CCO with the objective of promoting better compliance culture in the organization.

Thereafter, the RBI, vide notification dated April 11, 2022, issued a notification on '**Compliance Function and Role of Chief Compliance Officer**' ("**RBI Notification**") with detailed requirements with respect to the compliance function and appointment of the CCO.

Accordingly, the Company has formulated this Compliance Policy ("**Policy**") with approval of its Board of Directors. This Policy has been formulated considering the Company's corporate governance framework, the scale of operations, risk profile and organizational structure, etc.

1.2 Objective of the Policy

The objective of this Compliance Policy is to establish, implement and maintain a compliance framework that is reasonably designed to ensure compliance with applicable laws, rules, regulations, and the Company's policies. This Policy seeks to prescribe guidelines to mitigate the Compliance Risk of the Company.

In case of any amendments in the relevant laws/ rules/ regulations/ guidelines applicable to the Policy, such amendments shall be considered part of the Policy to the extent applicable and such laws/ rules/ regulations/ guidelines shall supersede the Policy.

1.3 Scope and Applicability of the Policy

This Policy shall be applicable to the Company, its employees and its representatives while conducting various activities on behalf of the Company.

1.4 Approval and Review of the Policy

This Policy and any significant changes to it shall be approved by the Board of Directors (“**Board**”). The Policy shall be reviewed at least once in a year. In case of any amendments in the applicable laws, rules and regulations, it may be reviewed earlier also.

2. Roles and Responsibilities

2.1 Responsibility of the Board and the Audit Committee of the Board

The Board shall review the Policy at least once in a year. The Audit Committee of the Board (“**Audit Committee**”) shall conduct review of the Compliance Risk management framework of the Company to ensure that the Compliance Policy is adequately implemented within the Company.

2.2 Responsibility of the Senior Management

The Senior Management shall be responsible for:

- (i) carrying out an exercise, at least once a year, to identify and assess the major components of the Compliance Risk and formulate plans to manage the same;
- (ii) submission of a half yearly review of the Compliance Risk to the Audit Committee;
- (iii) submission of a detailed annual review of the Compliance Risk to the Board; and
- (iv) submission of a report promptly to the Board, through the Audit Committee on any Material Compliance Failure while ensuring that appropriate remedial or disciplinary action is taken. ‘**Material Compliance Failure**’ would mean any of the following instances where a compliance failure may lead to leads:
 - (a) regulatory reaction to a compliance failure is likely to be or has been severe, including halt of business, significant fines/ sanctions/ restitution imposed; or
 - (b) potential or actual significant reduction in anticipated earnings, capital; or
 - (c) severe adverse press or consistent negative media attention; or
 - (d) severe, protracted litigation; or
 - (e) potential loss of significant business.

2.3 Compliance is a Shared Responsibility, and it is Responsibility of Each Employee

Compliance is a shared responsibility of the business units and the Compliance Department. Therefore, adherence to applicable statutory provisions and regulations needs to be the responsibility of each employee and it is the work of the Compliance Department to ensure the same.

Each employee of the Company shall adhere to the following:

- (a) Follow the requirements of the Compliance Policy and other internal policies and procedures.
- (b) Consult Compliance Officers on compliance issues, as appropriate.
- (c) Report non-compliances to the Compliance Officers, as the case may be.
- (d) Attend trainings organized on compliance aspects.
- (e) Remain updated on regulatory compliance requirements advised from time to time.

2.4 Responsibility of the Compliance Department

- (a) The Compliance Department of the Company shall ensure compliance with the applicable statutory and regulatory requirements, including standards of market conduct, managing conflict of interest, treating customers fairly and ensuring the suitability of customer service.
- (b) The Compliance Department shall be responsible for undertaking the following activities:
- (i) Assist the Board and the Senior Management in overseeing the implementation of Compliance Policy, including required policies, code of conduct and detailed procedures etc.
 - (ii) Play the key role in identifying the Compliance Risk for the Company. It shall analyse the Compliance Risk in the existing and proposed products and processes and ensure that appropriate risk mitigants are put in place.
 - (iii) It 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 along with the instances of compliance failures among staff, along with the required preventive instructions. Staff accountability shall be examined for any Material Compliance Failure.
 - (iv) It shall ensure compliance of regulatory/ supervisory directions given by the RBI in both letter and spirit in a time-bound and sustainable manner.
 - (v) To implement an effective Compliance Program to ensure that all instructions in the Risk Mitigation Plan (“RMP”)/ Monitorable Action Plan (“MAP”), as may be prescribed by the RBI, from time to time, are complied with within the timelines prescribed.
 - (vi) Attend to compliance with directions from other regulators. Further, bring to the notice of RBI any discomfort conveyed to the Company on any issue by other regulators, and action taken by any other authorities/ law enforcement agencies.
 - (vii) The Compliance Department shall serve as a reference point for the staff from operational departments for seeking clarifications/ interpretation of various regulatory and statutory guidelines.
 - (viii) The Compliance Department shall be responsible for implementing a mechanism for dissemination of information on regulatory prescriptions and guidelines among staff and periodic updation of the operational manuals.
 - (ix) The Compliance Department shall vet all new products and major processes, prior to their introduction for implementation.

1.2 Chief Compliance Officer

- (a) The Company shall appoint an official as the ‘Chief Compliance Officer’ (“CCO”) who shall be sufficiently senior in the Company’s hierarchy.
- (b) The CCO shall be a member of the committee or be one of the authorities vetting/ reviewing any new product of the Company. All new products shall be subjected to intensive monitoring for at least the first six months of introduction to ensure that the indicative parameters of the Compliance Risk are adequately monitored.

- (c) The CCO shall be the nodal point of contact between the Company 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 Department.

3. POLICY STANDARDS

3.1 Appointment of Chief Compliance Officer

- (d) Tenor for Appointment of CCO– The CCO shall be appointed for a minimum fixed tenure of not less than 3 years. However, in exceptional cases, the Board may relax the minimum tenure by one year, provided appropriate succession planning is put in place by the Company.
- (e) Transfer/ Removal of CCO– The CCO may be transferred/ removed before completion of the tenure only under exceptional circumstances with the explicit prior approval of the Board after following a well-defined and transparent internal administrative procedure.
- (f) Eligibility Criteria for appointment as CCO –
- (i) Rank– The CCO should be a senior executive of the Company, preferably not below two levels from the CEO. However, as long as the Company is a Middle Layer- NBFC, this requirement can be relaxed by one level further based on the discretion of the authority approving the selection of the CCO.
 - (ii) Skills- The CCO should have good understanding of industry and risk management, knowledge of regulations, legal framework and sensitivity to the regulatory/ supervisory expectations.
 - (iii) Stature- The CCO should have ability to independently exercise judgement. CCO should have the freedom and sufficient authority to interact with the regulatory/ supervisory authority directly and ensure compliance.
 - (iv) Conduct– CCO should have a clean track record and unquestionable integrity.
- (g) Selection Process– Selection of candidate for the post of CCO shall be done on the basis of a well-defined selection process and recommendations made by the selection committee constituted by the Board/ Audit Committee for the purpose. The CCO could also be recruited from the market. The Board/ Audit Committee shall take final decision in the appointment of the CCO.
- (h) 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, based on the eligibility criteria prescribed in the RBI Notification, by the MD & CEO of the Company, confirming that the person meets the prescribed supervisory requirements and rationale for changes, if applicable.

- (i) Reporting Line: The CCO shall have direct reporting lines to the MD & CEO. However, the Audit Committee shall meet the CCO at quarterly intervals on a one-to-one basis, without the presence of the senior management, including the 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 Audit Committee.

3.2 Structure and Independence of Compliance Department

- (a) The Compliance Department shall be headed by the Chief Compliance Officer (“CCO”). The function shall be independent and sufficiently resourced, and its activities shall be subject to periodic and independent review
- (b) Apart from having staff in the Compliance Department with basic qualifications and practical experience in business lines/ audit & inspection functions, the Company shall have adequate staff members with knowledge of statutory/ regulatory prescriptions, law, accountancy, risk management, information technology, etc. The Company shall ensure appropriate succession planning to avoid any future skill gap in the Compliance Department.
- (c) The CCO will be a member of the various committees in the Company under advisory role and he/she shall be a special invitee to all meetings of the Board and Audit Committee of the Board and such other committees, as may be required.
- (d) The Compliance Department, with concurrence of the CCO, shall have access to all information he/she requires and have the right to communicate with any staff member of the Company and obtain access to any records or files necessary to carry out his responsibilities.
- (e) The Compliance Department, with concurrence of the CCO, shall be empowered to conduct compliance reviews and investigations whenever required and to request assistance from the specialists within the Company. The authority to use external experts for the purpose of investigation shall be left to the discretion of the CCO with the permission of the Managing Director and Chief Executive Officer.
- (f) The CCO shall be free to report to Managing Director & Chief Executive Officer on any irregularities or possible breaches disclosed by its investigations without fear of disfavour from management or other staff members. The Compliance Department, with concurrence of the CCO, shall also have the right to freely disclose findings and views to the senior management/ Audit Committee.

3.3 Scope of the Compliance Department

- (a) The main objective of the Compliance Department is to assess the compliance risks that the Company may be susceptible to and the materiality of such risks. Considering the fact that the Company’s business activities and operations are governed by many laws, acts and regulations that have been developed by numerous regulatory and legislative bodies, the scope of the Compliance Department is segregated into ‘Core’ and Non-Core’ areas.
- (b) The Compliance Department shall have domain expertise in the Core areas of Compliance, and it shall be primarily responsible for such Core areas of Compliance in the Company. As regards the Non-Core areas of compliance, the domain expertise shall remain with the other functional departments within the Company. In respect of Non-Core areas of compliance, the respective department shall be primarily responsible for compliance with the prescribed requirements, progress made in remediation of breaches,

coordination, and communication with the concerned authorities. However, the Compliance Department shall ensure overall oversight on the compliance matters of the Company.

(c) Core and Non- Core Areas of Compliance

(i) The **Core Areas of compliance** shall be divided into three broad categories:

- (a) Statutory Compliances which are related to the Company's core/ principal business as an NBFC and which the Company, as an NBFC, is required to comply with, such as applicable provisions of Foreign Exchange Management Act, 1999 and Prevention of Money Laundering Act, 2002 etc.
- (b) Regulatory and Supervisory Compliance: It shall include various regulatory and supervisory requirements/ directions prescribed by the RBI, from time to time, which the Company, as an NBFC, is required to ensure compliance with.

Further, based on its allied business activities, the Company may be required to ensure adherence with some of the regulatory requirements/ guidelines prescribed by other sectoral regulatory authorities such the Securities and Exchange Board of India (SEBI), the Insurance Regulatory and Development Authority of India (IRDA) etc. Such compliances shall also be part of the regulatory compliance. In case of any discomfort conveyed by such regulatory authorities, the same shall be brought to the notice of the RBI.

(ii) The **Non-Core Compliance Areas of Compliance** would include the following:

- (a) Various laws and statutes which are not specific to the business of an NBFC, *e.g.*, the Companies Act 2013, and its related rules, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, other listing related regulations, SARFAESI Act, 2002, Information Technology Laws, applicable Labour Laws etc.
- (b) Court Orders, Indian Accounting Standards (Ind AS), Code of Conduct/ Standards etc. issued by professional bodies and organisations etc.
- (c) Internal Policies adopted by the Company to comply with various regulatory and statutory requirements.

(d) No Conflict of Interest

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.

The staff in the Compliance Department shall primarily focus on his/ her responsibilities pertaining to the Compliance Department. However, the Compliance staff could be assigned some other duties while ensuring that there is no conflict of interest.

3.4 Compliance Programme

- (a)** The Company 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.
- (b)** Based on the above compliance risk assessment, a review carried out by the Senior Management, shall ensure coverage of the following aspects:
 - (i)** Compliance failures, if any, during the preceding period 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 period and steps taken to ensure compliance;
 - (iii)** Compliance with fair practices code 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.

3.5 Internal Audit and Independent Review of Compliance Department

The Compliance risk is part of the risk assessment framework of the Internal Audit Function, and the Compliance Department 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.

3.6 Reporting Mechanism

The Consolidated report on Compliance as at the end of each quarter shall be circulated by CCO/ Compliance Department to the MD & CEO, after seeking compliance confirmation from respective departmental heads.