

CFM ASSET RECONSTRUCTION PRIVATE LIMITED

FAIR PRACTICE CODE

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CFM ASSET RECONSTRUCTION PRIVATE LIMITED

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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 and Corporate office at 1st Floor, Wakefield House, Sprott Road, Ballard Estate, Mumbai 400 038 was incorporated under Companies Act, 2013 on July 30, 2015.

CFM ARC was granted a Certificate of Registration by **Reserve Bank of India ('RBI')** to commence the business of securitization of asset reconstruction under section 3 of **The Securitization And Reconstruction Of Financial Assets and Enforcement Of Security Interest Act, 2002 (Act 54 of 2002)** (hereinafter referred to as the '**SARFAESI Act**') subject to the conditions given in the letter DNBR. PD. NO 168/ 26.01.019 / 2016-17 dated August 3, 2016.

2. Background

The RBI vide Guidelines and Directions No. RBI/2020-21/13 DOR.NBFC(ARC) CC. No. 9/26.03.001/ 2020-21 dated July 16, 2020, (hereinafter referred to as '**Guidelines**') advises **Asset Reconstruction Companies ('ARC')** to adopt 'Fair Practice Code' so as to ensure transparency and fairness in their operation and stakeholders. Accordingly, ARC shall put in a **Fair Practice Code (hereinafter referred to as "FPC")** duly approved by the Board.

3. Objective

3.1. The Objective of FPC are as follows:

3.1.1 To achieve highest standards of transparency and fairness in dealing with stakeholders;

3.1.2 To follow transparent and non-discriminatory practices in conduct of its business;

3.2. The FPC shall be placed in public domain for information of all stakeholders.

4. Fair Practice Code of CFM ARC

Introduction

- 4.1. CFM ARC has adopted the FPC as advised by RBI to ensure transparency and fairness in its operation.

Acquisition of Financial Assets

- 4.2. 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.
- 4.3. CFM ARC shall follow transparent and non-discriminatory practices in acquisition of assets. It shall maintain arm's length distance in the pursuit of fairness. Company shall not acquire financial assets from its Sponsors on bilateral basis.

Sale of Secured Assets

- 4.4. In order to enhance transparency in the process of sale of secured assets, CFM ARC shall undertake the following:
 - a. Invitation for participation in auction shall be publicly solicited; the process shall enable participation of as many prospective buyers as possible;
 - b. The terms and conditions of such sale may be decided in wider consultation with investors in the security receipts as per SARFAESI Act 2002;
 - c. The spirit of Section 29A of Insolvency and Bankruptcy Code, 2016 may be followed in dealing with prospective buyers.

Release of Secured Assets

- 4.5. CFM ARC shall release all securities on repayment of dues or on realisation of the outstanding amount of loan, subject to any legitimate right or lien for any other claim CFM ARC 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 CFM ARC is entitled to retain the securities till the relevant claim is settled/ paid.

Fees, Incentives and Expenses

- 4.6. Management fees, incentives and expenses charged to the Trusts under management of the company shall be in accordance with the applicable RBI guidelines/directions and Asset Acquisition and Accounting Policy of the company.
- 4.7. The management fee, expenses and incentives, if any, claimed from trusts shall be calculated and recognized in accordance with Income Recognition norms stipulated by RBI from time to time. Company shall ensure that management fees and resolution incentive

claimed from Trusts/SR holders shall be reasonable and proportionate to size of the financial transactions.

- 4.8. Company shall ensure transparency in dealing with existing and prospective investors of security receipts.

Outsourcing

- 4.9. The Board approved comprehensive outsourcing policy shall incorporate, 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 as specified in the Master Circular dated July 1, 2015.

Recovery/ Resolution Service Agent

- 4.10. The Board approved Code of Conduct for Recovery/ Resolution Service Agent (RA) shall be abided by all the appointed recovery and resolution agents of the company. As per the Code of Conduct, the appointed agents shall not resort to harassment of the borrowers for recovery of loans. Privacy of the borrowers shall be respected, and confidentiality of their information shall be maintained at all times.
- 4.11. CFM ARC shall ensure that RAs 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. Further, RAs shall not induce adoption of uncivilized, unlawful and questionable behaviour or recovery process.

Confidentiality

- 4.12. CFM ARC shall keep the information, acquired in course of business, strictly confidential and shall not disclose the same to anyone including other companies in the group except when
- a. required by law;
 - b. there is duty towards public to reveal information; or
 - c. there is borrower's permission.

Grievance Redressal

4.13. The Company has established Board approved Grievance Redressal Mechanism 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 RAs.

General

4.14. The FPC of CFM ARC shall be placed on CFM ARCs website for the information of all the stakeholders.

4.15. The FPC shall be reviewed annually by the Board of CFM ARC.