

**CFM ASSET RECONSTRUCTION PRIVATE LIMITED**

**FAIR PRACTICE CODE**

Valid up to November 23, 2024

Last approved on: November 24, 2023

## Contents

1. Introduction .....	2
2. Background .....	2
3. Objectives.....	2
4. Scope and Coverage of FPC.....	3
5. Management Fees, Incentives and Expenses .....	4
6. Outsourcing.....	5
7. Code of Conduct .....	5
8. Grievance Redressal Mechanism .....	5
9. Contact details under Grievance Redressal Mechanism .....	6
10. Review/Renewal of the Policy .....	7
11. Code of Conduct for Resolution Service Agents (RSA)/Recovery Agents (RA) .....	8
12. Declaration-cum-undertaking on the Code of Conduct.....	11

## **1. Introduction**

CFM Asset Reconstruction Private Limited (CFM ARC), a company limited by shares having its registered office at Block no. A/1003, West Gate, Near YMCA Club, Sur No. 835/1+3, S. G. Highway, Makarba, Ahmedabad-380051, Gujarat and corporate office at 1st Floor, Wakefield House, Sprott Road, Ballard Estate, Mumbai-400 038 was incorporated under the Companies Act, 2013 on July 30, 2015.

CFM ARC has been granted the Certificate of Registration (CoR) bearing No.019/2016 dated August 3, 2016, by Reserve Bank of India (RBI) to commence the business of securitization or asset reconstruction under section 3 of The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (hereinafter referred to as the SARFAESI Act).

## **2. Background**

The RBI in exercise of the powers conferred by Section 9 of the SARFAESI Act, 2002, Asset Reconstruction Companies registered with the Reserve Bank of India are advised vide their circular DOR.NBFC(ARC). CC. No. 9/26.03.001/2020-21 dated July 16, 2020, (hereinafter referred to as 'Guidelines') to adopt 'Fair Practices Code' ((hereinafter referred to as "FPC") to ensure transparency and fairness in their operation and vide circular. DOR. ORG. REC.No.65/21.04.158/2022-23 dated August 12, 2022, on Outsourcing of Financial Services has advised on the responsibilities of regulated entities employing recovery agents. The Provisions for Fair Practice Code also forming part of Master Circular for Asset Reconstruction Companies RBI/2023-24/12/DOR.SIG.FIN.REC 8/26.03.001/2023-24 dated April 03, 2023.

## **3. Objectives**

In order to achieve the highest standards of transparency and fairness in dealing with stakeholders, CFM ARC furnishes Fair Practice Code, pursuant to the circular issued by Reserve Bank of India dated July 16 2020 and as part of Master Circular for Asset Reconstruction Companies RBI/2023-24/12/DOR.SIG.FIN.REC 8/26.03.001/2023-24 dated April 03, 2023.

This Policy has been placed in public domain on the website of CFM ARC for information to all stakeholders.

The said Fair Practice Code has the following objectives:-

- a. Promote a fair and cordial relationship between the customers and the company.
- b. To achieve higher operating standards;
- c. Promote good, fair and trustworthy practices by setting minimum standards in its dealing with the customers and other stake holders;

#### **4. Scope and Coverage of FPC**

##### **a. Acquisition of Financial Assets**

Acquisition of financial assets by CFM ARC shall be in compliance with the provisions of Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act), applicable RBI guidelines/directions and Asset Acquisition Policy of the company.

CFM ARC shall follow transparent and non-discriminatory practices in acquisition of financial assets from banks/ financial institutions as envisaged in the regulatory guidelines. It shall enter into any transaction on arm's length basis where acquisition price shall be determined by various market forces in pursuit of transparency and fairness. CFM ARC shall not acquire any financial asset on bilateral basis from sponsors.

##### **b. Sale of Secured Assets**

CFMARC shall ensure the sale of underlying secured assets to be conducted within the purview of provisions of the SARFAESI and relevant RBI guidelines / directives.

- Invitation for participation in auction will be publicly solicited in order to enable participation of as many prospective buyers as possible; the details of scheduled auction of secured assets will be also kept on the Company's website i.e. <https://www.cfmarc.in/>
- The terms and conditions of sale of assets may be decided in consultation with investors in the SRs as per the SARFAESI Act.
- CFM ARC shall ensure compliance with Section 29A of Insolvency and Bankruptcy Code, 2016 in dealing with prospective buyers. For this purpose, the same shall be vetted and certified by a Chartered Accountant/ Advocate.

##### **c. Release of Secured Assets**

CFM ARC shall release any or all the securities (other than personal and/or corporate guarantees, if any) on realisation of an amount higher or equal to the value of that particular underlying assets realisable at the time of resolution and settlement of the corresponding dues against it, subject to any legitimate right or lien for any other claim they may have against the borrower, which shall be adjusted towards outstanding amount of loan.

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 CFM ARC is entitled to retain the securities till the relevant claim is settled/ paid.

##### **d. Release of security documents within stipulated time period**

Pursuant to RBI Circular DOR.MCS.REC.38/01.01.001/2023-24 dated September 13, 2023 on Release of Movable/ Immovable Property Documents on Repayment/ Settlement. CFMARC

shall release all the original movable / immovable property documents and remove charges registered with any registry within a period of 30 days after full repayment/ settlement of the loan account. The timeline and place of return of original movable / immovable property documents will be mentioned in the settlement sanction letters issued on or after the effective date.

The borrower shall be given the option of collecting the original movable / immovable property documents from the Corporate Office where the loan account was serviced or any other office of CFMARC where the documents are available, as per her/ his preference.

**e. Compensation for delay in release of Movable / Immovable Property Documents**

Pursuant to RBI Circular DOR.MCS.REC.38/01.01.001/2023-24 dated September 13, 2023, in case there is delay in releasing of original movable / immovable property documents or failing to file charge satisfaction form with relevant registry beyond 30 days after full repayment/ settlement of loan, CFMARC shall communicate to the borrower reasons for such delay. In case where the delay is attributable to CFMARC, it shall compensate the borrower at the rate of ₹5,000/- for each day of delay.

In case of loss/damage to original movable / immovable property documents, either in part or in full, CFMARC shall assist the borrower in obtaining duplicate/certified copies of the movable / immovable property documents and shall bear the associated costs, in addition to paying compensation as indicated above. However, in such cases, an additional time of 30 days will be available to CFMARC to complete this procedure and the delayed period penalty will be calculated thereafter (i.e., after a total period of 60 days).

The compensation provided as above shall be without prejudice to the rights of a borrower to get any other compensation as per any applicable law.

**5. Management Fees, Incentives and Expenses**

Management fees, incentives and expenses claimed from trusts under the management of the CFM ARC shall be in accordance with the applicable RBI guidelines/directions and as per the Board approved Financial Asset Acquisition Policy and Accounting Policy of the CFM ARC. CFM ARC shall ensure that management fees and resolution incentive claimed from trusts and security receipts holders shall be reasonable and proportionate to size of the financial transactions.

CFM ARC to ensure that any management fee/ incentives charged towards the asset reconstruction or securitisation activity shall come only from the recovery effected from the underlying financial assets. The Board-approved Acquisition policy indicates the quantitative cap/ limit on the management fee/ incentives, any deviation from which shall require approval of the Board.

CFM ARC shall ensure transparency in dealing with existing and prospective investors of security receipts.

## 6. Outsourcing

The Board approved comprehensive outsourcing policy 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.

CFM ARC shall ensure that outsourcing arrangements neither diminish its ability to fulfil its obligations to customers and the RBI nor impede effective supervision by RBI.

The outsourced agency, if owned/controlled by a director of the CFM ARC, the same may be made part of the disclosures specified in the Master Circular.

## 7. Code of Conduct

CFM ARC shall not resort to harassment of the debtor in matter of recovery of loans. CFM ARC has well-trained staff to deal with customers in appropriate and honest manner and not to induce adoption of any uncivilized or unlawful and questionable behaviour for recovery purpose. CFM ARC shall ensure that new employees or outsourced staff will abide by it.

CFM ARC shall keep the information that it acquires in course of its 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 CFM ARC borrower's permission.

CFM ARC has put in place a board approved well-defined code of conduct for recovery agents wherein recovery agents are guided on the steps to deal with customers and not to use any unfair practices for recovery of dues. CFM ARC will seek undertaking to abide by this code from the recovery agents. CFM ARC will 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. CFM ARC shall ensure that Recovery agents do not induce adoption of uncivilized, unlawful and questionable behaviour or recovery process.

**(Code of Conduct for Recovery Agents along with the format for undertaking is annexed herewith as Annexure -I )**

## 8. Grievance Redressal Mechanism

CFM ARC has detailed Grievance Redressal Procedure in place and the same is available on its website i.e. <https://www.cfmarc.in/>

Any grievance or dispute arising out of any decision by a functionary of CFM ARC below the rank of President may be brought to the notice of President by the person aggrieved /concerned complainant. On receipt of such complaint / notice, President shall examine the

matter and with the approval of the CEO take such action as may be required and furnish an appropriate response to the complainant.

Any grievance or dispute arising out of any decision by a functionary of CFM ARC of the rank of President or above may be brought to the notice of Managing Director/ Chief Executive officer (MD /CEO) by the person aggrieved /concerned complainant. On receipt of such complaint / notice, MD /CEO shall examine the matter and take such action as may be required and furnish an appropriate response to the person aggrieved /concerned complainant.

If a complaint / dispute is not redressed within a period of one month, the complainant may appeal to the Officer-in-Charge of the Department of Non-Banking Supervision of Reserve Bank of India, Ahmedabad Regional Office, under whose jurisdiction, the registered office of CFM ARC falls.

## **9. Contact details under Grievance Redressal Mechanism**

### **Grievance Redressal Officer**

**For any grievance or dispute arising out of any decision by a functionary of CFM ARC below the rank of President:**

**Ms. Richa Porwal**

**President**

CFM Asset Reconstruction Private Limited

1<sup>st</sup> floor, Wakefield House,

Sprott Road, Ballard Estate, Fort

Mumbai - 400038

Landline: +91-022 40055280/2

Email: [richa.porwal@cfmarc.in](mailto:richa.porwal@cfmarc.in)

**For any grievance or dispute arising out of any decision by a functionary of CFMARC of the rank of President:**

**Mr. Shashikant Shah**

**Chief Executive Officer**

CFM Asset Reconstruction Private Limited

1<sup>st</sup> floor, Wakefield House,

Sprott Road, Ballard Estate, Fort

Mumbai - 400038

Landline: +91-022 49703233

Email: [sv.shah@cfmarc.in](mailto:sv.shah@cfmarc.in)

### **Grievance Redressal Officer of the Reserve Bank of India, Regional Office, Ahmedabad**

In case there is still no response from the company within 30 working days from the date of decision / response of Grievance Redressal Officer or if the complainant is not satisfied with the response received, the customer may escalate the complaint to the Reserve Bank of India.

To ensure effective and timely redressal of customer grievances. The designated grievance redressal officer shall ensure that genuine grievances are redressed promptly. The grievance redressal mechanism of CFM ARC shall also deal with grievances of Outsourced Agencies and Recovery/ Resolution Service Agents.

**10. Review/Renewal of the Policy**

The Board shall review the policy at least once every year. However, the policy may be reviewed by the Board from time to time, keeping in view the changes in Regulations.

The validity of this policy may be extended with the approval of CEO for a period not exceeding 3 months or till the policy is reviewed by the Board, whichever is earlier. However, endeavour shall be made to ensure timely review / renewal of the Policy.

**Amendments/review of the policy**

<b>Sr. No.</b>	<b>Framing/Amendment/Renewal</b>	<b>Date</b>	<b>Approved by</b>
1.	Framing of the policy	December 28, 2021	Board of Directors
2.	Extended by 3 months	December 27, 2022	MD & CEO
3.	Renewed	March 27, 2023	Board of Directors
4.	Renewal of the Policy	November 24, 2023	Board of Directors



## **11. Code of Conduct for Resolution Service Agents (RSA)/Recovery Agents (RA)**

### **1. Introduction**

The Code of Conduct for RSA/RA of the CFM ARC is built on the principles of dignity and respect to the borrowers. All borrowers, including the borrowers who had defaulted in making payments of the loan dues, shall be treated with respect, dignity, courtesy, and fairness in debt collection efforts. The RSAs/RAs shall agree to abide by this code prior to undertaking any recovery operation on behalf of the CFM ARC. It is imperative that all persons involved in collection related activities follow this Code.

### **2. Codes for calling/visiting the borrower**

The RSAs/RAs shall

- i. introduce himself/ herself as a representative of the CFM ARC,
- ii. intimate the borrower or his appointed representative or relatives, at the beginning of every interaction,
- iii. remain professional during telephone conversations and visits,
- iv. be strictly prohibited from making telephone calls, without disclosure of the caller's identity,
- v. be strictly prohibited from making any written or verbal threats, abuse, or rudeness while dealing with the borrower,
- vi. not resort to intimidation or harassment of any kind, either verbal or physical, against any person in their debt collection efforts
- vii. not humiliate publicly or intrude upon the privacy of the borrower's family members, referees, and friends
- viii. not send inappropriate messages either on mobile or through social media,
- ix. not make threatening/anonymous calls,
- x. not to call the borrower persistently,
- xi. not to call the borrower before 8:00 a.m. and after 7:00 p.m. for recovery of overdue loans,

- xii. use only acceptable business language, even if the borrower has instigated the RSAs/RAs,
- xiii. contact the borrower at the address registered with the CFM ARC and at such time agreed upon,
- xiv. as far as possible, use the language which the borrower is converse with,
- xv. ensure that all written and verbal communication with borrower shall be in simple business language,
- xvi. not make false and misleading representations viz. lawyer, government official, official from court, etc.
- xvii. not enter the borrower's residence against his/her wishes or if they are told the borrower is not at home,
- xviii. not wait for the borrower in his/her residence, unless specifically asked to do so by the borrower or his/her family members,
- xix. not to restrict the borrower's movement or restrain him/her from entering or leaving the house,
- xx. not visit borrower's house, during his/her bereavement period.

### **3. Code at offer of bribe of any kind**

The RSAs/RAs shall not accept bribes of any kind or gifts from the borrower. If offered a bribe or payment of any kind by a borrower, the RSAs/RAs shall report the details of such offer to the management.

### **4. Code in dealing with non-cooperative borrowers**

If the borrower remains non-cooperative, the consequences shall be explained to him/her, mainly on the following lines:

- (i) Impact on credit history i.e., possible inclusion in negative list of Credit Rating Agencies, and

(ii) Legal course of action and cost of defending legal action.

#### **5. Code for documentation of recovery efforts**

(i) The RSAs/RAs shall document the efforts in the recovery of dues and copies of communication, if any, sent to the borrowers. The written communications, telephonic reminders, visits by the RSAs/RAs to the borrower's place, etc., may be used as loan follow up measures by the RSAs/RAs.

(ii) The RSAs/RAs shall not intimate any legal or other recovery measures including re-possession of securities, without obtaining prior approval from the authorised officials of the CFM ARC and giving the borrower due notice in writing.

#### **6. Code for confidentiality of information**

The RSAs/RAs shall keep the information, acquired in course of business, strictly confidential and shall not disclose any information on the borrower obtained during recovery of the loan dues, to anyone except when required by law, or there is duty towards public to reveal the information, or there is explicit permission of the borrower for the same.

## 12. Declaration-cum-undertaking on the Code of Conduct

(To be obtained from Resolution Service Agents/Recovery Agents)

The President,  
CFM Asset Reconstruction Private Limited (CFM ARC),  
Mumbai

Dear Sir,

### Code of Conduct for Resolution Service Agents/ Recovery Agents

I/we, Mr./Ms./M/s.....residing at/incorporated at  
..... My/our engagement with your company includes  
collection of dues and/or re-possession of securities from the specified borrowers of CFM  
ARC mentioned hereunder:

Names of borrowers:

Address:

2. In discharge of my/our duties, I/we am/are obliged to scrupulously follow the CFM ARC's  
Code of Conduct for the Resolution Service Agents/ Recovery Agents and to extend normal  
courtesy to the borrowers, while dealing with them during recovery of the dues of CFM ARC.

3. I/we am/are properly trained to deal with customers in an appropriate manner, handle  
their responsibilities with care and sensitivity, particularly in respect of aspects such as hours  
of calling, privacy of customer information, etc.

4. I/we confirm that I/we have read and understood the CFM ARCs Code of Conduct for  
Resolution Service Agents/Recovery Agents (enclosed) and I/we agree to abide by the same.  
In case of any violation/ non-adherence, you may initiate such action against me/us as you  
may deem appropriate.

(Authorised Signatory)

Name:

Designation:

Place:

Date: