



ABANS FINANCE PRIVATE LIMITED

Particulars	Authority	Date
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I. PREFACE

Abans Finance Private Limited ('AFPL' or 'the Company') is a Material Subsidiary of Abans Holdings Limited. Since March 31, 2024, it has been categorized as a Middle Layer NBFC (NBFC – ML), pursuant to the scale-based regulation put forth by the RBI.

This Fraud Risk Management Policy for Abans Finance Private Limited (AFPL), a Middle Layer NBFC, outlines the comprehensive framework for fraud detection, prevention, governance, and reporting, in accordance with the RBI's Master Directions on Fraud Risk Management for NBFCs. The policy includes provisions for governance, early warning systems, investigation procedures, staff accountability, and reporting to law enforcement agencies and the Reserve Bank of India (RBI).

II. OBJECTIVES OF THE POLICY

This policy aims to implement a structured approach to managing fraud risk in AFPL. It applies to all financial transactions, credit facilities, and employees, and covers fraud prevention, detection, and response. The objectives include:

- Ensuring compliance with RBI's regulatory guidelines for fraud risk management.
- Implementing a robust system for detecting and investigating potential fraud cases.
- Maintaining a transparent reporting system to promptly notify law enforcement and regulatory authorities.
- Compliance with principles of natural justice.

III. APPLICABILITY

This policy is applicable to any instances of fraud, whether confirmed or suspected, involving employees, external agencies, and individuals with a business relationship with Abans Finance Private Limited.

IV. DEFINITION OF FRAUD

- i. Misappropriation of funds and criminal breach of trust;
- ii. Fraudulent encashment through forged instruments;
- iii. Manipulation of books of accounts or through fictitious accounts, and conversion of property;

- iv. Cheating by concealment of facts with the intention to deceive any person and cheating by impersonation;
- v. Forgery with the intention to commit fraud by making any false documents/electronic records;
- vi. Wilful falsification, destruction, alteration, mutilation of any book, electronic record, paper, writing, valuable security or account with intent to defraud;
- vii. Fraudulent credit facilities extended for illegal gratification;
- viii. Cash shortages on account of frauds;
- ix. Fraudulent transactions involving foreign exchange;
- x. Fraudulent electronic banking / digital payment related transactions committed on NBFCs; and
- xi. Other type of fraudulent activity not covered under any of the above.

V. GOVERNANCE STRUCTURE FOR FRAUD RISK MANAGEMENT

1. Board of Directors

The Board of Directors is responsible for approving the Fraud Risk Management Policy and overseeing its implementation. The Board shall:

- Review the policy at least once every three years or more frequently as needed.
- Ensure the policy includes measures for prevention, early detection, investigation, staff accountability, monitoring, recovery, and reporting of frauds.
- Ensure compliance with Master Direction on Fraud Risk Management in NBFC vide DOS. CO. FMG. SEC. No. 7/23.04.001/2024-25

2. Special Committee of the Board for Monitoring and Follow-up of Cases of Frauds (SCBMF)

AFPL shall constitute a Special Committee of the Board for Monitoring and Follow-up of Cases of Frauds (SCBMF) with a minimum of three members, including the Chief Executive Officer and two Independent Directors. The Committee shall be headed by an Independent Director. The SCBMF shall:

- Oversee the effectiveness of fraud risk management.
- Review and monitor cases of fraud, including root cause analysis.
- Suggest mitigating measures to strengthen internal controls and minimize fraud incidence.

3. Senior Management

Senior Management is responsible for implementing the fraud risk management policy. They shall:

- The Senior Management shall be responsible for implementation of a robust Framework for Early Warning Signals
- Ensure a transparent mechanism for handling whistleblower complaints.
- Conduct periodic reviews of fraud incidents and report to the Board or Audit Committee of the Board (ACB) as appropriate.
- Set up an appropriate organizational structure for fraud risk management, with a senior official responsible for monitoring and reporting frauds.

VI. FRAUD RISK MANAGEMENT MEASURES

1. Show Cause Notice (SCN)

A detailed SCN shall be issued to individuals or entities against whom fraud allegations are being examined. The SCN shall provide complete details of the transactions or actions under scrutiny. A minimum of 21 days shall be provided for the recipients to respond to the SCN.

2. Examination and Declaration

AFPL shall have a well-laid-out system for issuing SCNs and examining responses before declaring individuals or entities as fraudulent.

A reasoned order shall be served, conveying the decision regarding the classification of the account as fraud or otherwise. The order must include relevant facts, submissions made against the SCN, and reasons for the classification.

3. Review and Reporting

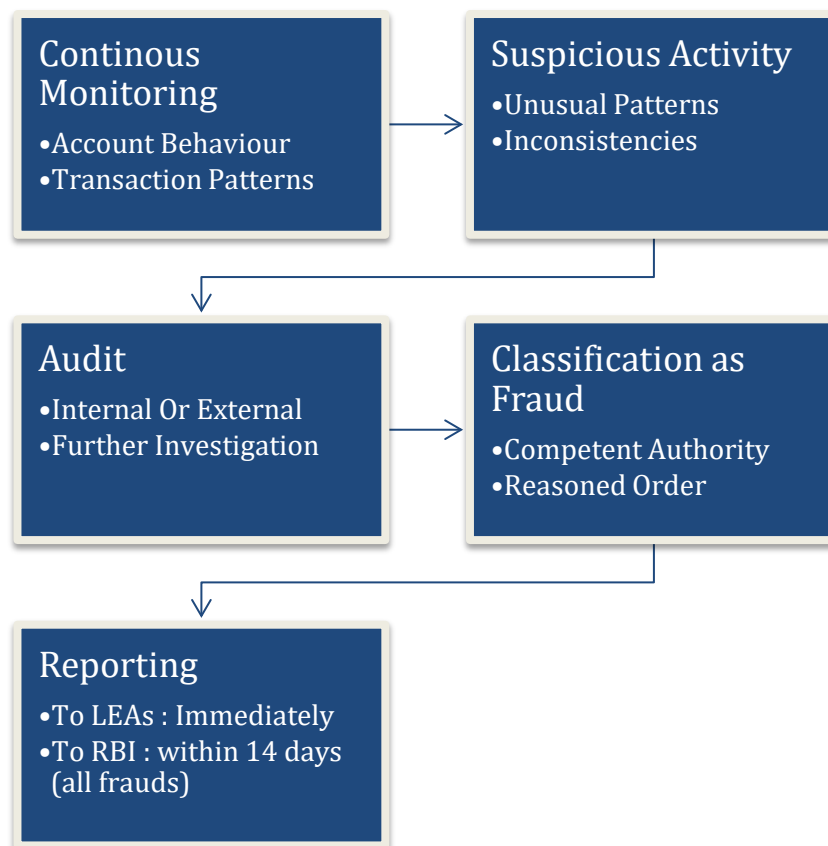
The Fraud Risk Management Policy shall be reviewed by the Board at least once every three years. On detection of fraud, the department/party/ staff concerned will report to the Risk team/ higher authority within two working days in the format given in *Annexure - I*.

4. Whistleblower Mechanism

AFPL shall ensure a transparent mechanism for whistleblower complaints on possible fraud cases or suspicious activities. These complaints shall be examined and concluded appropriately under the Whistleblower Policy.

5. Organizational Structure

AFPL shall set up an appropriate organizational structure for institutionalizing fraud risk management within its overall risk management functions. An illustration which portrays the fraud detection and reporting process of AFPL is given below.

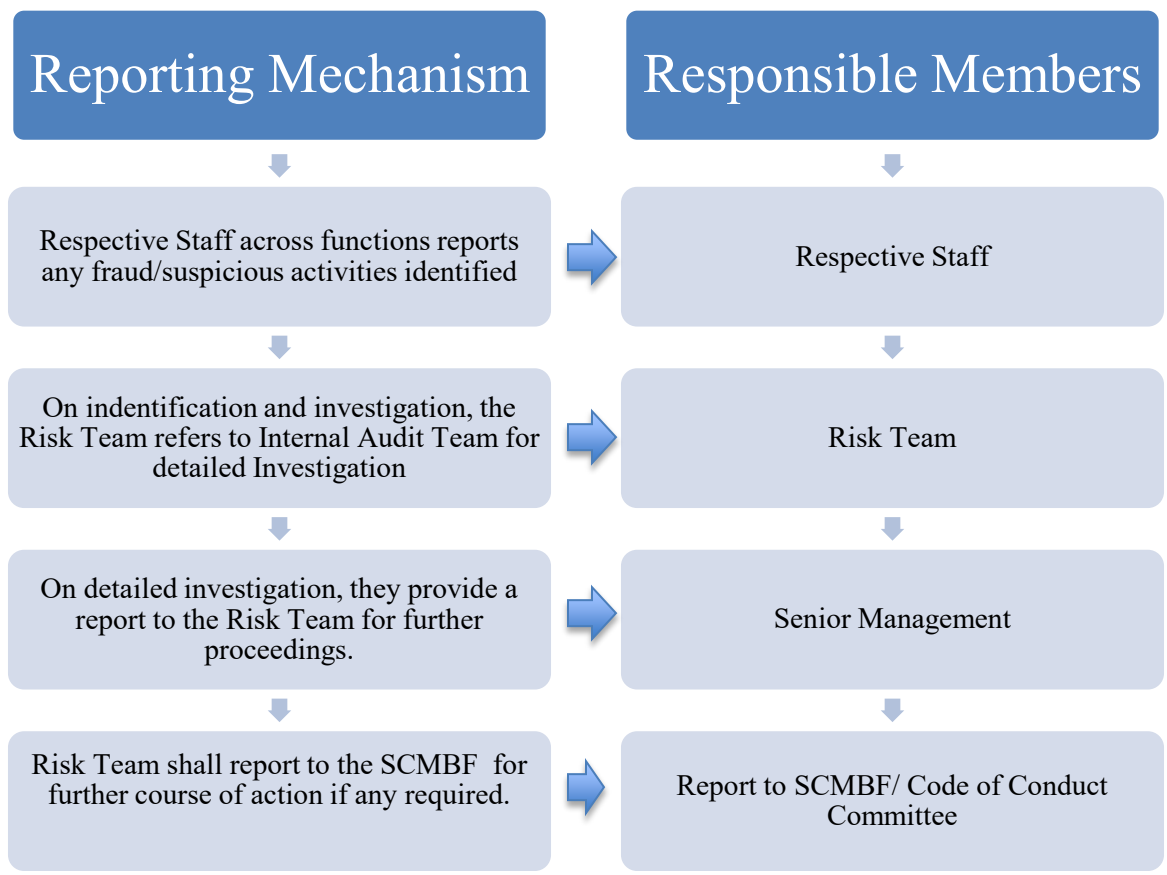


FRAUD DETECTION AND REPORTING PROCESS OF AFPL

VII. FRAUD MONITORING

AFPL 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 Senior Management team.



VIII. FRAMEWORK FOR EARLY WARNING SIGNALS (EWS) FOR FRAUD DETECTION

AFPL shall establish an Early Warning System (EWS) to detect potential fraud in credit facilities, loan accounts, and other financial transactions. The EWS framework will identify both qualitative and quantitative indicators, such as suspicious transactions, unusual account activity, and borrower behavior. A dedicated Monitoring Unit will periodically validate the effectiveness

of the EWS system. EWS alerts will undergo deeper investigations to confirm potential fraud and trigger preventive measures. Additionally, AFPL will strengthen the EWS for non-credit transactions by monitoring unusual patterns, particularly in high-risk accounts or transactions.

IX. CREDIT FACILITY AND LOAN ACCOUNT MONITORING

AFPL shall actively monitor credit facilities and loan accounts for any suspicious activity. In the event of suspected fraud, an internal or external audit will be initiated. Their contracts will specify timelines and responsibilities, including the completion of reports within a defined timeframe. Loan agreements with borrowers will include provisions that allow for audits if fraudulent activity is suspected. Additionally, agreements with third-party service providers will include clauses holding them accountable for any negligence that leads to fraud. Also AFPL shall ensure that principles of natural justice are strictly adhered to before classifying / declaring an account as fraud.

X. REPORTING TO AUTHORITIES AND LAW ENFORCEMENT AGENCIES (LEAS)

Upon detection of fraud, AFPL shall promptly report the incident to the appropriate Law Enforcement Agencies (LEAs), such as the state police. A designated officer will be responsible for coordinating with the LEAs to meet their requirements and ensure compliance with legal obligations. Additionally, AFPL will report fraud incidents to the Reserve Bank of India (RBI) through Fraud Monitoring Returns (FMRs) within 14 days of classifying an incident as fraud. Separate FMRs will be submitted for group entities. AFPL is committed to adhering to RBI timelines and ensuring the prompt submission of required updates on ongoing cases.

XI. STAFF ACCOUNTABILITY

AFPL will investigate staff involvement in fraud cases promptly as per the internal policy guidelines. For frauds involving senior management, the matter will be escalated to the Board. In cases where the fraud amount exceeds ₹3 crore, the case will be referred to the Advisory Board for Banking and Financial Frauds (ABBFF) in accordance with CVC guidelines.

XII. PENAL MEASURES AND LEGAL ACTIONS

AFPL shall implement stringent measures to manage fraud risk, including debarment and penal actions against individuals and entities classified as fraudulent. These measures include barring access to credit facilities for five years post-repayment from Abans Group, pursuing asset seizure for recovery, and initiating legal proceedings, including criminal charges, for severe cases. The policy mandates prompt reporting to LEAs and RBI, robust early warning systems, and thorough

monitoring and investigation processes. Additionally, agreements with third-party service providers will hold them accountable for any negligence leading to fraud, ensuring comprehensive risk mitigation and compliance with legal obligations.

XIII. POLICY REVIEW

The Board of Directors shall conduct an review of the Fraud Risk Management Policy to incorporate updates from RBI guidelines and industry's best practices. This comprehensive review will be overseen by the Risk Management and Compliance Committees, ensuring all amendments align with corporate goals and risk tolerance levels. Amendments to the policy will be communicated to all departments to ensure effective implementation across AFPL.

XIV. TRAINING

AFPL will implement training on fraud risk management for all employees, with specialized training for departments.

XV. FRAUD RISK ASSESSMENT AND MITIGATION

1. Periodic Risk Assessments:

AFPL shall conduct in-depth fraud risk assessments across all departments at regular intervals to identify new risks, assess existing controls, and improve fraud prevention mechanisms.

Each department will submit a risk assessment report detailing any vulnerabilities, proposed improvements, and required resources

2. Proactive Risk Mitigation Measures:

AFPL will utilize advanced analytics and IT tools to monitor for emerging fraud risks and pattern detection. Risk mitigation strategies will include operational controls, policy refinements, and enhancements to the EWS framework based on insights from previous incidents and industry developments

3. Real-time Monitoring and Adjustments:

A dedicated monitoring team within AFPL will actively observe transaction data for irregularities. If patterns or anomalies are detected, immediate adjustments to the monitoring parameters will be made to close any exploitable gaps.

XVI. AMENDMENTS

The Board of Directors of the Company reserves the power to review and amend this Policy from time to time, subject to revision / amendment in accordance with applicable laws as may be issued by relevant statutory, governmental and regulatory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant statutory, governmental and regulatory authorities are not consistent with the provisions laid down under this Code, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder.

ANNEXURE – I

FORMAT FOR REPORTING OF FRAUD		
1.	Department	
2.	Nature of fraud like Income related, payment related etc.	
3.	Perpetrators of fraud internal/external/unknown	
4.	Date of fraud or suspected fraud discovered	
5.	Actual, suspected or attempted fraud	
6.	Cause of fraud (like absence of controls/failure to observe controls/unknown)	
7.	Brief outline of case	
8.	How was fraud discovered (whistleblower/internal	

	audit/other means)	
9.	Amount of loss	
10.	Action taken	
11.	Reported by (Name and designation and Signature)	