

**SIVA FINVEST PRIVATE LIMITED**  
**(Formerly known as Siva Enterprises Private Limited)**  
**CIN: U64990DL2016PTC289287**  
**RBI Regn No:N14.03640**

**Fraud Risk Management Policy**

Approved at the Board Meeting held on  
30<sup>th</sup> January, 2025

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**Background:**

Siva Finvest Private Limited (SFPL) was incorporated in the year, 2016 and has obtained the Certificate of Incorporation as Core Investment Systemically Important Non Deposit Taking Company (CIC-ND-SI) under section 45 IA of the Reserve Bank of India Act 1934 vide certificate dated 21<sup>st</sup> January, 2025. The Company is a private limited company governed by the Companies Act, 2013, in addition to the oversight of the Non-Banking Supervision (DNBS) of Reserve Bank of India.

In line with the Master Direction – Fraud Risk Management in NBFCs, 2024, issued by the Reserve Bank of India (RBI) (Circular No. RBI/DOS/2024-25/120 DOS.CO.FMG.SEC.No.7/23.04.001/2024-25), SFPL has formulated this Fraud Risk & Prevention Policy. This policy establishes a comprehensive framework for the prevention, detection, investigation, and reporting of fraud incidents within the Company.

**Scope of the Policy:**

This policy applies to all instances of fraud, whether confirmed or suspected, involving employees, external agencies, and individuals engaged in business relationships with SFPL.

**Objectives of the Policy:**

SFPL adopts a zero-tolerance approach to fraud at all levels and is committed to implementing robust preventive measures. This policy is designed to achieve the following objectives:

- Establishing procedures and controls to facilitate the prevention and detection of fraud.
- Providing clear guidance to employees on fraud identification, detection, and prevention.
- Strengthening internal controls to mitigate fraud risks.
- Ensuring timely documentation and reporting of fraud incidents.
- Conducting regular training programs to enhance employee awareness and capabilities in fraud prevention.

**Actions constituting Fraud:**

Fraud is defined as any **deliberate act of deception, suppression, cheating, or other illegal means** carried out by an individual, resulting in wrongful gain for oneself or others and causing wrongful loss to others.

Examples of fraudulent activities include:

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- Misappropriation of funds or assets.
- Improper handling or reporting of financial transactions.
- Soliciting or accepting material benefits from customers or service providers.
- Criminal breach of trust and misappropriation.
- Fraudulent cashing of forged instruments, manipulation of financial records, or using fictitious accounts.
- Unauthorized extension of credit for illicit gains.
- Negligence of duty leading to frauds.
- Cheating and documents forgery.
- Fraudulent transactions involving foreign exchange;
- Fraudulent electronic banking / digital payment related transactions committed on NBFCs; and
- Any other fraudulent activities not covered by the above categories.

Cases involving **negligence, cash shortages, or irregularities** will be classified as fraud if there is **suspicion or evidence of fraudulent intent**.

#### **Fraud Detection & Control:**

##### **a) Fraud Detection**

Fraud detection involves **identifying actual or potential fraud instances** through **onsite inspections** of processes, employees and documents or by recognizing **early warning signals (EWS)**.

##### **b) Early Warning Signals (EWS) Framework**

The Company shall have a framework for Early Warning Signals (EWS) under the overall Fraud Risk Management Policy. **EWS framework** with appropriate **early warning indicators** to monitor **credit facilities, loan accounts, and other financial transactions**.

##### **c) EWS Framework Components**

The framework shall include:

- **EWS triggers and their monitoring**
- **Remedial actions** for identified triggers
- **Periodic portfolio reviews** and **control mechanisms**

##### **e) Early Warning Indicators**

Potential fraud indicators may arise from:

- **Complaints:** Reports of unethical or fraudulent practices
- **Credit Monitoring:** Unusual portfolio behaviour signalling potential fraud
- **Whistleblowers:** Employees or insiders reporting suspicious activities
- **Audits:** Regular internal and external audits to detect irregularities

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**f) Fraud Prevention & Control Measures**

Fraud risks can be mitigated through the following measures:

1. **Thorough background checks** and **document verification** for customers and business associates.
2. **Periodic training programs** for employees on real-life fraud cases, detection techniques, and prevention strategies.
3. **Strengthening internal controls** through appropriate **process changes** and preventive mechanisms.

**Fraud Monitoring:**

SFPL shall set-up an appropriate organizational structure for institutionalization of fraud risk management within their overall risk management functions.

The Risk Team on periodic basis, share Fraud reports, if any and dashboards with internal management and stakeholders. All potential fraud/suspected reports will be reported to the Internal Audit team

**Staff Accountability:**

1. In all fraud cases, staff accountability will be mandatorily explored. It is required to confirm whether there was any lapse / mala-fide on part of employee which led to fraud and if so then to take action against the staff concerned.
2. SFPL shall put in place a transparent mechanism to ensure that Whistle Blower complaints on possible fraud cases / suspicious activities in accounts(s) are examined and concluded appropriately under Whistle Blower Policy

**Measures for ensuring compliance with principles of natural justice in a time-bound manner:**

**1. Show Cause Notice (SCN) Procedure:**

- **Parties Involved:** SCNs will be issued to individuals, organizations, promoters, directors, employees under investigation for fraud allegations.
- **Content of SCN:** The notice will detail the transactions, acts, and occurrences that are the basis for declaring and reporting fraud.
- **Response Time:** A minimum of 21 days will be provided for the individuals/entities to respond to the SCN.

**2. Special Committee:**

- **Formation:** A special committee, headed by a Non Executive Director, will oversee fraud risk management and monitor fraud cases.
- **Regulatory Compliance:** The committee's formation and operations will comply with relevant regulatory guidelines for Middle-layer NBFCs.

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**3. Reporting to the Board:**

- a. **Quarterly Reporting:** Fraud information for quarters ending June, September and December will be placed before the Board of Directors in its Board Meeting held immediately after the respective quarter.
- b. **Thresholds for Reporting:**
  - i. Frauds exceeding ₹1,00,000 will be reported to the Board after preliminary investigation.
  - ii. Any fraud attempts involving ₹25 lakhs or more will be presented before the Audit Committee.
- c. **Annual Review:** An annual review of fraud cases will be conducted and reported to the Board in the Board Meeting held in the 1<sup>st</sup> Meeting held after the end of respective Financial Year.

**4. Reporting to Regulator via XBRL:**

- a. **FMR-1:** New frauds of ₹1 lakh and above will be reported within 21 days from the date of detection.
- b. **FMR-3/FUA:** Developments regarding previously reported frauds will be updated on an as-needed basis.
- c. **FMR-4:** Quarterly theft, robbery, dacoit, and burglary reports. A "Nil" submission will be made if no incidents occur.
- d. **Monthly Certificate:** A paper-based certificate will be submitted by the 7th of each month in the prescribed format.

**5. Reporting under Legal Governance:**

- a. **Referral to Police:** Cases of fraud involving ₹1 lakh or above by outsiders, or fraud committed by employees involving SFPL's funds exceeding ₹10,000, should be referred to the State Police.
- b. **Internal/External Legal Counsel:** These cases will be processed by the internal or external legal counsel of the Company.

**Closure of Frauds:**

Closure of Fraud Cases Reported to RBI:

1. The Company shall close fraud cases using 'Closure Module' where the actions as stated below are complete:

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- i. The fraud cases pending with Police / Court are disposed of; and
- ii. The examination of staff accountability has been completed.
- iii. The amount of fraud has been recovered or written off.

**2. Statistical Closure:**

The Company is allowed, for limited statistical / reporting purposes, to close those reported fraud cases involving amount upto Rs. 25 lakh, where:

- i. the investigation is going on or challan / charge sheet not filed in the Court for more than three years from the date of filing of First Information Report (FIR) by the CBI / Police; or
- ii. the trial in the courts, after filing of charge sheet / challan by CBI / Police, has not started, or is in progress.

SFPL shall provide all possible assistance to the Police/CBI/Court for investigation/trial and vigorous follow up with the police authorities and / or court for final disposal of fraud cases shall be undertaken.

**Updates or revisions:**

Periodic updation with regards to Policy basis regulatory guidelines