



# **FAIR PRACTICES CODE**

January, 2023

## **FAIR PRACTICES CODE OF SBI DFHI LIMITED**

### **1) Introduction:**

Reserve Bank of India ("RBI") has, vide its Master Circular No.RBI/2014-15/34 DNBS(PD) CC No.388/03.10.042/2014-15 dated July 1, 2014 advised all the non banking financial companies ("NBFC") to frame a fair practices code ("the Code").RBI has prescribed broad guidelines on fair practices which, inter alia, include processing of application for loans, loan appraisal, disbursement of loans including changes in terms and conditions and certain other conditions which NBFCs need to follow.

### **2) Background:**

SBI DFHI Limited ("SBI DFHI/The Company") is incorporated under the Companies Act, 1956 and is registered with RBI as a Standalone Primary Dealer. The Company being a Primary Dealer, is registered with RBI under Section 45 IA of the Reserve Bank of India Act, 1934 as a Non-Banking Financial Company (NBFC) not accepting public deposits. The Company is also a Member of Primary Dealers Association of India (PDAI) and Fixed Income Money Market and Derivatives Association (FIMMDA) and abides by the code of conduct framed by them. This Code has been prepared in accordance with the guidelines as prescribed by RBI as well as the publications/code/general market practice guidelines released by FIMMDA/PDAI.

### **3) Applicability:**

As a Primary Dealer, the Company shall lend in Call/Notice/Term Money Market, Tri-Party Repo (TREPS) and Reverse Repo etc. and can deal in G-Sec, T-bills, Bonds and other securities as permitted under RBI guidelines applicable to Primary Dealers.

### **4) Internal Controls:**

- a) The Company has put in place suitable controls and internal procedures in respect of the dealings of the Company in the securities markets. The Company personnel who deal in the market and the other support staff follow the controls and internal procedures. These controls and procedures are also being reviewed periodically.
  
- b) The Company ensures that the employees acting on its behalf are fully trained and completely aware of the rules and regulations, conventions, practices of the

markets in which they deal. The Company maintains the highest standards of professional conduct so as to enhance the reputation of the markets in which it deals in. The Company would ensure that all new individuals authorized to use the Negotiated Dealing System-Order Matching System (NDS-OM), Clearcorp Repo Order Matching System (CROMS), TREPS, etc. are trained for at least 15 days, before being allowed to handle the system.

- c) The Company would ensure that its authorized personnel conduct deals only from the normal place of dealing i.e. from the dealing room /PR Site/DR Site/Near Site and off premise deals are avoided except permitted under Work from Home (WFH) Policy.
- d) The Company ensures that users accessing the NDS-OM, CROMS, TREPS systems are duly authorized. The Company would ensure that procedures are laid down to prevent unauthorized access to the system (User ID, passwords) etc and they are properly followed to prevent abuse of the system.
- e) The Company conducts basic due diligence and “Know Your Counterparty” checks before dealing.
- f) The Company has a system in place of recording all calls to and from the dealing room. These are recorded as they prove to be invaluable in speedy resolution of differences and disputes. The recordings are kept for three months. Tapes relating to disputed/unconfirmed transactions will be retained until the disputes have been settled/confirmed. The access to the recording equipment will be strictly controlled so that they cannot be tampered with.

## **5. Dealing in the Fixed Income Markets in accordance with Code of Conduct framed by FIMMDA/PDAI :**

### **a) Negotiation of terms**

The Company shall ensure that all individuals who close deals on behalf of the Company in the OTC market adopt a healthy practice of stating all terms and conditions to which the deal will be subject to. The Company shall further ensure that any individual who commits on its behalf is acting within approved authority. The Company shall stand by the commitment made by an individual acting on behalf of the Company.

The Company shall ensure that all individuals who transact on its behalf clearly state at the outset, prior to a transaction being executed, any qualifying conditions to which the deal will be subject to.

The Company shall ensure that all individuals who transact on its behalf communicate clearly whether the prices they are quoting are firm or merely indicative. In volatile markets, or when some news is expected, the dealers quoting a firm price or rate will indicate the length of time for which their quote is firm.

#### **b) Rates & Prices**

The Company shall observe high standards of integrity and just and fair principles while trading either on its own account or on behalf of its clients. The Company abides by the NDS OM Code of Conduct while executing trades on NDS-OM and in the OTC Market. The Company does not deal at rates, which are not market related. The Company shall ensure that proper procedures are in place, including the periodicity of taking rate scans. The Company ensures that the bids/offers placed on the NDS OM System, are free from market manipulation and fraudulent practices.

FIMMDA has in place a Price/Yield range/band for trading on the NDS OM. The Chief Dealer is responsible for the internal discipline of ensuring that the FIMMDA trading bands are not breached under normal circumstances.

#### **c) Confirmations**

Deals entered by the traders shall be confirmed independently by the back-office. All confirmations shall include the date and time of the deal, the name of the counterparty and all other details of the deal. The back office will immediately take action on instances where confirmations received do not have a corresponding trade.

Any discrepancy between a confirmation and significant details of the trade, and even the existence of a trade, will be brought to the notice of the concerned officials. A written confirmation of each deal is sent out and a return confirmation is asked for from the counterparty. The confirmation provides a necessary safeguard against dealing errors. Confirmations are checked promptly.

#### **d) Settlement of deals**

Deals in Government Securities and T-Bills may be conducted either on the NDS OM Trading platform or in the OTC market. Trades done outside the NDS OM Trading platform, are entered on the NDS OM Reporting platform within the stipulated time of conclusion of the trade. The approval of the deals is done within the stipulated time from the moment of conclusion of the deal.

### **e) Reversal of erroneous trades**

In case erroneous trade with a “big-figure” mistake trades get executed, Company shall ensure that no undue enrichment and/or losses occur to either itself or its counterparty. When the Company’s dealers notice the big-figure error, (irrespective of whether the Company has lost or gained due to the big –figure error) they will immediately inform the Chief Dealer who will in turn inform FIMMDA about such a deal. As far as possible, a reversal deal will be put through on the same day, on the NDS-OM system, for the same security, same amount (face value), and at the same price. Resolution of such cases is as per the directions given by the FIMMDA.

## **6. Dealing in the money markets :**

### **a) Lending in Call/Notice/Term Money Market:**

The Company is permitted to lend funds for a short duration in Call/Notice/Term Money market to specified participants viz. Banks and other Primary Dealers subject to dealing/exposure limits as fixed for the counter parties in accordance with relevant investment guidelines as approved by the Board of Directors of the Company from time to time and in accordance with the various rules and regulations. The Company will ensure that the rate of interest of all such transactions is market determined. The Company is also a member of Negotiated Dealing System (NDS)-CALL and all Call/Notice/Term money market deals are required to be reported on NDS-CALL platform whether the counterparty is a member or not. This ensures each deal is transparent and rates are market driven.

### **b) Lending in Repo Market:**

The Company is permitted to lend in Repo Market. Repo transactions are undertaken only in securities as permitted by RBI from time to time. The dealing/exposure limits are fixed for the counter parties by the relevant investment guidelines as approved by the Board of Directors of the Company from time to time in accordance with the various rules and regulations. The Company will ensure that the rate of interest of all such transactions are market determined. The repo transactions in SLR are settled in NDS OM through the SGL Account/CSGL Account maintained with the RBI with CCIL acting as a central counter party. Each deal thus is transparent and rates are market driven.

### **c) Lending in TREPS Market:**

CCIL provides an automated dealing system to all the members of TREPS segment through Indian Financial network (INFINET) to enable them to borrow and lend funds against collateral of Government Dated Securities. CCIL acts as a central counterparty for both borrowers and lenders and there is no settlement risk involved as CCIL guarantees all the trades. The Company is a member of TREPS segment and borrow/lend funds against securities deposited in CSGL Account with CCIL. All deals

are conducted on the electronic anonymous order matching system in TREPS market thereby ensuring that each deal is transparent and rates are market driven.

## **7. Grievance Redressal Mechanism :**

Clients can forward all their grievances / complaints at the Corporate / Registered Office of the Company. The Company has Grievance Redressal Mechanism within the organization to resolve disputes with its clients. All grievances in respect of the Company's transactions in the market and in respect of this code will be addressed to the EVP & CFO, who will be the Nodal Officer/Grievance Redressal Officer in respect of compliance with this code. Details of Nodal Officer is as under :

Shri Dillip Kumar Mishra,  
Executive Vice President & CFO  
SBI DFHI Limited  
Registered/Head Office : 5<sup>th</sup> floor, Mistry Bhavan,  
122, Dinshaw Vaccha Road, Churchgate, Mumbai-400020.  
Tel. No.: 022-69334411  
Mobile : +91 9178181997  
Email : evp@sbidfhi.com

In case the grievance is not satisfactorily addressed within a period of one month, the customer may apply to "Officer-in-Charge, Reserve Bank of India, Department of Non-Banking Supervision, Mumbai Regional Office, 3rd Floor, Near Maratha Mandir, Byculla, Mumbai – 400008.

The Company shall periodically review the compliance of the Fair Practices Code and the functioning of the Grievances Redressal Mechanism at various levels of Management. A consolidated report of such reviews shall be submitted to the Board, if any, at regular intervals.

## **8. Regulation**

The Fair Practice Code will be subject to modifications and amendments, subject to directives received from RBI from time to time. In case of any contradiction between the provisions contained in the Code and any other law or regulation/guidelines laid down by any other statutory authority like RBI, the latter shall prevail. In case of deals settled through CCIL, the bye-laws, rules and regulations of CCIL will be applicable.

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