

## **FAIR PRACTICE CODE (FPC)**

### **Introduction:**

India SME Asset Reconstruction Company Limited (ISARC) is an Asset Reconstruction Company registered with Reserve Bank of India under section 3 of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and is also a Company registered under the provisions of the Companies Act, 1956.

Master Directions issued by Reserve Bank of India for Asset Reconstruction Companies focuses on transparency and fairness in dealing with stakeholders. ISARC hereby furnishes the Fair Practices Code (the FPC) based on the guidelines issued by RBI. ISARC shall make appropriate modifications in the FPC from time to time to confirm to the standards that may be prescribed by RBI from time to time. Considering the nature of business of the Company, it is proposed to establish the following as the Fair Practices Code for the Company.

ISARC shall carry out its operations in accordance with policies duly approved by the Board of Directors, covering acquisition and resolution of financial assets as well as other facets of the Company's activities and shall maintain transparency and fairness in their operation. ISARC shall comply with all the applicable laws, rules and regulations applicable to it while dealing with its customers, including the statutory enactments and the guidelines issued by Reserve Bank of India from time to time.

### **Objective of the Code:**

The code has been developed with an objective of:

1. Ensuring fair practices while dealing with customers
2. Greater transparency
3. Building customer confidence in the company

### **Fair Practices in ISARC:**

1. ISARC shall follow transparent and non-discriminatory practices in acquisition of assets. It shall maintain arm's length distance in the pursuit of transparency.
2. In order to enhance transparency in the process of sale of secured assets and recovery of debts:
  - Invitation for participation in auction shall be publicly solicited; the process shall enable participation of as many prospective buyers as possible;
  - Terms and conditions of such a sale shall be decided in wider consultation with investors in the security receipts as per the SARFAESI Act 2002;
  - Spirit of Section 29A of Insolvency and Bankruptcy Code, 2016 shall be followed in dealing with prospective buyers.

3. ISARC shall release all securities on repayment of all dues or on realization of the outstanding amount of loan subject to any legitimate right or lien for any other claim ISARC may have against the customer. Notice to the customer with full particulars about the remaining claims and the conditions under which ISARC is entitled to retain the securities till the relevant claim is settled/paid shall be given if such right of set off is to be exercised.
4. ISARC has in place a Board approved transparent policy on the management fee, expenses and incentives, if any, claimed from trusts under their management. It shall be ensured that the management fee is reasonable and proportionate to financial transactions.
5. It is ensured that any management fee/ incentives charged towards the asset reconstruction or securitisation activity should come only from the recovery effected from the underlying financial assets. Further, prior approval of the Board would be taken for any deviation in the quantitative cap/ limit on the management fee/ incentives under various scenarios.
6. ISARC has in place a comprehensive outsourcing policy, approved by the Board, which includes, inter alia, criteria for selection of such activities as well as service providers, delegation of authority depending on risks and materiality and systems to monitor and review the operations of these activities/ service providers. It is ensured that outsourcing arrangements neither diminish its ability to fulfil its obligations to customers and the RBI nor impede effective supervision by RBI. The outsourced agency, if owned/controlled by a director of the ISARC, the same is disclosed in terms of RBI Guidelines.
7. In the process of recovery, ISARC shall not resort to harassment of the debtor. It should ensure that the staff are adequately trained to deal with customers in an appropriate manner.
8. ISARC has in place a Board approved Code of Conduct for Recovery Agents and it shall obtain their undertaking to abide by that Code. ISARC, as principal, shall be responsible for the actions of its Recovery Agents.
9. ISARC shall ensure that the Recovery Agents observe strict customer confidentiality.
10. ISARC 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. It shall ensure that Recovery Agents do not induce adoption of uncivilized, unlawful and questionable behaviour or recovery process.

11. ISARC has in place a Board approved Customer Grievance Redressal Policy which is reviewed by the Board of Directors periodically. Time frame to resolve the complaints lodged by the Customers has been decided by the Board of Directors in the said policy and the Grievance Redressal Officer has been designated who shall ensure that the grievances are resolved in the given time frame.
12. ISARC shall keep the information it comes to acquire in course of its business, strictly confidential and shall not disclose the same to anyone including other companies in the group except when:
  - required by law;
  - there is duty towards public to reveal information;
  - with customers' permission.
13. ISARC shall follow the guidelines issued vide RBI Circular No. DoR.MCS.REC.38/01.01.001/2023-24 dated September 13, 2023 on Responsible Lending Conduct - Release of Movable/Immovable Property Documents on Repayment/Settlement of Personal loans issued by Reserve Bank of India.

**General:**

This Fair Practices Code shall be available on the website of the Company, for the information of its Borrowers and various stakeholders. Any enhancement(s) or change(s) in the scope of this code shall be uploaded from time to time in future on the website i.e. <https://www.isarc.in>.

Compliance with Fair Practices Code shall be reviewed periodically by the Board.

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