

MUTHOOTTU MINI FINANCIERS LTD (MMFL)

FAIR PRACTICES CODE

Preamble

The Fair Practices Code (FPC) has been devised by Muthoottu Mini Financiers Ltd (Company) in response to the guidelines issued by Reserve Bank of India vide circular DNBS.CC.PD.No226/03.10.01/2011-12 dated 26 March 2012 titled "Guidelines on Fair Practices Code for NBFCs".

The FPC will be applicable to all offices of the Company including the Head Office, Corporate Office, Zonal Offices, Regional Offices and Branches. This Fair Practices Code is aimed to provide to all the stake holders, especially customers effective overview of practices followed by the Company in respect of financial facilities and services offered by the Company to its Customers and aims to enable customers to take informed decisions in respect of the facilities and services offered by the Company.

II. Objectives

This Code has been drawn up to:

- a) Provide to the customers effective overview of practices followed by the Company in respect of financial facilities and services offered by the Company to its Customers;
- b) Enable customers to take informed decision about the financial facilities and services offered by the Company;
- c) Promote good, fair, transparent and trustworthy practices by setting minimum standards in dealings with customers;
- d) Enable customers to have better understanding of what they can reasonably expect of the services offered by the Company;
- e) Reckon with market forces, through competition and strive to achieve higher operating standards;
- f) Foster fair and cordial relationship between the customers and the Company.

III. Key commitments

- a) Act fairly and reasonably in all our dealings with you
- b) Meet the commitments and standards in this code for the products and services we offer
- c) Make sure that our loan products and services meet relevant laws and regulations
- d) Ensure that our dealings with you will rest on ethical principles of integrity and transparency

IV. Applications for loans and their processing

- a) An application in the vernacular language will be available in the branches and shall be signed by the borrower along with the Gold which he proposes to pledge against Loan.
- b) If any additional documents or information are required from the customer, same shall be communicated to the customer immediately.
- c) Company will issue a Sanction letter to the borrower containing details about the loan sanctioned, jewellery pledged and applicable interest rates.
- d) The Borrower has to sign and submit a Demand Promissory to the Company. The terms and conditions of the loan is mentioned in vernacular language on each Sanction letter and the same shall be accepted by the borrower before disbursement of the loan.
- e) Changes in terms and conditions of the loan;
 - a. All changes in interest rates, services and other charges shall only be prospective in nature
 - b. Company shall give notice to the borrower of any changes in terms and conditions before these are affected including the rate of interest.
- f) Every borrower is entitled to receive back the securities offered for the loan availed. However, where the borrower has any other liability with the Company, the Company reserves the right to not to release the securities. A lien of the above order will be exercised only after giving due notice to the borrower.

V. The interest rates on gold loans will be fixed by the company on the basis of the following internal valuations.

- a) The company lends varying amounts per gram of the gold (LTV) depending upon the market value as detailed by RBI direction and the purity of the gold. As per the risk assessment of the Company a higher LTV is a riskier than a lower LTV. Accordingly, lower LTV attracts lower rate of interest and higher LTV attracts higher interest rate. Similarly, interest rates varies with the period of loan ie the rate of interest progressively goes up with the increase in the period of loan.
- b) Cost of funds: Interest on loans will be levied as a markup on the current cost of funds. The current cost of funds for this purpose means the incremental cost of borrowings of the company and its operating cost.
- c) The interest rates charged by the Company shall always be expressed in compound interest rates with monthly rests. The annualized interests will also be given in the document.
- d) If penal interest is to be levied for late payment it shall be mentioned in the loan agreement.
- e) The current interest rates of different gold loan schemes of the Company is appended as

Annexure. VI. Marketing and promotions

- a) The Company shall not deliberately provide any product contrary to the need or expectation of the customer

b) Company shall not market or advertise any product with hidden charges, if any. Full and updated information regarding loan schemes, loan per gram charges etc will be displayed in the websites of the Company and also will be displayed in the branches.

c) Complete or select information will also be made available through various media channels, posters, brochures, notices, displays etc based on the decision of the management of the Company from time to time.

VII. Policy on KYC, Appraisal, Insurance, Storage of Securities, Auction etc.

The Company shall put in place a policy duly approved by the Board of Directors covering the following aspects:

a) Adequate steps to ensure that the KYC guidelines stipulated by RBI are complied with and to ensure that adequate due diligence is carried out on the customer before extending any loan.

b) Proper appraisal procedure for jewellery accepted as collateral security.

c) Declaration shall be obtained from the borrower confirming ownership of gold jewellery.

d) All branches shall have proper storage facility of either Strong Rooms or Safes conforming to ISI Standards of approved make to store the jewellery in safe custody. The keys to the strong room/safe shall be held separately by more than one officials and the operations thereof shall be done jointly. The staff shall be imparted training on a continuous basis to ensure that the guidelines covering security issues are strictly adhered to. The gold items shall be periodically inspected by the internal auditors to ensure quality, quantity and proper storage

e) The jewellery accepted as collateral security shall be appropriately insured. The auction procedure in case of non – repayment shall be transparent. Prior notice to the borrower shall be given before the auction and there shall not be any conflict of interest. The auction process shall ensure that an arms length relationship in all transactions during the auction is maintained including with group companies and related entities. The details regarding procedure for auction shall be disclosed in the loan document for availing the loan. The auction will be only through auctioneers approved by the Board and the Company shall not participate in the auction. The auction shall be announced to the public by issuing advertisements in at least two newspapers, one in vernacular language and the other in a national daily newspaper.

f) Any fraud in the functioning of the Company shall be enquired into by the appropriate authority and suitable punitive measure shall be taken by the appropriate disciplinary authority. Any review of the decision of the disciplinary authority shall be carried out by the Board.

VIII. GENERAL

1) Muthoottu Mini Financiers Ltd shall refrain from interference in the affairs of the borrower except for the purpose of loan provided in the terms and conditions of the agreement unless a new information not earlier disclosed by the borrower has come to the notice of the company

2) All gold loans will be sanctioned on the basis of a preliminary assaying of the purity of the pledged ornaments. These will be verified later on by qualified/ experienced gold assayers appointed by the company and in case the purity of the pledged ornaments are below the minimum accepted level of purity approved by the company or purity as assessed at the time of pledge, the company reserves the right to recall such loans without delay or notice

3) Since gold loans are sanctioned instantaneously, no acknowledgment of loan application will be given

4) The company does not resort to undue harassment or unlawful coercion methods for recovery of loans granted by the company

5) All loans are sanctioned at the sole discretion of the company

IX. GRIEVANCE REDRESSAL MECHANISM :

The customer grievance with regard to the loans sanctioned by the company shall be dealt with as follows;

1) All customer grievances will be taken up with the Regional Manager for redressal

2) Any grievance that cannot be solved by Regional Manager can be taken up with Chief Operating Officer at Corporate Office Kochi who has been appointed as the Grievance Redressal Officer of the Company
