

DSP FINANCE PRIVATE LIMITED
(Formerly known as DSP Investment Managers Private Limited)

FAIR PRACTICES CODE

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1. Background

The Reserve Bank of India (RBI) vide Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (DoR.FIN.REC.No.45/03.10.119/2023-24) dated October 19, 2023 and as updated from time to time (Master Direction - SBR) has prescribed the broad guidelines on fair practices that are to be framed and approved by the Board of Directors of all Non-Banking Financial Companies (NBFCs).

As a result, DSP Finance Private Limited (formerly known as DSP Investment Managers Private Limited) (the Company) has framed the comprehensive Fair Practice Code (FPC) aimed to provide to all its stakeholders, especially the customers, an overview of practices followed by the Company in respect of the financial facilities and services offered to its customers.

The Company shall conduct the business in accordance with the prevailing statutory and regulatory requirements, with due focus on efficiency, customer-orientation and corporate governance principles and will ensure that the loan application process will be as hassle free as possible.

2. Guiding Principles & Objectives

The Company's policy is to always treat all customers fairly. The Board of Directors, the management team and the employees/representatives of the Company are responsible for implementing the FPC. The primary objectives of the FPC are:

- a. To promote good, fair, equitable and trustworthy practices in a consistent manner by setting minimum standards in dealing with the customers.
- b. To increase transparency to enable the customers to have a better understanding of what they can reasonably expect of the services offered by the Company.
- c. To promote a fair and cordial relationship between the customers and the Company.
- d. To strengthen mechanisms for redressal of customer grievances.

3. Key Commitments

The Company shall act efficiently, fairly and diligently in its dealings with the customers by:

- a. Meeting commitments and standards specified in the FPC, for the products and services which the Company offers and the process and practices followed by the staff.
- b. Ensuring that the Financial Products and Services are in accordance with the applicable Rules and Regulations.

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- c. Providing professional services and accurate and timely information such as terms and conditions, costs, rights, implications, etc. of the financial products and services.
- d. Helping the customer understand the financial products and services that the Company offers in English/ Hindi/ or local vernacular language as understood by the customer/ borrower as also ensuring that the advertisements and promotional literature is not misleading.
- e. The Company will not discriminate between its customers based on their gender, race or religion, etc.

4. Loan Origination

The Company will guide its customers in choosing products and services which meet his/ her requirements:

- a. By educating the customers on the rights and responsibilities specific to the products/ services.
- b. By providing clear information in relation to the products/ services offered by the Company such as the key features of the services and/ or products the customer has shown an interest in and how they suit his/ her requirements. Further, the Company will guide the customers on the various channels that can be used to access its products or services.
- c. By informing the customer about the information required to fulfill its 'Know Your Customer' (KYC) norms, establish the customer's identity and any other documents required to comply with legal and regulatory requirements in force from time to time.

5. Loan Applications and their processing

- a. This FPC shall apply to all the loan products and services presently proposed to be provided by the Company or which may be introduced by the Company in the future, irrespective of the mode and medium through which such products and services are offered by the Company.
- b. The Loan application form and critical correspondence of the Company (including change in terms and conditions) shall be made in English or vernacular language, or a language as understood by the borrower.
- c. Loan application forms shall include necessary information relating to the terms and conditions governing the loan and other relevant information affecting the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by other NBFCs can be made and an informed decision can be taken by the borrower.
- d. The Company shall issue an acknowledgement receipt for all loan applications and shall endeavor to dispose of the same within a reasonably acceptable timeframe.

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- e. The loan application form shall indicate the documents required to be submitted along with the application form and/ or as may be required to be executed and signed by the customer for obtaining the loan. The Company shall collect all necessary documents to comply with Know Your Customer Norms (KYC norms) of RBI.
- f. If any additional details/ documents are required, the same shall be intimated to the borrowers without undue delay.

6. Loan appraisal and terms/conditions

- a. The Company shall conduct a due diligence on the credit worthiness of the borrower, which will be an important parameter for processing of the application. The assessment would be in line with the Company's credit policies, norms, and procedures in respect thereof.
- b. The borrower would be informed by means of a sanction letter of the amount of loan sanctioned or otherwise. The sanction letter shall contain details of the terms and conditions including the annualized rate of interest and the method of application thereof. The Company shall maintain the record of acceptance of the terms and conditions of the respective borrower. The sanction letter or otherwise shall be in English or vernacular language or a language as understood by the borrower.
- c. The Company shall obtain borrowers' signature on the said sanction letter/revised renewal terms/satisfaction letter as a token of borrower's acceptance.
- d. The Company shall furnish a copy of the loan agreement along with a copy of all enclosures quoted in the loan agreement to the borrowers at the time of sanction/ disbursement of loans.
- e. All Terms and Conditions will be fair and will set the customer's rights and responsibilities clearly and in plain language. The Company will use legal or technical language only where necessary.
- f. The Company shall have a built-in repossession clause, wherever applicable, in the contract/ Loan Documents so as to have legal enforceability.
- g. Wherever applicable, the terms and conditions contained in the Loan Documents of the Company shall also contain the following provisions:
 - Notice period before taking possession.
 - Circumstances under which the notice period can be waived.
 - Procedure for taking possession of the security.
 - Provision regarding final chance to be given to the borrower for repayment of loan before the sale/auction of the property.

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- Procedure for giving repossession to the borrower and
 - Procedure for sale/auction of the property
- h. The Company shall mention the penal interest charged for late repayment in **bold** in the loan agreement.

7. Disbursement of loans including changes in terms and conditions

- a. The loan disbursement shall be subject to execution of the necessary documents and completion of necessary formalities by the borrower. The Company shall provide notice (in English or vernacular language or a language as understood by the borrower) to its borrowers of any change in the terms and conditions of the loan, including but not limited to the disbursement schedule, interest rates, service charges, prepayment charges, etc. Any changes in interest rates and charges shall be only prospective. A suitable condition to this effect shall be incorporated in the loan agreement.
- b. The Company shall, at the time of disbursement, ensure that the interest rate and processing and other charges on loan and advances are in strict adherence to below referred internal principles and procedures.
- c. The disbursement will be done immediately upon compliance with all the terms and conditions of the sanction by the borrower.

8. Post Disbursement

- a. Decision to recall/ accelerate payment or performance under the loan agreement shall be in consonance with the Loan Agreement.
- b. The Company 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 the Company shall have against the borrower. If the right of set off is to be exercised, the borrower shall be given notice about the same with full particulars about the remaining claims and the condition under the Company is entitled to retain the securities till the relevant claim is settled/ paid.

9. Interest Charged

- a. The Company shall frame and adhere to appropriate internal principles and procedures for determining and ensuring that the interest rates and processing and other charges are not excessive. The Company shall, at the time of disbursement, ensure that the interest rate and other charges, if any, on loan and advances are in strict adherence to the internal principles and procedures.
- b. The Company would adopt an interest rate model considering relevant factors such as, cost of funds, operating costs, margin, and risk premium such as security premium, tenor premium, credit risk premium associated with the quality of the borrower and any other

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factors that the Company may deem fit to determine the rate of interest to be charged for loans and advances. The rate of interest and the approach towards gradation of risk and rationale for charging different rate of interest to different categories of borrowers shall be disclosed to the borrower in the application form and communicated explicitly in the sanction letter.

The rates of interest and the approach for gradation of risks shall be made available on the website of the Company, which shall be updated as and when there are any changes.

- c. The borrower credit risk premium shall be based on credit and default risk of the borrower as assessed from the profile & risk rating, earnings and repayment ability, nature and value of collaterals, repayment track record, industry trends, Credit Bureau ratings etc.
- d. The cost of funds varies according to market conditions and will impact on the pricing of the loans from time to time.
- e. The rate of interest for the same product availed by same/different borrowers could vary depending upon a combination of all or any of the above-mentioned factors. In case of staggered disbursements / drawdowns, the rate of interest would be subject to review and may vary according to the prevailing rate at the time of disbursement/drawdowns.
- f. Interest Rate Reset: The loans would be offered on floating interest rate basis. The interest rates would be reviewed and reset on a periodic basis as agreed in the facility letter or loan agreement and duly intimated to the borrower.
- g. The rate of interest shall be annualized rates to make the borrower aware of the exact rates that would be charged to the account.
- h. In order to ensure that customers are not charged excessive interest rate and charges on loans and advances by the Company, the Board of Directors will adopt appropriate internal policy for determining interest rates; processing penal and other charges; and reset of floating interest rate on Equated Monthly Instalments (EMI) based personal loans.

10. Penal Charges in Loan Accounts

- a. Where the Company charges penalty for non-compliance of material terms and conditions of loan contract by the customer, it will be treated as 'penal charges' and shall not be levied in the form of 'penal interest' that is added to the rate of interest charged on advances. There will be no capitalization of penal charges i.e. no further interest computed on such charges.
- b. The quantum of penal charges for non-compliance of material terms and conditions will be reasonable and commensurate to the non-compliance and shall not be discriminatory for a particular loan/ product category.

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- c. The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', will not be higher than penal charges to non-individual borrowers for similar non-compliance of material terms and conditions.
- d. The quantum and reason for penal charges shall be clearly disclosed in the loan agreement, most important terms and conditions, Key Fact Statement, and website of the Company under interest and service charges.
- e. The Company will not introduce any additional component to the rate of interest. Also, any instance of levy of penal charges will be communicated to the customer along with the reasons thereof.
- f. At the time of sending the reminders for penal charges, the Company shall specify the amount and reasons for levy of the penal charges.
- g. The Company shall adopt a policy with respect to penal charges duly approved by the Board of Directors, in order to ensure compliance in this regard.

11. Responsible Lending Conduct – Release of Movable/ Immovable Property Documents on Repayment/ Settlement of Personal Loans

- a. The Company will release all the original movable/ immovable property documents and remove charges registered with any registry within a period of 30 days after full repayment/ settlement of the loan account.
- b. The customer will be given the option of collecting the original movable/ immovable property documents either from the branch where the loan account was serviced or any other office of the Company where the documents are available, as per the customer's preference.
- c. The timeline and place of return of original movable/ immovable property documents shall be mentioned in the loan sanction letters.
- d. In case of demise of the sole customer or joint customers, the Company has laid down the procedure for return of original movable/ immovable property documents to their legal heirs and such procedure shall also be displayed on the website of the Company.
- e. The timeline and compensation for delay in release of movable/ immovable property documents or loss of such documents shall be as prescribed by the RBI.
- f. Compensation for delay in release of movable/immovable property documents, etc. shall be paid by the Company to the borrower as per the provisions of the RBI prescribed in this regard.

12. Loan sourced from Digital Lending Platforms

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- a. Names of digital lending platforms engaged as sourcing agents (referred to as agents, hereinafter) shall be disclosed on the website of the Company.
- b. Digital lending platforms engaged as agents shall be directed to disclose upfront to the customer the Company's name and will disclose the agent's name on whose behalf they are interacting with him.
- c. Immediately after sanction but before execution of the loan agreement, the sanction letter shall be issued to the customer on the letter head of the Company.
- d. A copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement shall be furnished to all customers at the time of sanction/ disbursement of loans.
- e. Effective oversight and monitoring shall be ensured over the digital lending platforms engaged by Company.
- f. Adequate efforts shall be made towards creation of awareness about the grievance redressal mechanism.
- g. The Company shall abide by the Guidelines on Digital Lending, issued by the RBI, as amended from time to time.

13. General

- a. The Company shall not interfere in the affairs of the borrower except for the purposes provided in the Loan Agreement unless new information not earlier disclosed by the borrower has come to the notice of the Company.
- b. The Company may arrange for enforcing security charged to it of the delinquent borrower, if required, with an aim only to recover dues, cost and expenses of such enforcement action.
- c. The Company shall ensure that the entire process of enforcing its security, valuation and realization thereof be fair and transparent.
- d. In case of receipt of a request from the borrower for transfer of the borrower account, the consent or otherwise i.e. objection of the Company, if any, shall be conveyed within 21 days from the date of receipt of such request. Such transfer shall be as per transparent contractual terms in consonance with law.
- e. The Company would not resort to undue harassment in the matter of recovery of loans, such as persistently bothering the borrowers at odd hours (before 8:00 a.m. and after 7:00 p.m.), use of muscle power for recovery of loans, etc.

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- f. The Company shall ensure that its staff or any person authorized to represent the Company is adequately trained to deal with customers, in an appropriate manner. All the members of the staff or any person authorized to represent the Company (“**Representatives**”) in collection or/ and security repossession with respect to the loans extended by the Company shall strictly follow the fair practices set out below:
- The Representatives shall contact the customer ordinarily at the place of their choice and in the absence of any specified place at the place of their residence and if unavailable at their residence, at the place of business/ occupation.
 - The Representatives shall interact with the customer in a civil manner. Utmost care shall be taken in the use of language while interacting, so that at any point of time the customer should not experience any un-courteous treatment.
 - Customer's request to avoid calls at a particular time or at a particular place shall be honored as far as possible.
 - Time and number of calls and contents of conversation shall be documented.
 - All necessary assistance shall be given to resolve disputes or differences regarding dues in a mutually acceptable and in an orderly manner.
 - During visits to customer's place for dues collection, the Representatives shall maintain decency and decorum.
 - Inappropriate occasions such as bereavement in the family or such other calamitous occasions, if comes to the knowledge the Company, shall be avoided for making calls/visits to collect dues unless the same is required for meeting legal compliance.
- g. As a measure of customer protection and in order to bring in uniformity with regard to prepayment of various loans by borrowers, the Company shall not charge foreclosure charges/ pre-payment penalties on any floating rate term loan sanctioned for purposes other than business to individual borrowers, with or without co-obligant(s).
- h. The Company will ensure that all the promotional advertisements and any other advertisement materials provided by the Company with respect to its products and services are clear and not misleading. The advertisement would be addressed to the intended public through appropriate media. The terms and conditions of any products or services being offered would be made in clear in the advertisement.
- i. The Company will ensure compliance with respect to provisions prescribed by the RBI with respect to reset of floating interest rate on equated monthly instalments (EMI) based personal loans and all EML loans when such business is commenced.

14. Confidentiality

- a. Unless authorized by the customer the Company will treat all personal information as private and confidential; this shall even apply after the repayment of all money due to us from the customer.
- b. The Company will not reveal transaction details to any other entity including within the group other than under the following exceptional cases.

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- If information is required to be provided to the statutory or regulatory laws.
 - If the Company has entered an outsourcing arrangement as per RBI Directions on Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs and is providing information to the service provider on a 'need to know' basis in accordance with the said provisions.
 - If there is a duty to the public to reveal this information.
 - If information is required to be provided to safeguard the interest of the Company (e.g. fraud prevention). However, the Company will not use this reason for giving information about customers to anyone else (including group companies) for marketing purposes.
 - If information is provided by our group/ associate/ entities or companies for providing other products or services to the customers, however the same shall be with the permission (for instance at the time of loan sanctioning) of the customer.
 - Where the customer asks the Company to reveal such information to our group/ associate/ entities or companies for providing other services or products.
 - The Company will not use customers' personal information for marketing purposes unless the customer specifically authorizes to do so.
 - The Company may give the information about the conduct of the customer's account to the credit information companies after intimating about the same to the customers.
- c. The Company may give the information about the conduct of the customer's account to the credit referencing agencies after intimating about the same to the customers.
- d. The Company may give information to credit reference agencies about the personal debts the customer owes to the Company if:
- The customer has fallen behind with his / her payments.
 - The amount owed is not in dispute; and
 - The customer has not made proposals that the Company is satisfied with, for repaying his /her debt, following the Company's formal demand.
- e. In these cases, Company shall intimate the customer in writing that it plans to give information about the debts the customer owes to the Company to credit reference agencies. At the same time, the Company shall explain to the customer the role of credit reference agencies and the effect the information they provide can have on customer's ability to get credit.
- f. The Company may give credit reference agencies other information about the customer's account if the customer has given his / her permission to do so. A copy of the information given to the credit reference agencies shall be provided by the Company to the customer, if so demanded

15. Responsibility of Board of Directors

The Board of Directors ("Board") of Company has laid down appropriate grievance redressal

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mechanism within the organization. Such mechanism would ensure that all disputes arising out of the decisions of Company's functionaries are heard and disposed of at least at the next higher level.

A periodical review (at least quarterly) of the compliance of the Fair Practices Code and the functioning of the grievance's redressal mechanism shall be carried out by the Company and the report of such reviews shall be submitted to the Board on a quarterly basis.

16. Customer Grievances and procedure

Compliance Officer will be designated as the Grievance Redressal Officer who shall address all the grievances of customers periodically by looking into the grievances and shall provide the solutions in respect of the grievances of the customers to their satisfaction.

Necessary details of the Grievances Redressal Officer shall be displayed at the prominent place of the premises for the knowledge of customers and to approach the said officer by customer.

The Company's policy and procedure for redressal of customer complaints/grievances has been separately set out in the Company's "**Grievance Redressal Policy**" which may be accessed on the website of the company.

17. Integrated Ombudsman Scheme, 2021

Under the Reserve Bank – Integrated Ombudsman Scheme, 2021, the Chief Operations Officer will be the Principal Nodal Officer whose details are available at the website of the Company.

18. Review

This Fair Practice Code has been approved by the Board of Directors of the Company at its meeting held on <<DSP to add>> and shall be reviewed at least once in a year.