



# Framework for SRO Enforcement

April 2019



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## Preface

We are pleased to share the Framework for Self-regulatory Organization (SRO) Enforcement, which aims to guide and govern MFIN's SRO enforcement function vis a vis our member NBFC-MFIs.

Since getting recognition as an SRO for NBFC-MFIs, by the Reserve Bank of India (RBI) in 2014, our SRO function is progressively getting institutionalized. This, Framework for the SRO Enforcement, built on MFIN Bye-laws<sup>1</sup> and SRO Guidelines for the RBI<sup>2</sup> as well as learning and experience from our enforcement work in the last few years, aims to bring greater objectivity, clarity, consistency and transparency to our enforcement work.

Based on the recommendations of the Enforcement Committee (EC) and the SRO Committee (SROC), this was approved by the Board on 6<sup>th</sup> March 2019 in Delhi. This Framework is applicable to MFIN member NBFC-MFIs only and will come into force from 1<sup>st</sup> April 2019.

Framework for SRO Enforcement lays out the

- structure of the SRO
- details about the SROC and EC (their composition, function and other key terms)
- guiding principles for EC to take decisions
- EC actions
- appeal process

This Framework will support the SRO function of MFIN, and we earnestly request our members NBFC-MFIs' support and trust in this endeavour.

If you have any suggestions and clarifications, please do get in touch at [sro@mfinindia.org](mailto:sro@mfinindia.org)

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<sup>1</sup> [http://mfinindia.org/wp-content/uploads/2018/08/Bye-laws-adopted-by-the-AGM-on-28th-June-2018\\_Final.pdf](http://mfinindia.org/wp-content/uploads/2018/08/Bye-laws-adopted-by-the-AGM-on-28th-June-2018_Final.pdf)

<sup>2</sup> [https://rbi.org.in/scripts/BS\\_PressReleaseDisplay.aspx?prid=30052](https://rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=30052)



## I. Background

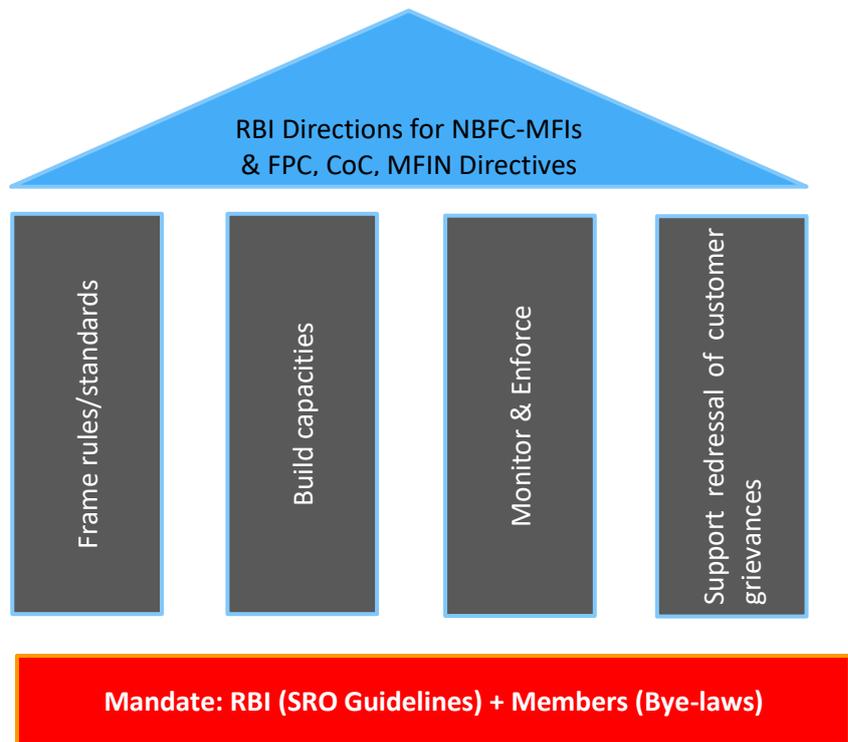
Microfinance Institutions Network (MFIN), an industry association for NBFC-MFIs, was constituted as Self-regulatory Organization (SRO) in 2010. The RBI Master Directions for the NBFC-MFIs, issued in Dec 2011<sup>3</sup>, stated that separate guidelines will be issued on the role of industry associations in the overall monitoring of the microfinance sector. In Nov 2013, RBI through a press release<sup>4</sup> decided to accord recognition to industry associations as SRO of NBFC-MFIs and laid out the criterion for recognition and the obligations of the SRO and further invited interested parties seeking recognition to apply. In June 2014, MFIN was recognised as the first SRO for NBFC-MFIs by the RBI.

The mandate and objective of the SRO is implemented through four core functions:

- a. Frame rules and standards: Within the broad framework provided under RBI Master Directions for NBFC-MFIs, RBI Fair Practices Code & Industry Code of Conduct (CoC), frame rules/standards and benchmarks for member NBFC-MFIs
- b. Build capacities: Provide capacity building inputs to support member NBFC-MFIs' adherence to regulatory/industry standards
- c. Monitor and enforce: Monitor industry compliance and take actions on non-compliances, as necessary
- d. Support redressal of customers' grievances: Support the customers of NBFC-MFIs to satisfactorily resolve their grievances

This framework for SRO enforcement is formulated in the context of 'monitor and enforce' function of the SRO. Enforcement framework aims to support the SRO towards:

- Oversight and surveillance over member NBFC-MFIs to ensure compliance with the regulatory directions of the RBI and Industry CoC
- Monitor the micro-credit sector for providing relevant feedback to the RBI on a continuous basis
- To have a fair, consistent and transparent process to progressively move the NBFC-MFIs, individually and collectively, towards higher degree of adherence with industry regulations and standards

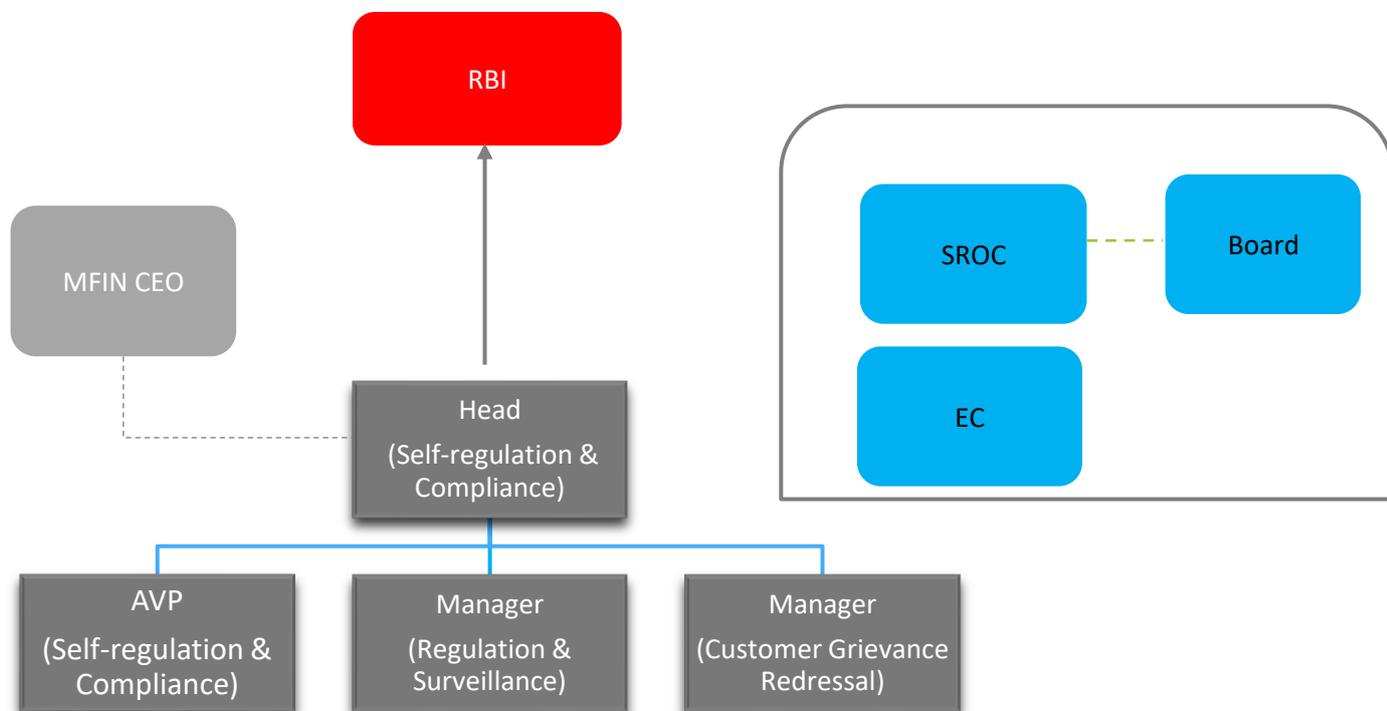


<sup>3</sup> [https://www.rbi.org.in/scripts/BS\\_ViewMasCirculardetails.aspx?id=9827](https://www.rbi.org.in/scripts/BS_ViewMasCirculardetails.aspx?id=9827)

<sup>4</sup> [https://rbi.org.in/scripts/BS\\_PressReleaseDisplay.aspx?prid=30052](https://rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=30052)

## II. SRO structure

Based on guidance provided under the RBI Guidelines and MFIN Bye-laws for SRO functions, the SRO structure consists of management and independent governance committees as under.



### 2.1 Management<sup>5</sup>

Management of the Self-regulation<sup>6</sup> function consists of a 4-member team, led by Head Self-regulation who also serves as the Compliance Officer and reports to the RBI.

AVP (Self-regulation and Compliance) is responsible for ensuring adherence to regulatory and industry norms by member NBFC-MFIs.

Manager (Regulation and Surveillance) is responsible for monitoring the industry and member NBFC-MFIs for adherence to regulatory and industry norms.

Manager (Customer Grievance Redressal) is responsible for supporting customers of NBFC-MFIs<sup>7</sup> in resolving their grievances. This position is supported by multiple Customer Care Executives who handle and process customers grievances reaching to MFIN's CGRM<sup>8</sup> number.

<sup>5</sup> Current structure as of 1<sup>st</sup> April 2019

<sup>6</sup> As per RBI Directions, 'SRO should nominate a Compliance Officer who will directly report to the RBI and will regularly inform of all the developments in the sector.' And as per the Bye-laws, 'The CEO, MFIN will nominate a Compliance Officer from within the staff members of MFIN, with the approval of the Board/SROC, who will head the SRO, and have a line of reporting to the RBI with the steer of the SROC'

<sup>7</sup> As per the RBI instructions, SRO should have a Grievance Redressal Mechanism and a Dispute Resolution Mechanism in place, including a specially appointed Grievance Redressal Nodal Officer

<sup>8</sup> Please refer to MFIN's CGRM Framework for more details. This is available at [http://mfinindia.org/wp-content/uploads/2019/03/Framework-for-MFINs-CGRM\\_11th-March-2019.pdf](http://mfinindia.org/wp-content/uploads/2019/03/Framework-for-MFINs-CGRM_11th-March-2019.pdf)

## 2.1 Governance

In addition to SRO management, there are two SRO governance committees at MFIN to effectively carry out the SRO function, particularly in discharge of the enforcement function.

### 2.1.1 Self-Regulatory Organization Committee (SROC)<sup>9</sup>

#### Power and functions

- SROC is responsible for the proper discharge of the SRO role and exercising oversight for adherence to regulations and guidelines prescribed by the RBI from time to time, as well as the CoC by Members.
- The SROC functions will be in line with the RBI guidelines dated 26th November 2013 and any other directions issued in this respect by the RBI from time to time.
- The SROC will be the appellate body for EC decisions. The SROC can recommend suspension, expulsion and termination of membership, to the Board with a speaking order in writing. The Board will have the final decision on this.
- The SROC will keep the Board informed of all facts and decisions.
- In the event of a dispute between Members (i.e NBFC-MFIs), the decision of the SROC will be final and binding<sup>10</sup>.

#### Composition

- The SROC shall comprise of 5 (five) members of which 2 (two) shall be from amongst the Elected-members of the Board and 2 (two) shall be from Independent-members on the Board. The remaining 1 (one) member of the SROC shall be an independent person of eminence who is familiar with the financial services industry, whose appointment and remuneration will be approved by the Board. In addition, Chairperson of the Enforcement Committee will be a member to the SROC<sup>11</sup>.
- The CEO/Secretary will be a non-voting Ex-Officio member of the SROC (in addition to the five Members).
- The Compliance Officer shall participate in the meetings of the SROC and act as a Member Secretary of the SROC but will not have any voting rights.
- All members of the SROC will have to fulfil the “Fit and Proper” criteria as stipulated by the RBI from time to time.
- SROC at its discretion may invite any person relevant to the microfinance sector to participate in its deliberations.

#### Other terms

- SROC Chair: After every AGM, the SROC will elect a Chairman of the SROC from amongst the 2 (two) Independent-members of the Board.
- Tenure: The tenure of the Elected and Independent members of the Board on the SROC shall be co-terminus with the tenure of their appointment on the Board. The term of the independent person of eminence shall be 3 (three) years or such other term as may be decided by the Board from time to time.
- Quorum: The quorum of the meetings of the SROC shall be 3 (three) members, of which at least 2 (two) shall be Independent-members.
- Sitting Fee: The Independent-members of the SROC shall be paid a sitting fee as fixed by the Board from time to time.

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<sup>9</sup> As per MFIN Bye-laws clause 2.4.5 (page 15)

<sup>10</sup> If matter of dispute is escalated to the SROC, SROC will be final appellate authority

<sup>11</sup> Chair of the EC shall have the voting rights in the SROC

## 2.1.2 Enforcement Committee (EC)

### Power and Functions

- Proper enforcement of the CoC and exercising oversight/adherence to regulatory norms prescribed by the RBI / Government / any other regulatory authority.
- The EC will function under the overall supervision of the SROC and will report into the SROC.
- Primarily handle issues arising out of internal disputes between the Members and grievances arising from clients requiring redressal. Standard Operating Procedures (SoP), duly approved by the SROC, will define the EC's role as an entity that handles dispute resolution between Members and client grievance redressal issues.
- The EC can take the following actions subject to the guidelines approved by the Board:
  - Issue Warning
  - Issue Censure
  - Levy fines for violations as laid down in the RBI's Fair Practices Code and the Industry CoC
  - Recommend suspension/termination of membership of any Member to the SROC
- An appeal against the decision of the EC will lie with the SROC. Such an appeal will have to be submitted in writing. The decision of the SROC will be in consultation with the Governing Board and will be final.

### Composition

- The EC shall comprise of 5 (five) members, of which 2 (two) shall be elected by the authorized representatives in the AGM from amongst the Members (NBFC-MFIs), and 3 (three) persons of eminence will be appointed by the Board, which will be other than the Independent-members the Board.
- The Compliance Officer shall be a non-voting Ex-Officio member of the EC and a member of the SRO staff will act as Secretary of the EC.
- The "Fit and Proper" criteria will be applicable to all members of the EC.

### Other terms

- Tenure: The tenure of the Elected-members of the EC shall be for 1 (one) year. However, they would be eligible for re-contesting the elections. The term of Independent-members of the EC shall be 3 (three) years from the date of appointment to the EC.
- Quorum: The quorum of the meetings of the EC will be 3 (three), out of which at least 2 (two) will be Independent-members appointed by the Board.
- EC Chair: After every AGM, the EC will elect a Chairman of the EC from amongst the 2 (two) Independent-members.
- Sitting Fee: The Independent-members of the EC, shall be paid a sitting fee as fixed by the Board from time to time.

## 2.2 Functioning of SROC and EC

### 2.2.1 On-boarding process

Once a member joins the SROC or EC, the following information must be taken from the member for official record as under:

- Key personal information based on 'Fit and Proper' criterion as per Annex 2
- 'Conflict of interest disclosure and confidentiality statement' as per Annex 3

Any change in the above two documents should be intimated by the member to the MFIN Secretariat (i.e. SRO management) for their information and records.

### 2.2.2 Meetings

- Date/Venue: The venue and date for the next meeting shall be decided during each meeting in consultation with the members of the committees.

- Agenda: The meeting agenda shall be proposed by the SRO management while taking into consideration the feedback from committee. The action taken report of the last meeting shall form one of the agenda items for the next meeting.
- Meeting Notes: The Secretariat shall send the meeting agenda and other documents pertaining to the meeting to committee no later than 7 calendar days before the date of the meeting.
- Attendance: The meeting will be conducted after ascertaining the quorum. The special invitees shall attend and participate in the discussion only on the items they have been invited to provide consultation on, but they shall not participate in the decision-making process.
- Conflict of interest: The members of the committee should disclose any conflict of interest. In case any item on the agenda relates to conflict of interest, the member should recuse himself/herself from the meeting.
- All decisions in the meetings will be taken by a simple majority of the members present<sup>12</sup>.
- Minutes: Within 5 calendar days from the meeting, the Secretariat shall forward a draft of the meeting minutes to the committee members for review and consideration. Minutes will be finalized incorporating inputs from members. If there is no response within a period of 7 days from the committee members, the minutes are considered to be final, keeping the committee informed.

### **2.2.3 Role of chair**

Following are the key functions of the chair:

- Chair the committee meetings.
- Coordinate committee-related activities with the SRO management.
- Represent the committee before the Board/other forums.
- Any other functions as may be mutually agreed by the committee.

### **2.2.4 Role of member secretary**

- Disseminating information and update to committee members on any developments at MFIN.
- Giving proper notice of the meetings and timely distribution of materials such as agenda and meeting minutes.
- Custodian of meeting records and related materials.
- The Secretary is expected to work in close co-operation with the Chair to help him/her discharge their duties effectively.
- Participating in other assignments with the committee.
- Attending committee meetings held either in person or virtually.

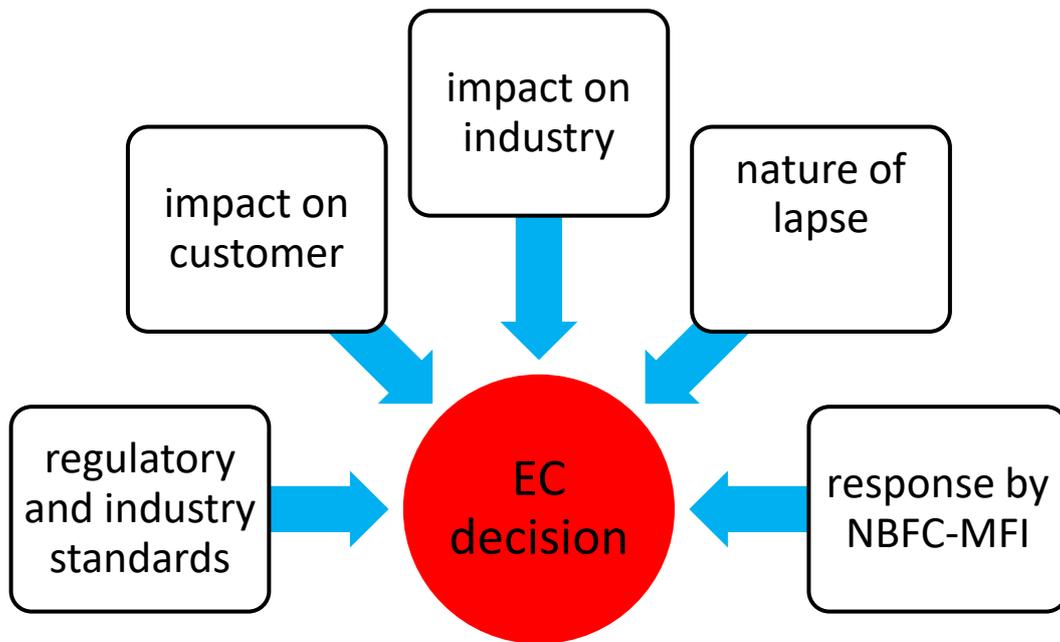
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<sup>12</sup> In case of tie, the Chair of the SROC/EC will have a casting vote.

### III. Guiding principles for EC to take decisions

Cases which are brought to the EC for decision, to be scrutinized through a multi-dimensional lens on parameters such as:

- Regulatory and industry standards: EC must examine what provisions of regulatory and industry standards are violated.
- Impact on customer protection: It must be assessed how the non-adherence by the NBFC-MFI impacts the customer's interests.
- Systemic impact on industry: It must be seen how non-adherence by the NBFC-MFI impacts the industry.
- Nature (procedural/policy, severity, magnitude, first-time/repeat) of violation: Evaluate if the violation is at a policy/systemic<sup>13</sup> level or is at operational/procedural<sup>14</sup> level. Based on this, the decision shall be objectively made, giving more weightage to the policy/systemic level deviations. Based on available data, an assessment should be made about the severity and magnitude (large scale or limited to certain branches/loan accounts) of non-compliances and if this is the first time or repeat violation.
- NBFC-MFI's response including its age and size of the NBFC-MFI, membership with MFIN: EC must evaluate the response of the NBFC-MFI, for example if NBFC-MFI is willing to accept the lapse and take corrective action. EC decision should also factor if the NBFC-MFI is new and have small scale of operations and therefore may have limited capacities and resources leading to lapses.



<sup>13</sup>Policy/Systemic refers to the violations in which the NBFC-MFI has incorrect/faulty process stated in their policy and systems.

<sup>14</sup>Operational/Procedural: Refers to the violations observed at the operational/practice levels of the NBFC-MFI.

## IV. EC actions

Based on the consideration of factors above, EC can take following actions on non-compliances. It may be noted that all EC actions will be reported (with names of NBFC-MFI) to the RBI and SROC.

### A. Dialogue

Wherever required, SRO management/EC to have a constructive dialogue with the NBFC-MFI to understand their perspective on the issue and seek all necessary information and clarifications on the matter, as required.

### B. Issue letter

EC can issue a letter to the NBFC-MFI as under:

- SRO Management drafts the letter and finalizes it with the EC Chair before sending it to the NBFC-MFI.
- The letter to be addressed to the MD/CEO of the NBFC-MFI.
- Within 21 calendar days of letter, MD/CEO of the NBFC-MFI is required to duly acknowledge the EC action with a commitment letter that such non-compliance do not repeat in future. Evidence of corrective action, wherever necessary, must be taken from the NBFC-MFI for records. If required, SRO management can send reminders to the NBFC-MFI to ensure response in the specific period.
- In case the acknowledgement/self-declaration is not received within a period of 21 calendar days, matter can be escalated to the Board of the NBFC-MFI by the MFIN CEO. If required, SRO management can send reminders to ensure response in the specified period.
- After writing to the Board of the NBFC-MFI, if no communication is received from the NBFC-MFI including acknowledgement/self-declaration within a period of 21 calendar days, matter to be reported to the RBI in its quarterly SRO report and closed<sup>15</sup>.

### C. Impose financial penalty

EC may decide to impose the financial penalty in case non-adherence by the NBFC-MFI has severe implications for the customers and the industry. For such cases, where EC decides to impose a financial penalty on the NBFC-MFI for the violations, following shall be adhered:

- EC at its discretion, to obtain and examine all necessary facts about the matter from the NBFC-MFI. If required, EC can provide opportunity to the NBFC-MFI to present its case.
- EC decides the financial penalty as per the applicable financial penalty structure (Annex 4) of this framework. For matters which are not covered under the existing penalty structure, EC to take decision on penalty and which can then be incorporated in the penalty structure.
- SROC to be informed about the matter and EC decision.
- The SRO management drafts the letter conveying financial penalty and reviews it with the EC Chair before sending the same to the NBFC-MFI.
- The letter to be addressed to the MD/CEO of the NBFC-MFI.
- Within 21 calendar days of letter, MD/CEO of NBFC-MFI is required to acknowledge the EC action, pay financial penalty and give an undertaking for corrective action to ensure that such non-compliance do not repeat. If required, SRO management can send reminders to ensure response in the specified period.
- In case acknowledgement/self-declaration and/or payment is not received within a period of 21 calendar days, matter can be escalated to the Board of the NBFC-MFI by the MFIN CEO. If required, SRO management can send reminders to the NBFC-MFI to ensure response in the specific period.
- After writing to the Board of the NBFC-MFI, if no communication is received from the NBFC-MFI including acknowledgement/self-declaration within a period of 21 calendar days, matter to be reported to the RBI in its quarterly SRO report to the RBI and closed<sup>16</sup>.

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<sup>15</sup> Member can be disqualified to be part of MFIN Board and Task Forces

<sup>16</sup> Member can be disqualified to be part of MFIN Board and Task Forces

## V. Appeal process

If the NBFC-MFI is aggrieved by the decision of the EC, they can appeal to the SROC against the EC's decision. Such an appeal will have to be submitted in writing and within 21 calendar days from the receipt of EC Letter.

The decision of the SROC will be in consultation with the Governing Board and will be final<sup>17</sup>.

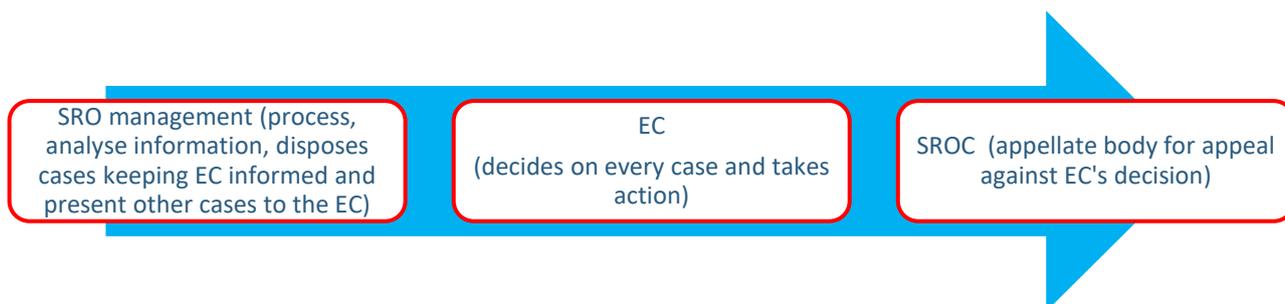
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<sup>17</sup> As per the MFIN Bye-laws which can be accessed at [http://mfinindia.org/wp-content/uploads/2018/08/Bye-laws-adopted-by-the-AGM-on-28th-June-2018\\_Final.pdf](http://mfinindia.org/wp-content/uploads/2018/08/Bye-laws-adopted-by-the-AGM-on-28th-June-2018_Final.pdf)

## VI. Annexures

### Annex 1: Enforcement process

The underlying process of enforcement is detailed below.



**Step 1:** Instance of lapses and non-adherence (with respect to RBI Master Directions, RBI Fair Practice Code, Industry CoC and MFIN Directives) by member NBFC-MFIs get captured by the SRO management through multiple channels. It is done through external evaluations, MFIN’s CGRM, inputs from peer monitoring<sup>18</sup>, reports from credit information companies (CICs) and other sources.

**Step 2:** These are reviewed, and all relevant information is gathered by SRO management including response from NBFC-MFI on the matter.

**Step 3:** Routine operational lapses are disposed by the SRO management. Such cases will be informed to the EC in the subsequent meeting as part of agenda. Illustrative list of operational issues to be disposed by the SRO management:

- Disclosures
- Validity of credit information reports (CIR) used for disbursements
- Submission of data to CICs
- Issues around recruitment norms

**Step 4:** All instances in nature of significant and serious non-compliances are discussed by the EC for decision.

**Step 5:** EC ensures a fair, transparent and consistent approach towards all the cases and decides on the actions to be taken on each case of non-compliance. If required, matter may be referred to the RBI for clarification.

**Step 6:** The decision of the EC is communicated to the concerned NBFC-MFI by the SRO management.

**Step 7:** NBFC-MFI adheres to the decision of the EC and the matter is closed. If the NBFC-MFI feels aggrieved against EC’s decision, they can further appeal to the SROC by writing a mail to the member secretary of SROC.

**Step 8:** The matter is taken up with the SROC for discussion and final decision.

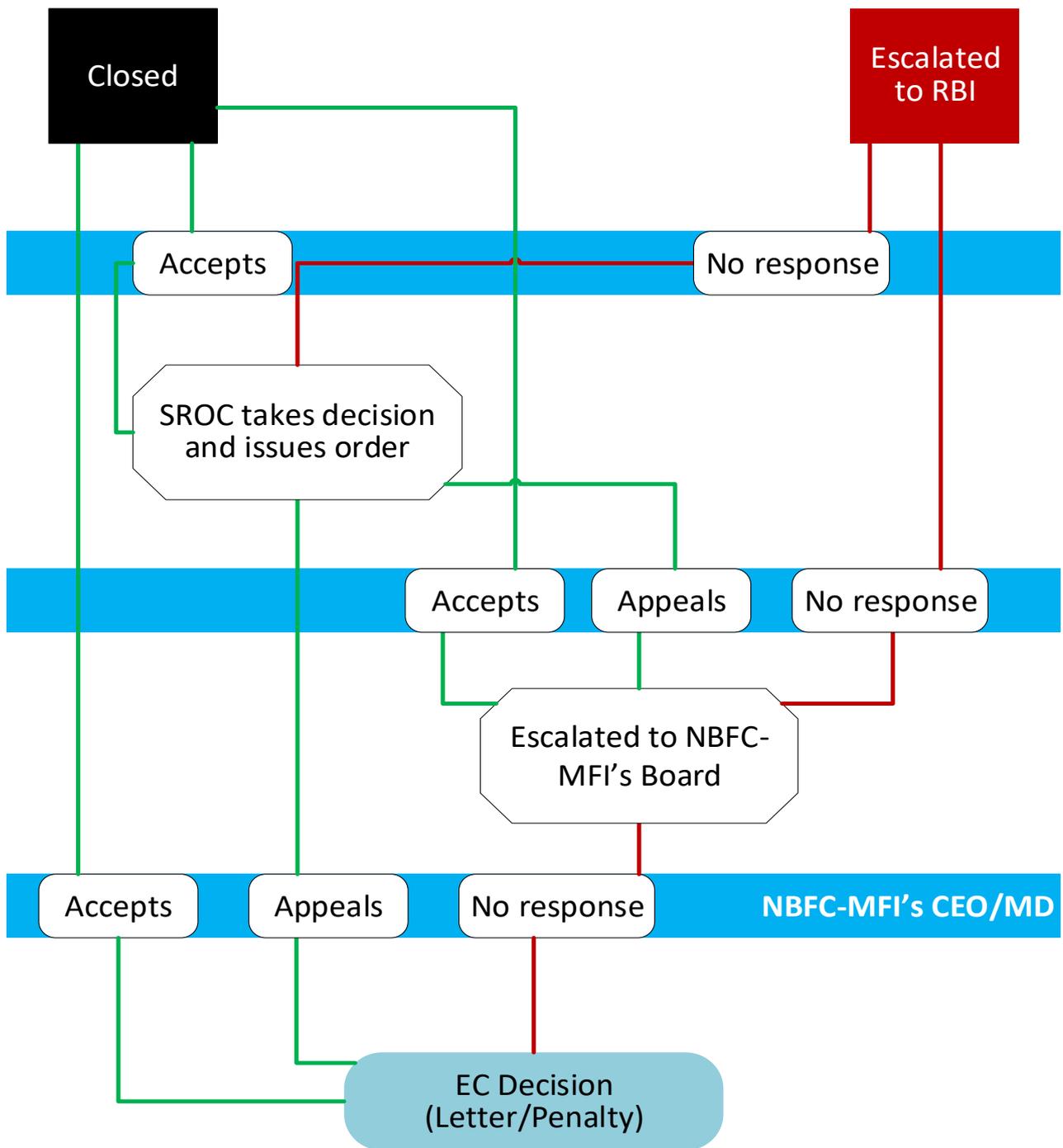
**Step 9:** The decision of the SROC is communicated to the NBFC-MFI by the SRO management.

**Step 10:** The NBFC-MFI adheres to the decision of the SROC and the matter is closed.

**Step 11:** In case there is no communication or non-adherence by the NBFC-MFI to EC and SROC decision, the matter is escalated to the Board of the NBFC-MFI by the MFIN CEO.

**Step 12:** If there is no communication and response by the NBFC-MFI to escalation letter by MFIN CEO, the matter is reported to the RBI in Quarterly SRO Report and matter is closed. NBFC-MFI becomes disqualified for membership of Board and the Task Forces.

<sup>18</sup> Member NBFC-MFIs can report instances on non-compliances to the SRO at [ec@mfinindia.org](mailto:ec@mfinindia.org)



## Annex 2: Format for key personal information from member of SROC and EC

1. Name	
2. Designation	
3. Nationality	
4. Age	
5. Business Address	
6. Residential Address	
7. Educational / professional qualifications	
8. Line of business or vocation	
9. Name/s of other companies in which the person has held the post of Chairman / Managing Director / Director / Chief Executive Officer	
10. (i) Whether associated as Promoter, Managing Director, Chairman or Director with any NBFC including a Residuary Non-Banking Financial Company which has been prohibited from accepting deposits / prosecuted by RBI?	
(ii) If yes, the name/s of the company/ies	
11. (i) Whether prosecuted / convicted for any economic offence either in the individual capacity or as a partner / director of any form / company?	
(ii) If yes, particulars thereof	
12. Experience in the business of NBFC (number of years)	
13. Equity shareholding in the company	
No. of shares	
Face value	
Percentage to total equity share capital of the company	
14. Name/s of the companies, firms and proprietary concerns in which the person holds substantial interest <sup>19</sup>	
15. Names of the principal bankers to the concerns at 14 above	
	Signature
Date:	Name:
Place:	Designation:
	Company Seal

<sup>19</sup> 'Substantial interest' means holding of beneficial interest by an individual or his/her spouse or minor child, whether singly or taken together, in shares of a company/capital of a firm, the amount paid-up on which exceeds 10 per cent of the paid-up capital of the company or total capital subscribed by all the partners of a partnership firm.

## **Annex 3: Format for ‘Conflict of Interest Disclosure and Confidentiality Statement’ from member of the EC and SROC**

### **Confidentiality**

As a member of the Enforcement Committee (EC) or Self-regulatory Organization Committee (SROC), I recognize that I owe a fiduciary duty of care to Microfinance Institutions Network (MFIN). This includes a duty of confidentiality. All information and documentation that I receive from MFIN and others in connection with my service on the EC/SROC will be treated with strict confidentiality. Neither the contents nor the existence of this information or documentation will be shared with anyone other than the officers, directors, employees, and authorized agents of MFIN, as appropriate. I will direct any questions regarding my confidentiality obligations to the CEO of MFIN / Chairman of the EC/SROC.

During the time that I serve on the EC/SROC, I realize that I will gain access to information that is considered to be confidential and/or proprietary.

Since confidential and proprietary information is crucial to the operation of MFIN, in its capacity as a Network and industry SRO, and because MFIN has the obligation to protect such information, I agree that I will not use, publish or disclose such information during or subsequent to my participation on the EC/SROC, and that I will preserve the restricted nature of this information except to the extent that it becomes publicly available, or is otherwise lawfully obtained outside the scope of this agreement from third parties.

### **Conflict of Interest**

EC/SROC Members have a fiduciary duty to conduct themselves without conflict to the interests of MFIN. In their capacity as EC/SROC Members, they must subordinate personal, individual business, third-party, and other interests to the welfare and best interests of MFIN.

A Conflict of Interest is a transaction or relationship which presents or may present a conflict between a EC/SROC Member’s obligations to MFIN and the EC/SROC Member’s personal, business or other interests.

All conflicts of interest are not necessarily prohibited or harmful to MFIN. However, full disclosure of all actual and potential conflicts, and a determination by the disinterested EC/SROC Members – with the interested EC/SROC Member(s) recused from participating in debates and voting on the matter – are required.

All actual and potential conflicts of interests shall be disclosed by the concerned EC/SROC Members to the MFIN CEO through an Annual Disclosure form and/or whenever a conflict arises. The MFIN Board and CEO shall make a determination as to whether a conflict exists and what subsequent action is appropriate (if any). The Board and the CEO shall retain the right to modify or reverse such determination and action, and shall retain the ultimate enforcement authority with respect to the interpretation and application of this policy.

### **Conflicts of interest acknowledgement form**

I have read the Conflicts of interest Policy set forth above and agree to comply fully with its terms and conditions at all times during my service as an EC/SROC Member. If at any time following the submission of this form, I become aware of any actual or potential conflicts of interest, I will promptly notify the MFIN CEO of this in writing.

I acknowledge and agree that my selection for service on the EC/SROC and the opportunities made available to me by serving on the EC constitute good and valuable consideration for entering into this agreement, the receipt and sufficiency of which I hereby acknowledge.

In my individual capacity:

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Name: \_\_\_\_\_

#### Annex 4: Financial penalty structure<sup>20</sup>

SI No	Possible cases of non-compliances	Key source of information/evidence	Financial penalty amounts
1	Violation of two lender (NBFC-MFI) limit	Third-party Evaluations/Peer reporting	Rs 1,000 per instance of violation
2	Violation of exceeding over indebtedness cap	Third-party Evaluations/Peer reporting	Rs 1,000 per instance of violation
3	Violation in data submissions to CICs	Data from CICs (data submission to CICs for a period of 6 months to be considered)	Rs 5,000 for each lapse (per CIC) for weekly file submission and Rs 10,000 for each lapse (per CIC) for monthly file submission
4	Pricing: Violation of charging customer in violation of RBI Directions	Data from Third-party Evaluations/Peer reporting	At max. total excess amount collected from the customers in violation of pricing subject to cap of total subscription amount paid by the member during that year.
5	Violation on not using CIR/invalid CIR for disbursement	Third-party Evaluations/Peer reporting	Rs 1,000 per case of violation
6	Violation of recruitment norms of the COC	Peer reporting	Rs 8,000 for <del>per</del> <u>every</u> employee recruited in the violation of the norm regarding employee recruitment
7	Forced selling (where fault of NBFC-MFI is established)	Customer complaints	Rs 1,000 per unit of product sold
8	Lapses in insurance claim settlement (where fault of NBFC-MFI is established)	Customer complaints	Rs 10,000 per policy

<sup>20</sup> Financial penalty to be imposed judiciously and with extreme caution by the EC after comprehensively considering all the facts of the matter. NBFC-MFI may also be directed to disclose the financial penalty in their annual disclosures.

For any suggestion/clarification/query, please contact at [sro@mfinindia.org](mailto:sro@mfinindia.org)