committee, beside an asset liability management committee. The audit committee must ensure that an information system audit of the internal systems and processes is conducted at least once in two years to assess operational risks faced.

At regular intervals, as may be prescribed, the progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the HFC must be placed before the board of directors. The HFCs are also required to adhere to certain other norms in connection with disclosure, transparency and rotation of statutory audit firms. HFCs are also required to frame internal guidelines on corporate governance standards which are also to be put up on their website for information of various stakeholders.

Further, HFCs shall ensure that a policy is put in place with the approval of the board of directors for ascertaining the 'fit and proper' criteria of the directors at the time of appointment, and on a continuing basis. The policy on the 'fit and proper' criteria shall be on the lines of the guidelines contained in the RBI Master Directions – HFC.

Appointment of a Chief Risk Officer

The RBI Master Directions – HFC provide for appointment of a Chief Risk Officer ("**CRO**") for HFCs with an asset size of more than ₹ 50 billion with clearly specified role and responsibilities. The CRO shall be a senior official in the hierarchy of an HFC with adequate professional qualification/expertise in the area of risk management.

The office of the CRO shall be an independent office with direct reporting lines to the managing director and the chief executive officer or risk management committee of the board of directors of the HFC. As per the RBI Master Directions – HFC, the CRO is required to be tasked with the identification, mitigation and measuring of risk. Further, all credit products (retail or wholesale) shall be vetted by the CRO from the angle of inherent and control risks. The CRO's role in deciding credit proposals shall be limited to being an advisor. In HFCs that follow committee approach in credit sanction process for high value proposals, if the CRO is one of the decision makers in the credit sanction process, they shall have voting power and all members shall be individually and severally liable for all the aspects, including risk perspective related to the credit proposal.

Credit Approval and Disbursement

In terms of the RBI Master Directions – HFC, no HFC can grant housing loans to individuals up to (i) ₹ 3 million with Loan to Value ("**LTV**") ratio exceeding 90%; (ii) above ₹ 3 million and up to ₹ 7.50 million with LTV ratio exceeding 80%; and (iii) above ₹ 7.50 million with LTV ratio exceeding 75%. Further, in terms of the RBI Master Directions – HFC, no HFC shall lend to any single borrower an amount exceeding 15% of its owned fund, and to any single group of borrowers, an amount exceeding 25% of its owned fund. Additionally, the disbursement of the loans should be strictly linked to the stages of construction of the housing projects or houses and upfront disbursal shall not be made in case of incomplete, under-construction or green field housing project or houses. HFCs are also required to set up a well-defined mechanism for effective monitoring of the various stages of construction and for ensuring that the consent of the borrower is taken before disbursing the said amount to the builder or developer. The RBI Master Directions – HFC also require HFCs to maintain LTV ratio of 50% for loans against collateral of listed shares. Further, HFCs shall maintain a LTV ratio not exceeding 75% for loans granted against the collateral of gold jewellery, and shall put in place a board approved policy for lending against gold.

Further, the Fair Practices Code requires HFCs to convey certain terms and conditions at the time of sanction of loans such as the annualised interest rate, equated monthly instalments **("EMI")** structure and prepayment charges. Further, our internal credit policy lays down the requirements for various customer profiles including salaried, self-employed professionals/non-professionals and non-individual entities. The internal credit policy has also laid down clear rules for determining as to who can be an eligible applicant.

Acceptance/renewal of public deposits

In terms of the RBI Master Directions – HFC, an HFC cannot accept or renew public deposit unless the it has obtained minimum investment grade rating for fixed deposits from any one of the approved credit rating agencies, at least once a year and a copy of the rating is sent to the NHB and it is complying with all the prudential norms.

Asset classification, Provisioning and Income Recognition

In terms of the RBI Master Directions – HFC, HFCs shall also be required to maintain a prudential floor in respect of impairment allowances and follow instructions on regulatory capital. However, for regulatory and supervisory purposes, including various kinds of reporting to the NHB and the RBI, HFCs are required to follow the relevant provisions of NHB Act and RBI Master Directions – HFC including framework on prudential norms and other related circulars issued in this regard by the RBI from time to time.

Every HFC is required to, after taking into account the degree of well-defined credit weaknesses and extent of dependence on collateral security for realization, classify its lease or hire purchase assets, loans and advances and any other forms of credit into standard assets, sub-standard assets, doubtful assets, and loss assets. Further, every HFC is required to make provisions against sub-standard assets, doubtful assets and loss assets in accordance with provisioning requirements provided under the