

SURAKSHA ASSET RECONSTRUCTION COMPANY

FAIR PRACTICES CODE

1. BACKGROUND

- 1.1 The Reserve Bank of India (RBI) has issued guidelines on Fair Practices Code for Asset Reconstruction Companies (ARCs) thereby setting highest standards of transparency and fairness in dealing with such companies' stakeholders. As per the said guidelines, Suraksha Asset Reconstruction Limited (SARL or the Company) has formulated the Fair Practices Code (FPC or Code) to ensure transparency and fairness in its operations.
- 1.2 The Code is a compilation of the principles and standards which have always guided the Company but is now being formally codified pursuant to the above directions from the RBI.
- 1.3 Unless otherwise specified, the various terms referred to in the Code (whether capitalized or not) shall have the meaning assigned to them under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ("the Act") and circulars / notifications / guidelines issued by Reserve Bank of India and amended from time to time.

2. FRAMEWORK:

- 2.1 Acquisition of financial assets:
 - 2.1.1 The Company shall acquire financial assets from the lenders, sponsors or group entities, in transparent auction process on arm's length basis in accordance with RBI Circular as amended from time to time.
 - 2.1.2 The Company shall follow the process laid down under the Financial Asset Acquisition Policy as adopted by the Board of Directors while acquiring the financial assets.
 - 2.1.3 The Company shall comply with the applicable provisions of the SARFAESI Act, 2002, Rule(s) or Regulation(s) issued by the RBI from time to time, for acquisition of financial assets.
 - 2.1.4 Financial Asset Acquisition Policy of the Company also provides for a well thought and elaborate process for acquisition of financial assets, which has all the appropriate checks and balances to ensure that the acquisition of financial assets is made in a transparent manner, on arm's length basis, based on such financial due diligence / valuation and legal due diligence as may be considered adequate, which enables SARL to arrive at a fair acquisition price.

2.2 Sale of secured assets:

- 2.2.1 The Company shall strive to invite the prospective buyers through public advertisement or in any other manner to have maximum participation in the auction of secured assets. Notwithstanding this, the Company, on a case-to-case basis, may engage with some strategic buyers for efficient sale of secured assets as is permitted under the SARFAESI Act, 2002 either through auction or private treaty.
- 2.2.2 The Company shall make every attempt to decide terms and conditions for sale of secured assets in wider consultation with the security receipt holders as per the SARFAESI Act, 2002. In cases where assets are acquired on cash basis, no consultation would be required. In cases where the assets are acquired on Security Receipts (SRs) basis, consultation with SR holder(s) will result in inordinate delays impacting the resolutions as Non-Performing Assets (NPAs) are sold by distressed assets department / credit department of seller banks and SRs are held by Treasury Department. In such scenario, the Company shall uphold the 'true sale' objective for sale of assets by seller banks as prescribed in RBI guidelines for sale of stressed assets.
- 2.2.3 In case of Resolution under the IBC, 2016, the company shall ensure compliance with section 29A of the Insolvency and Bankruptcy Code, 2016 (IBC) in dealing with prospective buyers.
- 2.2.4 The resolution of financial assets shall be in compliance with SARFAESI Act, 2002, RBI guidelines, Insolvency and Bankruptcy Code, 2016 and other applicable statutes, and combination thereof regulations and/or guidelines, as applicable from time to time.
- 2.2.5 The Company shall ensure that resolution/recovery from the accounts are in accordance with the Financial Asset Resolution Policy approved by the Board and as amended by it from time to time.

SARL is committed to implementing appropriate safeguards to ensure that only the persons eligible in terms of Section 29A of Insolvency and Bankruptcy Code, 2016 can submit a resolution plan as part of any corporate insolvency resolution process.

2.3 Release of securities on full repayment of dues:

- 2.3.1 SARL has a definitive process for release of all securities (as below) where all expected recoveries in respect of a particular borrower account have been received either as per the negotiated settlement with such borrower/promoter / mortgagor or where the outstanding dues have been paid in full.

- Verification of the borrower or obligor has repaid the entire outstanding

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dues, or a settlement (OTS, restructuring, etc.) has been completed as per the agreed terms.

- Issuance of a ‘No Dues Certificate after a thorough internal verification and reconciliation of the borrower’s account within 30 days post the verification of dues, after which SARL shall proceed to release all the security / title documents.
- Authorized personnel shall be intimated to extract the documents for security maintained in a secure locker.
- Returns original property documents, title deeds, share certificates, etc., to the borrower or rightful owner along with No dues Certificate.
- Closure of security interest on CERSAI and Charge is removed from the records of the Registrar of Companies (if applicable) and Registrar/Sub-Registrar
- Internal systems and records are updated to reflect the closure of the account and release of security.

2.3.2 If there are multiple lenders, SARL shall co-ordinate with other lenders as regards release of all security.

2.3.3 The forms for satisfaction of charge / security interest, presented by the borrower/ promoter / guarantor / mortgagor, if found to be in order, shall be signed by SARPL officials to enable filing with the Registrar of Companies / CERSAI, as applicable.

2.3.4 SARL shall also co-operate with the borrower/ promoter / guarantor / Mortgagor in the withdrawal of legal/ recovery proceedings filed / pending before any Court / Tribunal.

2.3.5 Where SARL has any legitimate right or lien for any other claim against the borrower, it may, for the exercise of such right, give to the borrower a notice about the same with full particulars about the remaining claims and the conditions under which it is entitled to retain the securities till such claim is settled/ paid.

2.4 Release of Movable / Immovable Property Documents (in case of personal loans)

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

2.4.2 The Company shall release all the original movable / immovable property documents and remove charges registered with any registry within a period of

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30 days after full repayment/ settlement of the loan account.

- 2.4.3 The borrower shall be given the option of collecting the original movable / immovable property documents either from the branch where the loan account was serviced or Head Office of the Company where the documents are available, as per her / his preference.
- 2.4.4 The timeline and place of return of original movable / immovable property documents will be mentioned in the sanction letters.
- 2.4.5 In order to address the contingent event of demise of the sole borrower or joint borrowers, the Company have laid out the procedure for return of original movable / immovable property documents to the legal heirs. Such procedure has been displayed on the website of the REs along with other similar policies and procedures for customer information.
- 2.4.6 In case of 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, the company shall communicate to the borrower reasons for such delay. In case where the delay is attributable to the company, it shall compensate the borrower at the rate of ₹5,000/- for each day of delay.
- 2.4.7 In case of loss/damage to original movable / immovable property documents, either in part or in full, the REs 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 at paragraph 6 above. However, in such cases, an additional time of 30 days will be available to the company to complete this procedure, and the delayed period penalty will be calculated thereafter (i.e., after a total period of 60 days).
- 2.5 Policy on management fees:
- 2.5.1 Expenses shall be charged on actuals to the trusts. Management fee/incentive charged towards asset reconstruction or securitization activity from any financial assets to be acquired shall only come from the underlying financial assets. The Company shall follow Board approved transparent policy on management fees, recovery incentives and expenses claimed on trusts under the management.
- 2.6 Policy for outsourcing of activities:
- 2.6.1 The Company shall follow Outsourcing Policy which inter alia specifies process of outsourcing, delegation of authority depending on risks and materiality and systems to monitor, evaluation of outsourcing agencies and also seek and obtain the approval of the Board or from the respective Committee outsourcing any activities. The Company shall ensure that outsourcing arrangements, if any, neither diminish its ability to fulfil its

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obligations towards the borrowers and the RBI nor impede effective supervision by RBI.

2.6.2 In the event of engagement of any outsourced agency controlled by any of the Directors of the Company or having significant influence of any of the Directors, the same shall be properly disclosed as specified in the RBI Master circular.

2.7 Code of conduct for Recovery Agents:

2.7.1 The Company shall not resort to any undue harassment of borrowers for recovery of dues and shall adequately train its employees to deal with borrowers in an appropriate manner.

2.7.2 Whenever the Company appoints any Recovery Agent then it shall adopt board approved Code of Conduct (the Code) for such Recovery Agents and obtain their confirmation that they will abide by the Code and observe strict customer confidentiality.

2.7.3 The Company 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. and do not induce adoption of uncivilized, unlawful and questionable behavior or recovery process.

The Company shall while protecting its interest, adopt reasonable and lawful measures to recover dues from its borrowers, including use of persuasive methods for the purpose of collecting its dues, contacting the borrower during reasonable hours depending upon the circumstances, respecting the privacy of the borrower and act in a reasonable manner for the purpose.

2.8 Policy for Grievance Redressal:

2.8.1 The Company shall ensure that its grievance redressal mechanism is available on its website. The Company shall endeavor to address/respond to all complaints and grievances including issues relating to services provided by the outsourced agency and recovery agents, if any in accordance with the Grievance Redressal Policy as approved by the Board.

2.9 Confidentiality:

2.9.1 The Company shall treat the information of the borrowers as confidential and shall not share the borrowers' information, other than in the following exceptional circumstances:

- If the information is to be given under the law;
- If there is a duty towards the public to reveal the information;
- If the Company, to protect its interests, is required to give the

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- information (for example, e.g. to prevent the fraud);
- If the borrower permits the Company to share the information. Such permission shall be deemed to have been given, if any of the products / financial services offered by group companies are accepted / availed of / sought to be availed of;
 - If the Court so direct or the Company is required to reveal information by any regulatory authority(ies) including credit information companies, information utilities, etc.
 - If the information is required to be furnished to investor(s) / other professional agency(ies) for due diligence etc., in order to raise funds for restructuring of the underlying loans/sale of assets;
 - If the information is required to be provided to credit rating agencies.

2.10 MISCELLANEOUS:

- 2.10.1 The Code shall be placed on SARL's website for information on all stakeholders.
- 2.10.2 The Board shall review the policy and compliance thereto on an annual basis. Compliance with the Code shall be subject to periodic review by the Board of Directors.
- 2.10.3 In case any amendments, clarifications, circulars and guidelines are issued by the Reserve Bank of India, that are not consistent with the provisions laid down under this FPC, then the provisions of such amendments, clarifications, circulars and the guidelines shall prevail as against what is contained herein and the same shall stand amended accordingly effective from the date as laid down under such amendments, clarifications, circulars and guidelines