



**Freemen Investments Private Limited
Fraud Monitoring & Reporting Policy**

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1. Objective:

The objective of this policy is to:

- Establish a comprehensive framework for monitoring, detecting, preventing, and reporting fraudulent activities.
 - Ensure compliance with RBI guidelines and other legal and regulatory requirements.
 - Safeguard the Company's assets, reputation, and interests of stakeholders.
 - Provide clear procedures for reporting fraud to the Board and regulators, including the RBI.
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2. Scope:

This policy applies to all employees, contractors, vendors, and stakeholders of the Company. It covers:

- Internal and external fraud.
 - Any suspected or actual fraud involving employees, customers, vendors, or third parties.
 - Fraudulent practices in products, services, or operations.
 - Reporting requirements under the RBI guidelines.
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3. Regulatory Framework:

This policy is framed in accordance with the following regulations and guidelines:

- RBI Master Directions on Frauds – Classification and Reporting by Commercial Banks and NBFCs (2022)
 - RBI Master Directions for NBFCs (2021)
 - RBI's Guidelines on Fraud Risk Management and Fraud Reporting
 - Prevention of Corruption Act, 1988
 - Companies Act, 2013
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4. Key Definitions:

- **Fraud:**

Fraud encompasses any intentional act or omission designed to deceive others, resulting in a financial or reputational loss to the Company. This includes fraudulent financial reporting, misappropriation of assets, bribery, corruption, identity theft, cyber fraud, and unauthorized transactions.

- **Fraudulent Transaction:**

Any transaction made with dishonest intent or to deceive a party for undue advantage, including fraudulent activities conducted through technology or manual manipulation.

5. Fraud Risk Governance Structure:

5.1. Board of Directors:

- The Board of Directors shall have the overall responsibility to oversee the effectiveness of the fraud monitoring framework.
- The Board shall periodically review the status of frauds and ensure adequate internal controls are in place to mitigate fraud risks.

5.2. Fraud Monitoring Committee (FMC):

- A Fraud Monitoring Committee (FMC) will be established to oversee the investigation of frauds and reporting them to the Board and the RBI.
- The committee will comprise senior management, including the CEO/CFO, Chief Risk Officer (CRO), Compliance Officer, and other key members.
- The FMC will regularly review fraud reports, internal control gaps, and take corrective action.

5.3. Fraud Investigation Unit (FIU):

- The Company will constitute a **Fraud Investigation Unit (FIU)** responsible for conducting fraud investigations and ensuring timely reporting to regulators.
 - The FIU will report directly to the FMC and ensure that suspected or actual frauds are thoroughly investigated.
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6. Fraud Risk Management Framework:

6.1. Preventive Controls:

The Company will implement preventive controls to reduce the risk of fraud, which includes:

- **Employee Training:**
Regular training programs on fraud awareness, fraud detection techniques, and RBI guidelines for fraud prevention.
- **Background Checks:**
Rigorous pre-employment screening and due diligence of employees, vendors, and other third-party entities.
- **Segregation of Duties:**
Ensuring critical functions are divided among different employees to prevent unauthorized activities.
- **Access Controls:**
Implementing secure access controls to sensitive information and transactions to prevent unauthorized access.
- **Data Analytics:**
Use of data analytics tools to monitor unusual activities, detect potential fraud patterns, and conduct risk assessments.

6.2. Detection Controls: The Company will adopt detection controls to identify fraud at an early stage, which includes:

- **Internal Audits:**
Periodic internal audits to assess the effectiveness of internal controls and detect fraud risks.
- **Surprise Inspections:**
Conducting random surprise checks of branches, departments, and operational activities to identify fraudulent practices.
- **Whistle blower Mechanism:**
Encouraging employees, customers, and third parties to report fraud or suspicious activities through a whistle blower mechanism, ensuring confidentiality and protection from retaliation.
- **Fraud Detection Tools:**
Deploying software tools and systems to monitor transactions in real-time for signs of suspicious activities.

6.3. Corrective Controls:

- **Root Cause Analysis:**
In the event of detected fraud, the Company will conduct a root cause analysis to understand how the fraud occurred and to identify control weaknesses.
- **Rectification Measures:**
Based on the analysis, corrective actions will be taken, such as improving internal controls, updating policies, or enhancing surveillance mechanisms.

7. Reporting of Fraud:

7.1. Internal Reporting:

- All incidents of suspected or actual fraud must be reported immediately to the Fraud Investigation Unit (FIU) and the Fraud Monitoring Committee (FMC).
- The FMC will maintain detailed records of all frauds, including the nature of fraud, parties involved, amount, investigation findings, and corrective actions taken.

7.2. Reporting to RBI:

- As per RBI guidelines, frauds involving ₹1 crore and above must be reported to the RBI through the **FMR-1 format** within **three weeks** of detection.
- All frauds below ₹1 crore must be reported to the RBI on a quarterly basis.
- For large-value frauds (₹50 lakh and above), a case-specific report will be submitted to the RBI detailing the root cause, actions taken, and measures to prevent recurrence.

7.3. Reporting to Law Enforcement Agencies:

- The Company shall report fraud cases to appropriate law enforcement authorities, such as the **Economic Offences Wing (EOW)**, **Cybercrime Unit**, and other relevant agencies, as required by the nature of the fraud.
 - Legal action will be initiated against the perpetrators, and full cooperation will be extended to authorities for investigation.
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8. Escalation Matrix:

8.1. Employee and Branch-Level Reporting:

- Employees and branch managers are required to report any suspicious activity to the branch Fraud Liaison Officer (FLO) or directly to the FIU.
- The FLO will assess the severity of the fraud and escalate it to the appropriate level based on the escalation matrix.

8.2. Senior Management Escalation:

- Any fraud involving high-level employees, significant financial losses, or reputational damage must be escalated to senior management and the Board of Directors immediately.
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9. Whistle blower Mechanism:

9.1. Whistle blower Policy:

- The Company has established a whistle blower policy to encourage employees and other stakeholders to report fraud without fear of retaliation.
- The whistle blower's identity will be kept confidential, and adequate protection will be provided.

9.2. Whistle blower Reporting Channels:

- Complaints can be filed through multiple channels, including email, hotline, or secure online portal.
 - The details of the whistle blower mechanism will be prominently displayed in all branches and on the Company's website.
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10. Roles and Responsibilities:

10.1. Board of Directors:

- Oversee the effectiveness of the fraud monitoring framework.
- Ensure that the policy is periodically reviewed and updated as per regulatory requirements.

10.2. Fraud Monitoring Committee (FMC):

- Review and approve the fraud reports and ensure timely submission to RBI and other authorities.
- Implement corrective actions based on fraud investigations.

10.3. Fraud Investigation Unit (FIU):

- Investigate fraud incidents and ensure timely internal and external reporting.
- Ensure the enforcement of fraud prevention measures.

10.4. Employees:

- Adhere to the code of conduct and immediately report any fraud or suspicious activities.
- Ensure compliance with internal controls and participate in fraud prevention training.

11. Review of Fraud Monitoring & Reporting Policy:

The Fraud Monitoring & Reporting Policy will be reviewed annually or more frequently in case of changes in regulations or significant changes in operations. The review will ensure that the policy remains relevant and effective in managing fraud risks.

12. Conclusion:

This policy provides a structured approach for detecting, preventing, and reporting frauds in compliance with RBI guidelines. The Company is committed to maintaining transparency, accountability, and an ethical work culture to mitigate fraud risks and safeguard its interests.
