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Prudent ARC Limited
FAIR PRACTICES CODE
(Updated on 18.11.2022)

1. INTRODUCTION

- 1.1 Prudent ARC Limited (herein after referred to as PARC) is registered with Reserve Bank of India ("RBI") under section 3 of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act) and is also a Company registered under the provisions of the Companies Act, 1956.
- 1.2 The Reserve Bank of India had vide its circular no DOR.NBFC(ARC)CC No. 9/26.03.001/2020-21 dated July 16, 2020 issued directions to be followed by ARC's for implementation of the Fair Practices Code (hereinafter referred to as the FPC).
- 1.3 The Board of Prudent ARC at its meeting on 05.02.2021 approved the FPC of the company.
- 1.4 The RBI has subsequently vide its Master Circular dated April 1, 2022 and Circular dated October 11, 2022 updated the directions on FPC.
- 1.5 The updated FPC is now framed and put up to the Board for consideration and approval.

2. Fair Practices Code (FPC)

2.1 Principle of FPC

The FPC is designed to achieve the highest standards of transparency and fairness in dealing with stakeholders. RBI has directed that the FPC is required to be duly approved by their Board. The Board at its meeting held on 05.02.2021 approved the FPC to be implemented by the company. The FPC has now been updated in view of the recent updated directions received from FPC. The RBI has directed that the FPC must be followed in right earnest and the Board must involve itself in its evolution and proper implementation at all times. The FPC is required be placed in public domain for information of all stakeholders

2.2 Scope and Coverage

The following paragraphs provide the scope and coverage of PARC's updated FPC viz

- (1) PARC shall follow transparent and non-discriminatory practices in



acquisition of assets. It shall maintain arm's length distance in the pursuit of transparency.

(2) In order to enhance transparency in the process of sale of secured assets,

(i) invitation for participation in auction shall be publicly solicited; the process should enable participation of as many prospective buyers as possible;

(ii) terms and conditions of such sale may be decided in wider consultation with investors in the SRs as per the Act

(iii) PARC shall ensure compliance with Section 29A of Insolvency and Bankruptcy Code, 2016 in dealing with prospective buyers.

(3) PARC shall release all securities on repayment of dues or on realization of the outstanding amount of loan, subject to any legitimate right or lien for any other claim they may have against the borrower. If such right of set off is to be exercised, the borrower shall be given notice about the same with full particulars about the remaining claims and the conditions under which PARC is entitled to retain the securities till the relevant claim is settled/ paid.\

(4) PARC shall put in place Board approved policy on the management fee, expenses and incentives, if any, claimed from trusts under their management. The approved policy should be transparent and ensure that management fee is reasonable and proportionate to financial transactions. Any management fee/ incentives charged towards the asset reconstruction or securitization activity shall come only from the recovery effected from the underlying financial assets. The Board-approved policy shall indicate the quantitative cap/ limit on the management fee/ incentives under various scenarios, any deviation from which shall require approval of the Board.



(5) In case PARC intends to outsource any of its activity it shall put in place a comprehensive outsourcing policy, approved by the Board, which incorporates, inter alia, criteria for selection of such activities as well as service providers, delegation of authority depending on risks and materiality and systems to monitor and review the operations of these activities/ service providers. PARC shall ensure that outsourcing arrangements neither diminish its ability to fulfil its obligations to customers and the Bank nor impede effective supervision by the Bank. The outsourced agency, if owned/controlled by a director of the PARC, the same may be made part of the disclosures specified in the RBI Master Circular dated Apr1, 2022 read with its circular dated October 11, 2022.

(6) In the matter of recovery of loans, PARC shall not resort to harassment of the debtor. PARC shall ensure that the staff are adequately trained to deal with customers in an appropriate manner.

(i) PARC shall put in place a Board approved Code of Conduct for Recovery Agents and obtain their undertaking to abide by that Code. PARC as principals, are responsible for the actions of their Recovery Agents.

(ii) It is essential that the Recovery Agents observe strict customer confidentiality.

(iii) PARC shall ensure that Recovery Agents are properly trained to handle their responsibilities with care and sensitivity, particularly in respect of aspects such as hours of calling, privacy of customer information, etc. PARC is required to ensure that Recovery Agents do not indulge in uncivilized, unlawful and questionable behaviour during recovery process

(iv) PARC shall ensure that it or its agents do not resort to intimidation or harassment of any kind, either verbal or physical, against any person in their debt collection efforts, including acts intended to humiliate publicly or intrude upon the privacy of the debtors' family members, referees and friends, sending inappropriate messages either on mobile



or through social media, making threatening and/ or anonymous calls, persistently calling the borrower and/ or calling the borrower before 8:00 a.m. and after 7:00 p.m. for recovery of overdue loans, making false and misleading representations, etc.

(7) PARC shall implement and follow the following Grievance Redressal Mechanism:

a) The CEO shall be the Grievance Redressal Officer of the company. Any grievance or dispute arising out of any decision by a functionary of PARC below the rank of CEO may be brought to the notice of CEO by the concerned customer. On receipt of such complaint / notice, CEO shall examine the matter and take such action as may be required and furnish an appropriate response to the complainant.

b) Any grievance or dispute arising out of any decision by a functionary of PARC of the rank of CEO may be brought to the notice of MD by the concerned customer. On receipt of such complaint / notice, MD shall examine the matter and take such action as may be required and furnish an appropriate response to the complainant.

c) An electronic record of complaints received from customers and the follow up action taken will be maintained and a summary will be placed before the Board at half-yearly intervals at the end of June and December every year. The Compliance Officer of the company will be the coordinating officer for this purpose. The name and contact details of the compliance officer should be displayed on the website of PARC.

d) The designated officer ie MD/CEO shall ensure that genuine grievances are redressed promptly. PARC's Grievance Redressal machinery will also deal with the issue relating to services provided by the outsourced agency and recovery agents, if any. The name and contact number of designated grievance redressal officer of the PARC is to be mentioned in the communication with the borrowers.



(8) PARC shall keep the information, it comes to acquire in course of their business, strictly confidential and shall not disclose the same to anyone including other companies in the group except when (i) required by law;

- (ii) there is duty towards public to reveal information; or (iii) there is borrower's permission.
- (9) The FPC shall be placed on PARC's web site for the information of all stake holders.
- (10) The Fair Practices Code shall be reviewed periodically or on the event of occurrence of any event/situation which needs to be reported to the Board of directors.

The proposed policy is in conformity with the statutory and regulatory guidelines

