

# **INDIA HOME LOAN LIMITED**



## **FRAUD DETECTION & PREVENTION POLICY**

### **VERSION CONTROL**

Version Control No.	Author	Date Created	Date updated	Date Approved	Version Description
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## **I. Background:**

In compliance with the guidelines issued by RBI on Master Direction - Fraud Risk Management in NBFCs Directions 2024, doc vide RBI/DOS/2024-25/120 DOS.CO.FMG.SEC.No.7/23.04.001/2024-25, the Fraud Risk & Prevention Policy has been crafted with the aim of setting up a framework for preventing, detecting, investigating, and reporting fraud incidents within India Home Loan Limited (referred to as “IHLL” or “Company”).

## **II. PREAMBLE**

The Policy for Fraud Detection and Prevention is established to facilitate the development of controls which will aid in the detection & prevention in fraud against India Home Loan Limited (IHLL).

It is the intent of IHLL to promote consistent organizational behaviour by providing guidelines and assigning responsibility for the development of controls and conduct of investigation. In order to oversee the best practices of Corporate Governance, this policy of Fraud Prevention & Detection has been formulated.

### **Policy Objectives**

The “Fraud Detection & Prevention Policy” has been framed to provide a system for detection and prevention of fraud, reporting of any fraud that is detected or suspected and fair dealing of the matters pertaining to fraud. The Policy will ensure and provide the following:

- (i) To ensure that the Management is aware of the responsibilities for detection & prevention of fraud and establishing procedures for preventing of fraud and / or detecting fraud when it occurs;
- (ii) To provide a clear guidance to employees and others dealing with IHLL forbidding them from involvement in any fraudulent activity and the action to be taken by them where they suspect any fraudulent activity;
- (iii) To conduct investigations into the fraudulent activities and
- (iv) To provide assurances that any and all suspected fraudulent activities will be fully investigated.

### **Scope of Policy**

The Policy applies to any fraud, involving employees as well as shareholders, consultants, vendors, lenders, borrowers, contractors, outside agencies doing business with IHLL, employees of such agencies and / or any other parties having business relationship with

IHLL.

### **III. DEFINITION OF FRAUD**

- (i) Reserve Bank of India has defined Fraud as “ All instances wherein Banks have been put to loss through misappropriation of books of accounts, fraudulent encashment of financial instruments like cheques, drafts, bills of exchange unauthorized handling of securities charged to banks, embezzlement, theft, misappropriation of funds, conversion of property, cheating, storages, irregularities etc”
- (ii) Section 25 of Indian Penal Code defines fraud “ If a person is said to acted fraudulently & if he has acted with intent to defraud but not otherwise “ can be interpreted as “ an act of criminal deception carried out singly or in collusion with others with a view to deriving gains to which he is not legally entitled.”

### **IV. ACTIONS CONSTITUTING FRAUDS**

- (i) Misappropriation and criminal breach of trust;
- (ii) Fraudulent encashment through forged instruments, manipulation of books of account or through fictitious accounts and conversion of property;
- (iii) Unauthorized credit facilities extended for reward or for illegal gratification;
- (iv) Negligence and cash shortages;
- (v) Cheating;
- (vi) Forgery or alteration of any document or accounts belonging to the Company;
- (vii) Forgery by alteration of cheques, draft or any other financial instrument;
- (viii) Misappropriation of funds, securities, supplies or other assets by fraudulent means etc.;
- (ix) Falsifying records such as pay rolls, removing the documents from files and/or replacing it by fraudulent note(s) etc.;
- (x) Willful suppress of facts / deception in matters of appointments, placements, submission of reports etc. as a result of which a wrongful gain(s) is made to one and wrongful loss(es) is caused to others;
- (xi) Utilising company’s funds for personal purposes;
- (xii) Authorising or Receiving payments for services not rendered and/or goods not supplied;
- (xiii) Destruction, disposition, removal of records or any other assets of the Company with ulterior motive to manipulate and misrepresent the facts so as to create suspicion/suppression/cheating as a result of which objective assessment/decision would not be arrived at; and
- (xiv) Any other acts that falls under the gambit of fraudulent activity.

## **V. RESPONSIBILITY FOR FRAUD DETECTION**

- (i) Every Employee (full time, part time, adhoc, temporary, contract ) , representative of vendors, suppliers, contractors, lenders, borrowers, service providers or any other agency(ies) doing any type of business with IHLL, is expected and shall be responsible to ensure that there is no fraudulent act being committed in their areas of responsibility/control. As soon as it is learnt that a fraud or suspected fraud has taken place or is likely to take place, they should immediately apprise the same to the concerned HOD as per procedure; and
- (ii) All HODs shall ensure Prevention & Detection of fraud and implementation of the Policy for the same.

## **VI. REPORTING OF FRAUD**

- (i) Any employee as well as shareholders, consultants, vendors, lenders, borrowers, contractors, outside agencies doing business with IHLL, employees of such agencies and / or any other parties having business relationship with IHLL, as soon as he/she comes to know of any fraud/suspected fraud, or any other fraudulent activity must report such incident(s) to the designated officer and/or respective HOD in writing. Reports can be made in confidence and the designated officer / HOD should keep the confidentiality of such report(s);
- (ii) All reports of fraud/suspected fraud should be dealt with utmost speed; and
- (iii) All reports of fraud/suspected fraud, the designated officer / HOD should take custody of the relevant records/documents/files etc.

## **VII. INVESTIGATION PROCEDURE**

- (i) The designated officer/HOD should carry out the preliminary investigation and the reporting individual should be informed as under : (a) Not to contact the suspected individual; and (b) Not to discuss the case with anyone;
- (ii) The designated officer/HOD should keep absolute confidentiality about the report; and
- (iii) IHLL shall issue an extensive Show Cause Notice (SCN) to the individuals, organizations, and promoters, as well as the executive directors and full-time employees, against whom the fraud allegations are under investigation. The Show Cause Notice shall capture the details about the transactions, acts, and occurrences which constitute the basis for the declaration and reporting of fraud. Minimum of 21 days shall be provided to the Persons / Entities on whom the SCN was served to respond.

- (iv) If the preliminary investigation substantiates that the fraudulent activity (ies) have occurred, the designated officer/HOD shall seek the approval of the competent authority and refer the matter to the competent authority. Later, if deemed necessary, the same may be placed before the Audit Committee/Board for civil/criminal action, if any.
- (v) A reasoned Order shall be served on the Persons conveying the decision of IHLL regarding declaration / classification of the account as fraud or otherwise. Such Order(s) shall contain relevant facts / circumstances relied upon, submission made against the SCN and the reasons for classification as fraud or otherwise.

#### **VIII. FRAUDS: REVIEW BY AUDIT COMMITTEE**

All individual fraud cases involving 5 lakh or more should be placed before the Audit Committee. The report containing attempted frauds which is to be placed before the Audit Committee of the Board should cover inter alia the following;

- The modus operandi of the attempted fraud;
- In case of unsuccessful fraud attempts, how the attempt did not materialize in the fraud or how the attempt failed / was foiled;
- The measures taken by IHLL to strengthen the existing systems and controls; and
- New systems and controls put in place in the area where fraud was attempted.

In addition to the above, yearly consolidated review of such cases detected during the year containing information regarding area of operations where such attempts were made, effectiveness of new process and procedures put in place during the year, trend of such cases during the last three years, need for further change in process and procedures, if any, etc. as on March 31 every year within three months of the end of the relative year.

#### **IX. FRAUDS: REVIEW BY BOARD OF DIRECTORS**

The main aspects which shall be taken into account while making such a review may include the following:

- (i) Whether the systems in IHLL are adequate to detect frauds, once they have taken place, within the shortest possible time;
- (ii) Whether frauds are examined from staff angle;
- (iii) Whether deterrent punishment is meted out, wherever warranted, to the persons found responsible;
- (iv) Whether frauds have taken place because of laxity in following the systems and procedures and, if so, whether effective action has been taken to ensure that the systems and procedures are scrupulously followed by the staff concerned; and
- (v) Whether frauds are reported to local Police, as the case may be, for investigation.

## **X. FRAUDS PREVENTION THROUGH AWARENESS**

The Policy recognises that proper awareness is the main pillar of fraud prevention effort.

- (i) IHLL would endeavour to put systems in place for fraud prevention;
- (ii) IHLL would focus on continuously educating its employees/ clients/ third parties on fraud prevention; and
- (iii) For the benefit of all employees/clients/third parties etc., IHLL shall appropriately include necessary caution in its Contracts/ Service Agreements/ relevant documents, duly highlighting the consequences of submitting false statements/ documents and/ or incomplete information.