

Review Areas: Wholesale LOB (Project and Structured Finance Group segment)

Total Issues Identified: 8

Total Issue Risk Rating Breakdown: High - 1, Medium - 2, Low - 5

Issue Name: Approval of Product Note

Issue Rating: HIGH

Probable Risk: Operational Risk

Root Cause: Lack of Documentation

Observation: Product Working Group Charter requires all members of the Product Working Group to review

Root Cause Explanation: Process for maintaining centralized repository and email sign-offs not in place

Implication: Absence of audit trail for product note sign-offs.

Auditors Recommendation: The department needs to ensure that a centralized repository is maintained for

Agreed Action Plan: Product Notes for wholesale LOB have now been provided. Centralised repository and

Target Date: August 31, 2024

Issue Name: Re-KYC of co-borrowers

Issue Rating: MEDIUM

Probable Risk: Compliance Risk

Root Cause: System Development

Observation: RBI Master Direction on Know Your Customer (KYC) and ABFL's KYC Policy requires condu

Root Cause Explanation: System deficiency.

Implication: Non-compliance with regulatory requirement.

Auditors Recommendation: The Department needs to undertake Re-KYC for co-borrowers

Agreed Action Plan: Risk category field is currently not available in FinnCorp and FinnRetail LMS for co-bo

Target Date: August 31, 2024

Issue Name: Non-Co-operative Borrowers

Issue Rating: MEDIUM

Probable Risk: Compliance Risk

Root Cause: Absence of Process and Lack of Documentation

Observation: As per RBI Scale Based Regulations, All non-deposit taking NBFCs of asset size of ₹500 cro

Risk team reports the details of non- co-operative customers. However, there is no policy defined for ident

Root Cause Explanation: Absence of policy

Implication: May result in ambiguity

Auditors Recommendation: Policy to be prepared for identification and reporting of non-cooperative borrow

Agreed Action Plan: There is a robust monitoring of all borrower accounts especially those with outstanding

Target Date: Closed

Issue Name: Updation of customer details in loan system

Issue Rating: LOW

Probable Risk: Operational Risk

Root Cause: System Issue

Observation: We reviewed the Customer Master as on March 31, 2024 and observed the following: In case

Root Cause Explanation: Inadequate maintenance of customer contact details

Implication: Inadequate maintenance of customer contact details.

Auditors Recommendation: The Department needs to ensure that customer contact are appropriately captu

Agreed Action Plan: We have migrated in the month of August 2021 from SAP to Finone and we faced som

We have ensured that nothing is missed out for communication with the client like demand notices, SOA g

Target Date: Closed

Issue Name: Post Disbursement Documents and Financial Covenants

Issue Rating: LOW

Probable Risk: Operational Risk

Root Cause: System Development

Observation: On review of the covenant tracker, we observed that in all 5 instances, the revised target date

Root Cause Explanation: System Deficiency

Implication: Inadequate ageing of PDD documents

Auditors Recommendation: The Department needs to track ageing from original target date

Agreed Action Plan: Since the appropriate approvals were already taken, DPD are calculated basis of revised

Target Date: August 31, 2024

Issue Name: Updation of covenants in system

Issue Rating: LOW

Probable Risk: Operational Risk

Root Cause: Process Non-adherence

Observation: Covenants required as per the sanction letter are updated in a Covenant tracker. We verified

Root Cause Explanation: Operational miss-out.

Implication: May miss out on obtaining the insurance copy

Auditors Recommendation: The department shall ensure that all the PDD conditions as mentioned in sanction

Agreed Action Plan: We have captured the requirement for obtaining the insurance now.

Target Date: Closed

Issue Name: Unmasked Aadhaar Copies

Issue Rating: LOW

Probable Risk: Compliance Risk and Operational Risk

Root Cause: Process Non-adherence

Observation: As per Master Direction - Know Your Customer (KYC) Direction, 2016, RE shall ensure redaction

Root Cause Explanation: Operational miss - out

Implication: Non-compliance with Regulatory requirements.

Auditors Recommendation: Maker-checker mechanism needs to be strengthened.

Agreed Action Plan: First case of Pinnacle where Aadhar was submitted as KYC by 4 Individuals and 1 was

Target Date: Closed

Issue Name: Penal Charges clause in facility agreement

Issue Rating: LOW

Probable Risk: Compliance Risk

Root Cause: Process Non-adherence

Observation: As per Scale Based Regulations, NBFCs shall mention the penalties charged for late repayment

Root Cause Explanation: Lack of adherence to regulatory guidelines

Implication: Regulatory non-compliance

Auditors Recommendation: Conduct a review of all agreements to ensure compliance with regulatory requirements

Agreed Action Plan: We have noted the discrepancy in some of the documents and will ensure the same is rectified

Target Date: Closed