

VERSION CONTROL

Version Control Number	Author	Date Created / updated	Date Published	Date Effective	Version Description
V1	Mandar Godbole	25.05.2018	25.05.2018	29.05.2018	

Outsourcing of Activities Policy

A third party may be used to perform one or more activities or one or more third parties may be used to perform different activities of the Company. Such use may be for a specific purpose, specified period or on a continuing basis and includes use of successive third parties, where the first third party may use the second third party to perform the activities and so on.

Since the third parties may not be subject to the regulatory discipline and accountability cannot be outsourced, outsourcing raises a variety of concerns both for the regulator and the outsourcing intermediaries. The Company has framed a Policy for the same, Outsourcing relationships shall be governed by written contracts / agreements that clearly describe all material aspects of the outsourcing arrangement, including the rights, responsibilities and expectations of the parties to the contract, client confidentiality issues, termination procedures, etc.

Third parties should establish and maintain contingency plans, including a plan for disaster recovery and periodic testing of backup facilities. They should take appropriate steps to ensure that the third party protects confidential information of both the Company and its customers from intentional or inadvertent disclosure to unauthorized persons.

Activities that can be Outsourced

Services like:

Processing of Applications like loan origination;

- Data entry, opening of trading accounts, scanning and storage of account opening forms
- Printing and dispatch of welcome kits and dispatch of quarterly transaction statements
- Dispatch of contract notes
- Any such non-critical activity which in the view of the Management needs to be outsourced

Activities that cannot be outsourced:

Core and critical activities will not be outsourced. An activity shall not be outsourced if it would impair the supervisory authority's right to assess, or its ability to supervise the business of the intermediary. An illustrative list of activities that cannot be outsourced:

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- Maintenance and safekeeping of critical data.
- Execution of settlement and other incidental activities for pay-in/payout
- Monitoring and redressal of investor grievances.
- Surveillance Functions.
- Compliance Functions &
- Other Decision-Making Functions.

Responsibilities of the Board & Senior Management

1. Identifying the Materially outsourced services.

(Materially outsourced would be based on:

- *the level of importance to the NIYOGIN of the activity being outsourced as well as the significance of the risk posed by the same;*
- *the potential impact of the outsourcing on the NIYOGIN on various parameters such as earnings, solvency, liquidity, funding capital and risk profile;*
- *the likely impact on the NIYOGIN's reputation and brand value, and ability to achieve its business objectives, strategy and plans, should the service provider fail to perform the service;*
- *the cost of the outsourcing as a proportion of total operating costs of the NIYOGIN;*
- *the aggregate exposure to that particular service provider, in cases where the NIYOGIN outsources various functions to the same service provider and*
- *the significance of activities outsourced in context of customer service and protection)*

2. Evaluating the risks and materiality of all existing and prospective outsourcing, based on the framework approved by the Board;
3. Developing and implementing sound and prudent outsourcing policies and procedures commensurate with the nature, scope and complexity of the outsourcing activity;
4. Reviewing periodically the effectiveness of policies and procedures;
5. Communicating information pertaining to material outsourcing risks to the Board in a timely manner;

6. Ensuring that contingency plans, based on realistic and probable disruptive scenarios, are in place and tested;
7. Ensuring that there is independent review and audit for compliance with set policies and;
8. Undertaking periodic review of outsourcing arrangements to identify new material outsourcing risks as they arise.

Due Diligence

The Company shall conduct appropriate due diligence in selecting the third party to whom any activity is proposed to be outsourced. It shall be ensured that outsourced activities are further outsourced downstream only with the prior consent and with appropriate safeguards including proper legal documentation/ agreement.

Monitoring:

An effective monitoring of the entities selected for outsourcing shall be done to ensure that there is check on the activities of outsourced entity. The Company shall be fully liable and accountable for the activities that are being outsourced to the same extent as if the service were provided in-house.

NIYOGIN shall have in place a management structure to monitor and control its outsourcing activities. It shall ensure that outsourcing agreements.

A central record of all material outsourcing that is readily accessible for review by the Board and senior management of the NIYOGIN shall be maintained & updated periodically & reviewed half-yearly by the Operating Committee.

NIYOGINs shall at least on an annual basis, review the financial and operational condition of the service provider to assess its ability to continue to meet its outsourcing obligations. Such due diligence reviews, which can be based on all available information about the service provider shall highlight any deterioration or breach in performance standards, confidentiality and security, and in business continuity preparedness.

Code of conduct for DSA/ DMA/ Recovery Agents and obtain their undertaking to abide by the code.

Niyogin shall include the following clauses in the Outsourcing Agreements/ Service Provider Agreements:

The agreement shall also bring out the nature of legal relationship between the parties - i.e. whether agent, principal or otherwise. Some of the key provisions of the contract shall be the following:

- the contract shall clearly define what activities are going to be outsourced including appropriate service and performance standards;
- the NBFC must ensure it has the ability to access all books, records and information relevant to the outsourced activity available with the service provider;
- the contract shall provide for continuous monitoring and assessment by the NBFC of the service provider so that any necessary corrective measure can be taken immediately;
- a termination clause and minimum period to execute a termination provision, if deemed necessary, shall be included;
- controls to ensure customer data confidentiality and service providers' liability in case of breach of security and leakage of confidential customer related information shall be incorporated;
- there must be contingency plans to ensure business continuity;
- the contract shall provide for the prior approval/ consent by the NBFC of the use of subcontractors by the service provider for all or part of an outsourced activity;
- it shall provide the NBFC with the right to conduct audits on the service provider whether by its internal or external auditors, or by agents appointed to act on its behalf and to obtain copies of any audit or review reports and findings made on the service provider in conjunction with the services performed for the NBFC;

- the outsourcing agreement shall also provide that confidentiality of customer's information shall be maintained even after the contract expires or gets terminated and the NBFC shall have necessary provisions to ensure that the service provider preserves documents as required by law and take suitable steps to ensure that its interests are protected in this regard even post termination of the services.

- outsourcing agreements shall include clauses to allow the Reserve Bank of India or persons authorised by it to access the NBFC's documents, records of transactions, and other necessary information given to, stored or processed by the service provider within a

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reasonable time; outsourcing agreement shall also include a clause to recognise the right of the Reserve Bank to cause an inspection to be made of a service provider of an NBFC and its books and account by one or more of its officers or employees or other persons

Details of Grievance Redressal Officer for outsourced services to be published in the following manner:

At the operational level, all NIYOGIN have to display the following information prominently, for the benefit of their customers, at their branches / places where business is transacted:

- the name and contact details (Telephone / Mobile nos. as also email address) of the Grievance Redressal Officer who can be approached by the public for resolution of complaints against the Company.
- If the complaint / dispute is not redressed within a period of one month, the customer may appeal to the Officer-in-Charge of the Regional Office of DNBS of RBI (complete contact details), under whose jurisdiction the registered office of the NIYOGIN falls.
- In short, the public notice should serve the purpose of highlighting to the customers, the grievance redressal mechanism followed by the company, together with details of the grievance redressal officer and of the Regional Office of the RBI.

Approval/Review:

This policy shall be approved by the Board and reviewed by the Managing Director as and when there are any changes introduced by any statutory authority or as and when it is found necessary to change the policy due to business needs.
