

# Compliance Policy 2023

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*Supra Pacific  
Financial Services  
Ltd*

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“Compliance starts at the top.

It will be most effective in a corporate culture that emphasizes standards of honesty and integrity and in which the board of directors and senior management lead by example.

It concerns everyone within the Company and should be viewed as an integral part of the Company’s business activities. A Company should hold itself to high standards when carrying on business, and at all times strive to observe the spirit as well as the letter of the law. Failure to consider the impact of its actions on its shareholders, customers, employees and the markets may result in significant adverse publicity and reputational damage, even if no law has been broken”.(Basel Committee of Banking Supervision 2015).

One of the requirements of a good Corporate Governance is to have a Board approved Compliance Policy covering compliance philosophy, expectations on compliance culture, Tone from the Top, Accountability, and Effective Communication & Challenges thereof, structure and role of the compliance function, role of CCO, processes for identifying, assessing, monitoring, managing and reporting of compliance risk throughout the Company. This shall, inter-alia, adequately reflect the size, complexity and compliance risk profile of the Company, expectations on ensuring compliance to all applicable statutory provisions, rules and regulations, various codes of conducts (including the voluntary ones) and the Company's own internal rules, policies and procedures, and creating a structure to disincentivize compliance breaches. Good Corporate Governance also mandates developing and maintaining a quality assurance and improvement program for Compliance

The Compliance Policy - 2021 is prepared to cover all the regulatory mandated Policy requirements, internal compliance model and the Board approved programs of the Compliance function.

Our NBFC's compliance processes and organizational structures through which such processes operate have been shaped by considering the guidelines issued by Reserve Bank of India from time to time and in line with NBFC's own standards of internal governance. This policy is intended to present how the NBFC defines its compliance and compliance function's role and responsibilities regarding the management of compliance risk.

Highly competitive environment in NBFC business leading to thinning spreads, and technological advancement giving rise to innovative and complex NBFC products, sometimes tempt NBFCs to go around the regulations resulting in potential compliance failure. The economic costs of reputation risk arising out of compliance failures are very high. This has necessitated inclusion of compliance risk as one of the key facets of Integrated Risk Management.

**3. Scope** This policy describes management structure of the Compliance Division of Supra Pacific Financial Services Ltd, the roles and responsibilities of the Compliance Division regarding the management of compliance risk and to establish a structured Compliance Risk Management Framework in the NBFC including identification, assessment, monitoring, management, reporting and related controls throughout the NBFC. This is a NBFC wide Compliance Policy applicable to all employees of the NBFC. Permanent, temporary, casual and all those who work for the NBFC on contract basis are all "Employees" for the purpose of Compliance. This policy covers the Compliance philosophy of the NBFC, its expectations on compliance culture and effective communication of challenges involved.

	<b>Regulatory</b>	<b>References</b>
	This Policy makes the reference to the below RBI circulars / Guidelines / Discussion paper:	
i.	Master Direction DNBR.PD.007/03.10.119/2016-17 dated September 01, 2016 (Updated as on February 17, 2020)	

	<b>Objectives</b>
5.	

Conduct of business in accordance with the statutory and regulatory guidelines is the primary expectation of all stakeholders of the NBFC. Compliance builds up the faith and trust of shareholders, customers, employees and markets in the NBFC, thus providing a competitive advantage to the NBFC in the business. Therefore, the objective of the NBFC is to hold itself to high standards when carrying on business and at all times strive to observe laws and regulations in letter and spirit. The objective of the Policy is to put in place a comprehensive compliance mechanism in the NBFC for effective Compliance Risk Management.

The policy aims to:

- a) Have a better understanding of compliance risk and facilitate its management.
- b) Establish proactive Compliance Risk Management culture, which includes measures to identify, monitor and control compliance risk inherent in various business lines and activities of the organization.
- c) Create group/enterprise-wide compliance programme.
- d) Develop comprehensive data on various compliance functions.
- e) Help the NBFC in designing, implementing and operating an effective compliance function resulting in mitigation of compliance risks.
- f) Establish a structured Compliance Risk Management System in the NBFC.
- g) Provide responsive reporting system of compliance at various levels of the NBFC.
- h) Provide necessary input to the Senior Management on legal and reputation risk issues.
- i) Improve confidence in operational and financial integrity.
- j) Create awareness on compliance, ensuring support, and becoming an independent guardian to business functionaries.
- k) To have an active compliance management program - preventive and not reactive or passive.

## **6. Compliance Philosophy**

6.1.1 The NBFC shall ensure compliance with all applicable laws, regulations, rules, related self-regulatory organization standards, codes of conduct applicable to its regulated activities and internal rules,

policies and procedure framed/issued emanating from regulatory environment, both in letter and spirit (referred as Regulations).

6.1.2 The NBFC has neither appetite nor tolerance for any Compliance Risk on account of non- Compliance with Regulations.

6.1.3 Any Compliance breach or risk identified or assessed by any Regulator shall be remediated at the earliest, within the agreed timelines.

6.1.4 The NBFC shall endeavor to resolve all risk issues in a time bound manner. Any unresolved Compliance risk or delay in resolution of the identified risk owing to volume, legacy or system related challenges will be risk accepted at appropriate levels.

6.1.5 The NBFC shall put in place appropriate measures to ensure Compliance with all regulatory requirements through a process of regulation identification, assessment, risk rating, mitigation and controls.

6.1.6 The NBFC shall also have a robust process for identification, assessment, mitigation and risk acceptance for all Compliance Risks.

6.1.7 In managing Compliance Risk, the NBFC shall follow a risk-based approach.

## 7. Compliance Culture

Compliance Culture refers to the organizational behaviour that reflects the honouring of expectations of the business environment willingly and as a natural and logical part of all aspects of the NBFC's activities.

7.1.1 The Board of Directors, Senior Management and every employee (commonly referred as Director and Employee) of the NBFC shall be responsible to build the highest level of Compliance culture in tune with Compliance Philosophy of the NBFC.

7.1.2 The highest level of compliance standards will be exhibited by every employee both in his professional and personal life.

7.1.3 The compliance standard, includes Compliance with all applicable Regulations.

7.1.4 The NBFC shall observe five Principles of Conduct, namely, a) Act with integrity, b) Act with due care, skill and diligence, c) Be open and cooperative with Regulators, d) Act with due regard to the interest of customers and treat them fairly, e) Observe proper standards of

market conduct in all dealings, avoiding market abuse/manipulation.

7.1.5 The Board, Senior Management and the Compliance Division shall set the tone on Compliance Culture and propagate it across the organization.

7.1.6 Deliberate or negligent non-compliance with regulations or non-remediation or delay in remediating beyond reasonable time by a Director/ Employee shall affect the performance, appraisal score and/ or result in staff accountability assessment, including punitive action and / or suspension, demotion or dismissal.

7.1.7 The code of conduct of the NBFC and staff rules shall emphasize the Compliance Philosophy and Compliance Culture enshrined in this Policy. The code of conduct for employees should envisage working towards earning the trust of the society by dealing with customers in a fair manner and conducting business operations consistent with rules and regulations.

The three fundamental indicators of existence of a positive compliance culture are:

1. Employees of all cadres across the NBFC are aware that they have compliance responsibility for their area of operation.
2. There is clarity on the expectations of their role in terms of compliance processes they need to adhere to.
3. There is conscious “willingness” to adhere to relevant process either because there is an appreciation of business benefits or because it is business ethics they voluntarily subscribe to.

## **8. Compliance Risk**

Compliance risk would have adverse impact on earnings and capital and may lead to erosion of stakeholders and customer’s confidence and relationship with Regulators, apart from restrictions on future business opportunities. On the contrary, meticulous compliance with the laws, rules and standards that govern NBFC activities will help to maintain NBFC’s reputation with its shareholders, customers, employees, regulators and the markets. Fundamentally, the foundation for sustainable growth of business is through customer trust. Customer trust is possible only if the NBFC is seen as doing responsible business. Demonstrable emphasis, in letter and spirit, of positive governance and compliance is cornerstone of responsible business.

## **9. Interconnected Risks**

The Compliance Risk is closely interrelated with other risks in the organization, such as:

**Regulatory Risk:** Compliance failures can lead to regulatory enforcement and other actions.

**Operational Risk:** Compliance Risk is “Operational Risk come alive”, i.e. caused by various factors such as internal or external fraud, system failure, negligence etc.

**Legal Risk:** Compliance failures can lead to litigation and associated damages or penalties.

**Reputation Risk:** Compliance failures can severely damage reputation, brand value and market value. Activities in one business line of the NBFC may affect the legal and reputation risk of other business lines also and hence it is necessary to have a comprehensive compliance programme in order to look at various business lines in the organization as a whole to evaluate the compliance risk which necessitates the establishment of a comprehensive Compliance Tracking Mechanism in the NBFC and putting in place a well-documented Compliance policy. This would help the management and the Board of Directors in understanding the extent of the legal and reputation risks in the organization, provide comparisons of the level and changing nature of risks and in identifying the control processes that need enhancement.

## 10. **Compliance Risk Management**

### 10.1 **Compliance Division.**

10.1.1 The NBFC has entrusted its Compliance Risk Management with its Compliance Division. The Division is headed by Chief Compliance Officer (CCO).

10.1.2 The Division manages the Compliance Risk emanating from the

- i) Reserve Bank of India Act, 1934
- ii) SEBI Act (other than those handled by the Secretarial Dept) ,
- iii) other applicable regulator statutes,

- iv) The Compliance risk in i) to iii) includes other applicable Rules / Regulations / Notifications / Directions / Circulars commonly referred as regulations,
- v) Self-Regulatory Organisation Standards,
- vi) Codes of Conduct covered by i to vi above and
- vii) internal rules, policies and procedure framed/issued emanating from a regulatory environment.

10.1.3 The Division collectively have or can access knowledge, skills, resources commensurate with the business activities and risks of the NBFC. The staff may also have adequate practical experience in various business lines /audit / inspection functions.

10.1.4 There shall be appropriate succession planning in respect of each officer and under no circumstances the vacancy of Compliance staff shall remain open without replacement for more than 30 days.

## **10.2 Functions of Compliance Division.**

10.2.1 The Division shall function as an independent function in the NBFC's governance structure and act as second line of defense i.e. other than the defense inbuilt within business line. It is also independent of Risk Management Function and third line of defense.

10.2.2 In order to ensure that the NBFC acts responsibly and fulfill all the applicable obligations, the Division shall proactively assess Compliance Risk arising out of business activities undertaken by first line of defence and ensure remediation on gaps identified.

10.2.3 While the Compliance Policy is applicable to the NBFC, it also specifies Compliance Policy principles applicable to the Group.

10.2.4 The Division shall act as the nodal office of the NBFC to Reserve Bank of India and SEBI jointly with Secretarial Department.

10.2.5 Compliance function shall be regarded as Core Risk

Management activity within the NBFC. It must be the integral part of NBFC's business activities.

10.2.6 Compliance function shall observe the fundamental principles of conduct of the NBFC; i.e., Integrity, Impartiality, Loyalty, Accountability, Discretion and Respect.

10.2.7 Compliance function shall be sufficiently resourced.

10.2.8 Chief Compliance Officer shall be accountable and report to MD and have access to Audit Committee, Risk Management Committee and Board. Various reports to be submitted to Board and the committees and the frequency of such reports are given under **Annexure I**.

#### **10.2.9 Dissemination of information**

10.2.9.1 All Departments / Divisions in Head Office shall ensure that copies of all regulatory and statutory guidelines directly received by them are forwarded to the Compliance Division. Compliance Division shall also extract Regulatory guidelines, primarily from the Compliance Library from a recognized source. The department shall forward copies of all regulatory and statutory guidelines, with instructions/ guidance of implementation to functional heads concerned. It shall act as the focal point for receipt and dissemination of all RBI guidelines and SEBI guidelines jointly with the secretarial team.

10.2.9.2 The Department shall ensure that appropriate instructions are not only promptly issued within the organization, but also that the instructions are actually received at each office and implemented in the right spirit.

10.2.10 There should be close co-ordination and partnership between Compliance, Business and Operations/support functions.

10.2.11 The Department shall serve as a reference point for the NBFC's staff from functional/ operational departments for seeking clarifications /interpretations of various regulatory/ statutory/ industry guidelines.

10.2.12 The Department shall, at frequent intervals, interact with available divisions like, Legal, Integrated Risk Management, Finance & Accounts and Inspection & Audit of the NBFC to take stock of the latest developments.

**10.2.13 New products and Material Alterations of the existing Products.**

10.2.14.1 All products introduced in the NBFC as well as any alteration in the existing products shall be vetted by the Compliance Division before launching, in order to ensure that Compliance Risk in all new products and processes are identified and appropriate risk mitigants are put in place.

10.2.15 The compliance functionary shall be looked upon as a friend, philosopher and guide by the business units.

10.2.16 The Department shall ensure that compliance to various supervisory requirements as communicated by the Reserve Bank from time to time, are achieved within the specified timeframe.

10.2.17 The Department to act as Centre of Excellence on all compliance matters, guidance, query resolution for staff, assist in having appropriate Compliance manual to business and functions.

**10.2.18 Compliance with Regulations (Non-RBI/SEBI)**

10.2.19 Compliance function shall sensitise the Board/ Senior Management on potential/horizon compliance changes/risks to the NBFC.

10.2.20 Compliance function shall ensure that it effectively communicates the compliance requirements to the senior management and staff concerned. Compliance communications should be clear and precise and providing unambiguous directions. Compliance shall also devise guidance for the communication with regulators.

10.2.21 Department shall act as a watchdog for all compliance related matters and raise effective challenges to any business proposals/ practices not aligned with the Compliance philosophy or regulatory intent.

#### 10.2.22 Compliance Assurance and Compliance Breach/ Issue Reporting.

Chief compliance officer will directly report to MD/Board if any compliance risk is noticed.

Reserve Bank of India (RBI) has issued detailed guidelines from time to time on the conduct of business by NBFCs *based on which this policy is formulated and all directions from RBI and other regulators will be binding upon this Policy*