

# FRAUD PREVENTION & MONITORING POLICY



## Fraud Prevention & Monitoring Policy

### 1.0 PREAMBLE

1.1 Fraud is a willful act committed intentionally by an individual/entity by deception, suppression, misrepresentation, cheating or any other fraudulent or irregular means, thereby causing wrongful gain to self or any other individual and wrongful loss to others. Such acts include those undertaken with a view to deceiving or misleading others leading them to do or preventing them from doing a bona fide act or take bona fide decision that is not based on material facts.

1.2 Premier Ferro Alloys & Securities Limited (Company) has 'zero-tolerance' towards frauds of any nature. The Company is committed to protecting the reputation, revenue, assets and information from any attempt of fraud, deceit, or other improper conduct.

1.3 Fraud Prevention & Monitoring policy, as framed, (hereinafter referred as 'THE POLICY') will promote consistent organizational approach in handling of all fraud related matters.

1.4 Guidelines contained in Reserve Bank of India Master Directions No. DNBS.PPD.01/66.15.001/2016-17 dated 29<sup>th</sup> September 2016, will be duly followed, while ensuring fraud prevention and monitoring.

### 2.0 POLICY OBJECTIVE

2.1 The basic objective of the policy is to protect the Company from any financial or other loss, as also from Reputation Risk that may arise from fraudulent activities, originating from within the organization or without. Besides, the company is committed to maintain the highest standards of governance, personal and corporate ethics, and ensure compliance with all laws and regulations. It values integrity and honesty while dealing with the employees and other stakeholders.

2.2 The Policy is an enabler towards achievement of the above objectives. It lays down the ground rules for prevention, detection and reaction to fraudulent activities. The Policy will work as consistent corporate guidelines in dealing with all fraud related matters. The policy is non-discriminatory and non-discretionary in nature.

2.3 The Policy also devolves the overall responsibility for prevention and detection of frauds on the Top Management.

### 3.0 SCOPE OF THE POLICY

3.1 The Policy applies to any attempted fraud, fraud, or suspected fraud involving employees of the company (all full time, part time or employees appointed in ad-hoc/temporary/contract basis) as well



as vendors, suppliers, contractors, consultants, service providers or any other outside agency and their representatives conducting any type of business with the company.

3.2 The responsibility for prevention and detection of fraud lie with one or a few role-holders in managerial position.

3.3 Internal Auditor/Company Secretary & Compliance Officer will be the Nodal Officer for compliance with all regulatory requirements.

#### 4.0 FRAUD CATEGORIES

4.1 Broadly, frauds can be categorized into the following:

- a. Internal Fraud – Fraud/Misappropriation against the Company or any stakeholder by its Management and employees.
- b. Associates' Fraud – Fraud committed by vendors, suppliers or service providers against the Company causing loss to the Company.
- c. Customers' Fraud – Fraud committed by customers against the Company, whether by themselves or in connivance with third parties.

#### 5.0 ACTIONS CONSTITUTING FRAUD

5.1 The following is an illustrative list of actions that will constitute frauds. They will fall under any of the above three categories or in some of them or under all of them.

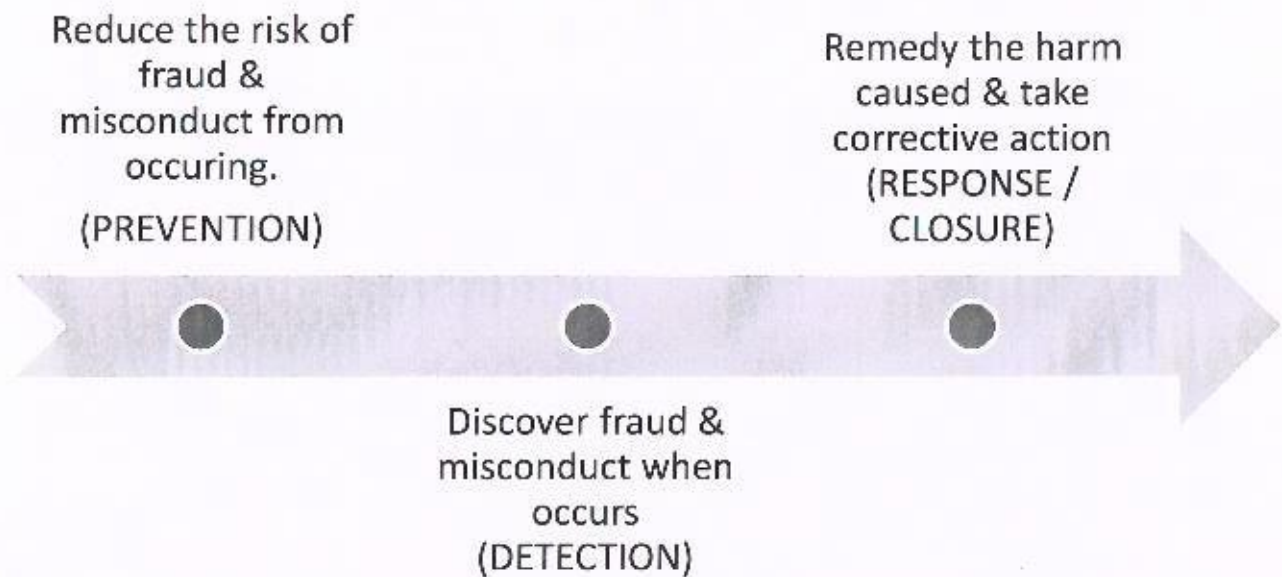
- a. Forgery or unauthorized alteration of any document or account belonging to THE COMPANY.
- b. Forgery or unauthorized alterations to financial instruments or e-banking transactions.
- c. Misappropriation of funds, securities, supplies or other assets by fraudulent means.
- d. Falsification or removal / destruction of records or documents or other assets and /or replacing them with fraudulent ones.
- e. Willful suppression of facts / deception of matters as a result of which wrongful gain is made or wrongful loss is caused to others.
- f. Utilizing corporate funds/assets for personal purposes.
- g. Abusing authority, position of trust or fiduciary relationship.
- h. Disclosing confidential and proprietary information to outsiders.
- i. Permitting favor or privileges for kick backs.
- j. Acceptance of bribe or any form of financial/non financial gratification.
- k. Profiteering as a result of insider knowledge of the company's activities.

5.2 Irregularities concerning employee's moral, ethical or behavioral conduct, though do not strictly come under the ambit of fraud, they too represent acts of misconduct, necessitating similar prevention, detection, and reaction or response.



## 6.0 FRAUD RISK MANAGEMNET FRAMEWORK

6.1 The company's fraud risk management framework will include preventing, identifying, measuring, monitoring, reporting & closure (of identified instances) of frauds. This can be plotted as under:



## 7.0 PREVENTION OF FRAUDS

- Tone from the TOP

The most potent of all fraud prevention measures is a strong voice from the Top supported by a culture of honesty, transparency and best practices in the organization.

- Risk Assessment

Risk Assessment is not an one-time measure; it is rather a continuous process. Constant vigil over every aspect of corporate activity is the over-riding requirement for prevention of frauds. The Risk Management Department will have overall responsibility for identification and assessment of risks. However, every Head of Department in addition to his/her domain work can also facilitate identification of risk.

- Application of Control

Control measures are in place and will be put in place in future as per need, based on past experiences and perceived risks.

- Deterrence

Deterrent measures, i.e., if fraud is detected, what will happen, will go a long way in preventing frauds. Every incident of fraud that has come to light, and for which action has been taken, will be invariably communicated to every employee for his/her information as also to act as a deterrent measure.

- Due Diligence/Pre-Employment Vetting

The recruitment process should be clearly laid down with particular emphasis on complete background check of every new recruit.

- Training & Awareness

The best way to start awareness among employees is to sensitize them during orientation programme, when they join the organization. For the company, continuous sensitization of employees will form the bedrock of fraud prevention.

- Due Diligence on borrower

As fraud can arise from a customer also, thorough KYC and credit history verification, as laid down, will always be ensured.

- Digitization

The need for digitization of all activities of the company need not be over emphasized. The company has digitized most of the work processes, and in the coming days, the remaining processes will be



digitized. Minimal or Zero human intervention in back office work is a recipe for fraud-free working atmosphere.

- Whistle Blower Policy

A Board-approved Whistle Blower Policy has been adopted enabling employees and other associates to make the Management aware about any fraud or any suspected fraudulent activity.

## 8.0 RESPONSE/REACTION TO FRAUDS

8.1 Recovery of the amount lost is the prime requirement, after a fraud has come to light. However, even if the recovery is in full, appropriate staff-side action will be concurrently initiated. The Company lays down the procedure for staff side action as also penalty in detail, which will be scrupulously followed. While punishing the guilty, it will be ensured that principle of natural justice has been duly followed.

8.2 An employee who suspects or discovers fraudulent activity, but fails to report the same, as required by the Policy or an employee who intentionally reports false or misleading information will also be liable for disciplinary action.

8.3 A fraud will be treated as closed, as per regulatory guidelines.

## 9.0 REPORTING & RECORDING

9.1 Every instance of fraud/attempted fraud will be placed every quarter before the Risk Management Committee and also the Audit Committee of the Board, for information and record. . In addition, an annual review of all frauds should be placed before the Board of Directors.

9.2 All reports like FMR-1, FMR-2 and FMR-3, as appropriate, shall be submitted to the Reserve Bank of India at prescribed intervals.

9.3 Every fraud / attempted fraud will be reposted to the other regulatory bodies, as required.

9.4 The total amount of fraud, if any, in the company will be disclosed in the Balance Sheet.

## 10.0 FRAUDS INVOLVING Rs. 1 CRORE AND ABOVE

10.1 Where the amount involved in fraud is ₹ 1 crore and above, the reports in the prescribed format shall be sent within three weeks from the date of detection of the fraud to:

Central Fraud Monitoring Cell  
Department of Banking Supervision,  
Reserve Bank of India, 10/3/8, Nrupathunga Road,  
P.B. No. 5467  
Bengaluru - 560001



and to the Regional Office of the Department of Non Banking Supervision of the Bank under whose jurisdiction the Registered Office of the Company falls.

10.2 In addition to the requirements given above, the Company shall report the fraud by means of a D.O. letter addressed to the Chief General Manager-in-charge of the Department of Banking Supervision, Reserve Bank of India, Frauds Monitoring Cell, Central Office Bengaluru and a copy endorsed to the Chief General Manager-in-charge of the Department of Non-Banking Supervision, Reserve Bank of India, Central Office within a week of such frauds coming to the notice of the Company.

10.3 The letter shall contain brief particulars of the fraud such as amount involved, nature of fraud, modus operandi in brief, name of the branch/office, names of parties involved (if they are proprietorship/ partnership concerns or private limited companies, the names of proprietors, partners and directors), names of officials involved, and whether the complaint has been lodged with the Police.

#### 11.0 REPORTING OF FRAUDS TO POLICE

11.1 As per RBI Guidelines, following cases of fraud should be referred to the State Police.

- Cases of frauds involving an amount of Rs. 1 Lakh and above, committed by outsiders on their own and/or with the connivance of members of own staff.
- Cases of frauds committed by own employees when it involves own funds exceeding Rs. 10,000.

11.2 It is incumbent upon every employee of The Company to co-operate with the law enforcement agencies, in the matter of all frauds, referred/reported by The Company.

#### 12.0 REVIEW

12.1 The Fraud Prevention & Monitoring Policy will be reviewed at annual intervals. The Policy will thereafter be placed before the Board of Directors, for their approval.

