



Fino Payments Bank

POLICY ON RELATED PARTY TRANSACTIONS ON ARM'S LENGTH BASIS

(Version 3.0)

Document review and approval

Document history

Sr. no.	Summary of Change	Prepared By	Reviewed by	Approved by (Management Committee)	Approved by	Version No.	Effective Date
1	First Release	Bagesree Behani Rathi and Neeraj Dudani, Members, Finance Team	Ketan Merchant, S.Rajaraman	NA	Risk & ALM Board	1.0	Feb 11, 2019
2	Second Release	Neeraj Dudani	Rakesh Tripathi Basavraj Loni	Product and Process Approval Committee (23 rd July, 2020)	Fino Payment Bank Board	2.0	August 12, 2020
3	Third Release	Basavraj Loni, Neeraj Dudani	Rakesh Tripathi Basavraj Loni	NA	Committee of Executives & Fino Payments Bank Board	3.0	

Contents

PREAMBLE.....3
APPLICABILITY&OBJECTIVE3
POLICY ON RELATED PARTYTRANSACTIONS3
DISCLOSURE AND REPORTING OF RELATEDPARTYTRANSACTIONS.....5
SCOPE LIMITATION.....5
REVIEW5
ANNEXURE16

PREAMBLE

Fino Payments Bank Limited is a Public Limited Company under the Companies Act, 2013 and a Banking Company registered under the Banking Regulations Act, 1949 engaged in providing business and banking technology platform based solutions and services related to financial inclusion. Fino Payments Bank is part of the Fino Group wherein FinoPaytech Ltd., Fino Financial Services Pvt. Ltd., Fino Finance Private Ltd. and Fino Trusteeship Services Ltd. are also functional. There are intra-group transactions/dealings between the entities to derive synergy with the ultimate aim to optimize shareholders' value. These intra group transactions are governed by agreements between the entities which are updated and revised from time to time.

The Companies Act, 2013 (Act) read with the Companies (Meetings of Board and its Powers) Rules, 2014 (Rules) (including any statutory modification(s) or re-enactment thereof, for the time being in force) introduced specific provisions relating to Related Party transactions and defined the terms related party, related party transactions, relative and key managerial personnel. The Act and the Rules have also laid down the financial limits and the approval process for such transactions. Key definitions forming part of the policy.

Further, regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 mandates every listed company to formulate a policy on materiality of Related Party Transactions and on dealing with related party transactions, including clear threshold limits duly approved by the board of directors.

Accordingly, the board of directors ("the Board") of Fino Payments Bank ("the Bank") has adopted a policy and standard operating procedures to regulate transactions between the Bank and its Related Parties.

APPLICABILITY & OBJECTIVE

This policy is being put in place, with the approval of the Bank's Board, to regulate financial/non-financial transactions between the Bank and its Related Parties, and intended to ensure adherence to the extant regulatory guidelines with regard to the identification, approval, monitoring and reporting of transactions between the Bank and its Related Parties. As per RBI Master Circular –Disclosure in Financial Statements-‘Notes to Accounts’ dated 01 July 2015 and AS 18, the Bank needs to disclose each year in the Financial Statements certain transactions between the Bank and Related Parties as well as policies concerning transactions with Related Parties. The format of disclosure for AS 18, as suggested by RBI is provided in the financial statement. This Policy is intended to ensure due and timely identification, approval, disclosure, monitoring and reporting of financial/non-financial transactions between the Bank and any of its Related Parties in compliance with the applicable laws and regulations as may be amended from time to time in the best interest of the Bank and its stakeholders and to comply with the statutory provisions in this regard.

POLICY ON RELATED PARTY TRANSACTIONS

In order to comply with the related regulatory requirements, the Bank with the approval of the Board, proposes to initiate the following steps:

A. DEFINITIONS

“Audit Committee” means the Audit Committee of Board of the Bank constituted as per the directions of the Reserve Bank of India, the Securities and Exchange Board of India and the relevant provisions under the Companies Act, 2013.

“Associate Company” means any other company, in which the Bank has a significant influence, but which is not a subsidiary company of the Bank and includes a joint venture company. Explanation – For the purpose of this clause, “significant influence” means control of at least twenty percent of total voting power, or control of, or of participation in business decisions under an agreement.

“Subsidiary company” or “subsidiary”, shall have the meaning ascribed to the term under the Companies Act, 2013.

“Arm’s Length Basis” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. A transaction with a related party will be considered to be on arm’s length basis if the key terms, including pricing of the transaction, taken as a whole, are comparable with those of similar transactions if they would have been undertaken with unrelated parties.

Provided that the Bank shall obtain three (3) quotations from un-related service provider/vendor to justify that the transaction(s) are at Arm’s Length Basis.

“Key Managerial Personnel” means a key managerial personnel as defined under Section 2(51) Companies Act, 2013 and refers to

- Chief Executive Officer or the Managing Director or the Manager;
- Company Secretary;
- Whole-Time Director;
- Chief Financial Officer;
- Such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- Such other officer as may be prescribed

“Board” means the board of directors of the Bank.

“Director” means a director on the Board of the Company.

“Material Related Party Transaction” - A transaction with a Related Party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the Bank as per the last audited financial statements of the Bank. Notwithstanding the preceding sentence, a transaction involving payments made to a Related Party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the Bank as per the last audited financial statements of the Bank.

“Policy” means Policy with regard to Related Party Transactions on Arms’ Length Basis.

“Related Party” means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards.

Provided that any person or entity belonging to the promoter or promoter group of the Bank and holding 20% or more of shareholding in the Bank shall be deemed to be a Related Party.

Related Party under Section 2(76) of the Companies Act, 2013, and the rules made thereunder are as follows :

- (i) a director or his relative;

- (ii) a key managerial personnel or his relative;
- (iii) a firm, in which a director, manager or his relative is a partner;
- (iv) a private company in which a director or manager [or his relative] is a member or director;
- (v) a public company in which a director or manager is a director [and holds] along with his relatives, more than two per cent of its paid-up share capital;
- (vi) any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act:
Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- (viii) any body corporate which is—
 - (A) a holding, subsidiary or an associate company of such company;
 - (B) a subsidiary of a holding company to which it is also a subsidiary; or
 - (C) an investing company or the venturer of the company;";

As per AS-18 – “ Related Party Disclosures” :

- (a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries);
- (b) associates and joint ventures of the reporting enterprise and the investing party or venturer in respect of which the reporting enterprise is an associate or a joint venture;
- (c) individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual;
- (d) key management personnel and relatives of such personnel;
- (e) enterprises over which any person described in (c) or (d) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

Definition of Control:

- (a) ownership, directly or indirectly, of more than one half of the voting power of an enterprise, or
- (b) control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise, or
- (c) a substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the enterprise.

“Relative” with reference to any person, means anyone who is related to another, if

- i) they are members of a Hindu Undivided Family;
- ii) they are husband and wife; or
- iii) one person is related to the other person as:
 - a) Father (including step-father)
 - b) Mother (including step-mother)

- c) Son (including step-son)
- d) Son's wife
- e) Daughter
- f) Daughter's husband
- g) Brother (including step-brother)
- h) Sister (including step-sister).

“Related Party Transaction” means a transaction involving transfer of resources, services or obligations between the Bank and the Related Party, regardless of whether a price is charged and a "transaction" with a Related Party shall be construed to include a single transaction or a group of transactions in a contract.

“Ordinary Course of Business” includes but not limited to a term for activities that are necessary, normal, and incidental to the business. These are common practices and customs of commercial transactions. The ordinary course of business covers the usual transactions, customs and practices related to the business. The following factors are indicative of a transaction being in the ordinary course of business:

- i. The transaction is normal or otherwise unremarkable for the business.
- ii. The transaction is frequent/regular

These are not exhaustive criteria and the Bank will have to assess each transaction considering its specific nature and circumstances.

B. Identification of Potential related party transactions – Directors and Key Managerial Personnel:

Every Director and Key Managerial Personnel of the Bank will be responsible for providing a declaration to the Bank containing the following information on his/her appointment as Director/ KMP in the Bank and thereafter by Director on annual basis in the first meeting of the Board in every financial year in MBP 1:

- Names of his / her relatives;
- Partnership firms in which he / she or his / her relative is a partner;
- Private Companies in which he/ she is a member or Director;
- Public Companies in which he/she is a Director and holds along with his/her relatives more than 2% of paid up share capital;
- Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his / her advice, directions or instructions; and
- Persons on whose advice, directions or instructions, he / she is accustomed to act (other than advice, directions or instructions obtained from a person in professional capacity).

Every Director and Key Managerial Personnel will also be responsible to update the management of any changes in the above relationships, directorships, holdings, interests and / or controls immediately on him / her becoming aware of such changes.

Each Director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him/her or his/ her Relatives, including any additional information about transactions that the Board or Audit Committee may request. The Board shall record the disclosure of interest and Audit Committee will determine whether the transaction requires compliance with this policy. The Bank strongly prefers to receive such notice of any potential Related Party Transactions, if any, well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction. Any member of the Audit Committee who has a potential interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of such Related Party Transaction. Similarly, where any Director is interested in any contract or arrangement with

a Related Party, such Director shall not be present at the meeting during the discussion on the subject matter of the resolution relating to such contract or arrangement.

C. Approval of Related Party Transactions:

i) Approval of Audit Committee

Regulation 23(2) of the SEBI (Listing Obligation and Disclosure requirements) Regulations, 2015 ("Regulations") requires that all Related Party Transactions of the Banks shall require prior approval of the Audit Committee, whether at a Meeting or by way of a Resolution by circulation. The approval of the Audit Committee will be sought in the following manner:

a) All Related Party Transactions will be submitted to the Audit Committee for its approval irrespective of whether such transactions are in the Ordinary Course of Business and / or on Arm's Length Basis.

Where the Company has entered into a master agreement with a Related Party, which stipulates details of every transaction like nature of the transaction, basis of pricing, credit terms etc., the approval once given by the Audit Committee would suffice and Audit Committee would only note the transactions that are entered into pursuant to such master agreement and will not require any further approval of the Audit Committee unless there is any change in the terms of the master agreement.

b) The Audit Committee shall, after obtaining the approval of the Board, specify the criteria for granting omnibus approval in line with this policy and such approval shall be applicable in respect of transactions which are repetitive in nature. The Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Bank. Such omnibus approval shall include:

- (i) the name(s) of the Related Party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into,
- (ii) the indicative base price / current contracted price and the formula for variation in the price if any; and
- (iii) such other conditions as the audit committee may deem fit:

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

Such omnibus approvals provided shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

The Audit Committee shall review, on a quarterly basis, the details of Related Party Transactions entered into by the Bank pursuant to each of the omnibus approvals given pursuant to this policy. In connection with any review of a Related Party Transaction, the Audit Committee shall have the authority to modify or waive any of the procedural requirements of this policy.

c) A Related Party Transaction proposed to be entered into by the Bank, which is not under omnibus approval or otherwise pre- approved by the Audit Committee, will be placed before the Audit Committee either for approval or ratification in accordance with this policy.

ii) Approval of Board of Directors

The related party transactions referred by the Audit Committee to the Board for its approval due to the transaction being (i) not in the ordinary course of business, or (ii) not at an arm's length price, the Board will consider factors such as nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction as well as in accordance with section 188 of the Companies Act, 2013.

Any member of the Board who has any interest in any related party transaction will disclose to board about the interest and abstain from discussion and voting on the approval of the related party transaction(s).

D. Dealing with transactions which don't have prior approval

In the event the Audit Committee/Board becomes aware of a Related Party Transaction with a Related Party that has not been approved under this policy prior to its consummation, the matter shall be reviewed by the Audit Committee on the following lines

- a. The Audit Committee shall consider all the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Bank, including ratification, revision or termination of the Related Party Transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Audit Committee under this policy, and shall take any such action it deems appropriate.
- b. In any case where the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate continuation or rescission of the transaction in connection with any review of
- c. Related Party Transaction. The Audit Committee has the authority to modify or waive any procedural requirements of this policy.

In the event the Bank becomes aware of a Transaction with a Related Party that has not been approved under this Policy prior to its consummation, such a transaction shall not be deemed to violate this Policy, or be invalid or unenforceable or voidable at the direction of the Board and that if the contract or arrangement is with a Related Party of any Director, or is authorised by any other Director, the Directors concerned shall indemnify the Bank against any loss incurred by it due to such transaction.

For the purpose of indemnification of loss, board may proceed against a Director who had entered into such contract or arrangement in contravention of the provisions of the Act, for recovery of such loss.

E. Shareholders' approval requirements

- a. A Related Party Transaction will require prior approval of the Board and the shareholders of the Bank ("Shareholders") when such Related Party Transaction is (in accordance with this policy or as determined by the Audit Committee):
 - i. Not in the Ordinary Course of Business but on an Arm's Length Basis; or
 - ii. In the Ordinary Course Of Business but not on an Arm's Length Basis; or
 - iii. Not in the Ordinary Course Of Business and not on an Arm's Length Basis; or
 - iv. A Material Related Party Transaction.
- b. Approval of the Shareholders in case of the transactions of which the value crosses the threshold limits prescribed under the Act and under the said Regulation 23, shall not be applicable for transactions entered

into between a holding company and its wholly-owned subsidiary whose accounts are consolidated with such holding company and placed before the Shareholders at a general meeting for approval.

Note: All entities falling under the definition of Related Parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.

c. Where any contract or arrangement is entered into by a Director or any other employee, without obtaining the consent of the Board or approval by an ordinary resolution in a general meeting and if it is not ratified by the Board or, as the case may be, by the Shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a Related Party of any Director, or is authorised by any other Director, the Directors concerned shall indemnify the Bank against any loss incurred by it.

DISCLOSURE AND REPORTING OF RELATED PARTY TRANSACTIONS

Every Related Party Transaction entered into by the Bank shall be referred to in the Board's report to the Shareholders along with justification for entering into such transactions. The Company Secretary shall make necessary entries in the Register of Contracts required to be maintained under the Companies Act, 2013.

Further, as per regulation 23(9) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Bank shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

The Bank shall follow the provisions and make necessary disclosure prescribed under Accounting Standard 18 (AS-18) in the financial statements.

SCOPE LIMITATION

In the event of any conflict between the provisions of this Policy and Companies Act, 2013/ SEBI(Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other statutory enactments, rules, the provisions of Companies Act, 2013/ SEBI(Listing Obligations and Disclosure Requirements) Regulations, 2015 or statutory enactments, the applicable law shall prevail over this policy.

REVIEW

Audit Committee of the Bank while considering Related Party Transactions will be guided by this policy and subject to the power granted to/ terms of reference of the Committee as decided by Board of Directors of Bank from time to time and requirement under the Companies Act, 2013/ SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 or such other acts, rules, regulations. Audit Committee of the Bank may review this policy from time to time as it may deem fit and pursuant to the any changes in law. Any modification and change in this policy will be subject to approval of Board of Directors based on recommendation of Audit Committee of the Bank.

This policy shall be reviewed by the Board as when required or at least annually for incorporating regulatory updates and changes, if any.
