



JM FINANCIAL ASSET RECONSTRUCTION COMPANY LIMITED

FAIR PRACTICES CODE

JANUARY 2022

1) Preamble:

The Reserve Bank of India (RBI) has issued guidelines on Fair Practices Code for Asset Reconstruction Companies (ARCs) thereby setting highest standards of transparency and fairness in dealing with such companies' stakeholders. As per the said guidelines, JM Financial Asset Reconstruction Company Limited (JM Financial ARC or the Company) has formulated the Fair Practices Code (FPC or Code) to ensure transparency and fairness in its operations.

1) The Company shall follow transparent and non-discriminatory practices in acquisition of assets:

- i) The Company shall acquire financial assets from the lenders, sponsors or group entities, in transparent auction process on arm's length basis in accordance with RBI Circular dated December 6, 2019, as amended from time to time.
- ii) The Company shall follow the process laid down under the Financial Asset Acquisition Policy as adopted by the Board of Directors while acquiring the financial assets.
- iii) The Company shall comply with the applicable provisions of the SARFAESI Act, 2002, Rule(s) or Regulation(s) issued by the RBI from time to time, for acquisition of financial assets.

2) In order to enhance transparency in the process of sale of secured assets:

- i) The Company shall strive to invite the prospective buyers through public advertisement or in any other manner to have maximum participation in the auction of secured assets. Notwithstanding this, the Company, on a case to case basis, may engage with some strategic buyers for efficient sale of secured assets as is permitted under the SARFAESI Act, 2002 either through auction or private treaty.
- ii) The Company shall make every attempt to decide terms and conditions for sale of secured assets in wider consultation with the security receipt holders as per the SARFAESI Act, 2002. In cases where assets are acquired on cash basis, no consultation would be required. In cases where the assets are acquired on Security Receipts (SRs) basis, consultation with SR holder(s) will result in inordinate delays impacting the resolutions as Non-Performing Assets (NPAs) are sold by distressed assets department / credit department of seller banks and SRs are held by Treasury Department. In such scenario, the Company shall uphold the 'true sale' objective for sale of assets by seller banks as prescribed in RBI guidelines for sale of stressed assets.
- iii) The Company may strive to follow spirit of Section 29A of the Insolvency and Bankruptcy Code, 2016 (IBC) in dealing with the prospective buyers. However, this is not practical as sale under the SARFAESI Act, 2002 is permitted to borrowers/promoters/group companies and hence compliance

of Section 29A of the IBC would be infructuous and contradictory to the provisions of the SARFAESI Act, 2002. Besides, SARFAESI Act, 2002 allows right of redemption to borrowers till the time sale certificate is not registered.

- iv) The resolution of financial assets shall be in compliance with SARFAESI Act, 2002, RBI guidelines, Insolvency and Bankruptcy Code, 2016 and other applicable statutes, regulations and/or guidelines, as applicable from time to time.
 - v) The Company shall ensure that resolution/recovery from the accounts are in accordance with the Financial Asset Resolution Policy approved by the Board and as amended by it from time to time.
- 3) The Company shall release all securities on repayment of dues or on realisation of the outstanding amount of loan, subject to any legitimate right or lien for any other claim it may have against the borrower. If such 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 conditions under which the Company is entitled to retain the securities till the relevant claim is settled/paid.
- 4) The Company shall follow Board approved transparent policy on management fees, recovery incentives and expenses claimed on trusts under the management.
- 5) The Company shall follow Outsourcing Policy which inter alia specifies process of outsourcing, evaluation of outsourcing agencies and also seek and obtain the approval of the Asset Acquisition Committee or Asset Resolution Committee before outsourcing any activities. The Company shall ensure that outsourcing arrangements, if any, neither diminishes its ability to fulfil its obligations towards the borrowers and the RBI nor impede effective supervision by RBI. The Company shall also ensure that outsourced agency, if appointed, shall not be owned/controlled by a director of the Company.
- 6) In the matter of recovery of loans;
- i) The Company shall not resort to any undue harassment of borrowers for recovery of dues and shall adequately train its employees to deal with borrowers in an appropriate manner.
 - ii) Whenever, the Company appoints any Recovery Agent then it shall adopt board approved Code of Conduct (the Code) for such Recovery Agents and obtain their confirmation that they will abide by the Code and observe strict customer confidentiality.
 - iii) The Company 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.

and do not induce adoption of uncivilized, unlawful and questionable behaviour or recovery process.

- iv) The Company shall while protecting its interest, adopt reasonable and lawful measures to recover dues from its borrowers, including use of persuasive methods for the purpose of collection of its dues, contacting the borrower during reasonable hours depending upon the circumstances, respecting the privacy of the borrower and act in a reasonable manner for the purpose.
- 7) The Company shall ensure that its grievance redressal mechanism (including details of where, how and to whom a complaint can be made, next level of escalation, etc.) is available on its website. The Company shall endeavour to address/respond to all complaints and grievances including issues relating to services provided by the outsourced agency and recovery agents, if any in accordance with the Grievance Redressal Policy as approved by the Board.
- 8) The Company shall treat the information of the borrowers as confidential and shall not share the borrowers' information, other than in the following exceptional circumstances:
- If the information is to be given under the law;
 - If there is a duty towards the public to reveal the information;
 - If the Company, to protect its interests, is required to give the information (for example, e.g. to prevent the fraud);
 - If the borrower permits the Company to share the information. Such permission shall be deemed to have been given, if any of the products / financial services offered by group companies are accepted / availed of / sought to be availed of.;
 - If the Court so direct or the Company is required to reveal information by any regulatory authority(ies) including credit information companies, information utilities, etc.
 - If the information is required to be furnished to investor(s) / other professional agency(ies) for due diligence etc., in order to raise funds for restructuring of the underlying loans/sale of assets;
 - If the information is required to provide to credit rating agencies.

2) Review and Amendments:

This Code shall be periodically reviewed by the Board on an annual basis or at any time as the need arise and any amendment or modifications in this Code shall be subject to the review and approval by the Board of Directors of the Company.

In case any amendments, clarifications, circulars and guidelines are issued by the Reserve Bank of India, that are not consistent with the provisions laid down under this FPC, then the provisions of such amendments, clarifications, circulars and the guidelines shall prevail as against what is contained herein and the same shall stand amended accordingly effective from the date as laid down under such amendments, clarifications, circulars and guidelines.

3) Mode of Communicating Fair Practices Code:

The copy of the Code shall be available with the Company Secretary of the Company and in case any stakeholder is interested in obtaining copy of this Code may write to Company Secretary at vineet.singh@jmfl.com and the same will be furnished on request. The availability of Code with the Company Secretary as above shall be disclosed on the Company's website.

Place :

Date :

Chairman