

Policy on

REPORTING GAPS IN FIELD CONDUCT AND REGULATORY COMPLIANCE

to

Microfinance Industry Network (MFIN)



Document Information

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1. Objective

Microfinance Industry Network (MFIN), in its capacity as a Self-Regulatory Organization (SRO), is committed to fostering high standards of governance, ethical conduct and regulatory compliance among its member institutions. This Policy has been formulated to provide a structured, confidential and credible mechanism for MFIN member entities to report concerns relating to operational or compliance-related matters which are against regulations or industry standards and may affect the sustainability/credibility of the sector.

The Policy seeks to facilitate reporting of genuine concerns pertaining to operational practices, regulatory non-compliance or systemic issues. It ensures that such complaints are examined objectively and addressed in a fair, timely and transparent manner. This Policy is intended to provide a mechanism for reporting concerns and does not replace or limit any legal remedies available under applicable laws.

2. Applicability and Scope

2.1 Applicability

This Policy applies primarily to member institutions of MFIN and other relevant stakeholders.

2.2 Scope

Complaints under this Policy include information relating to member entities, including but not limited to –

- Non-compliance with RBI regulations and SRO directions.
- Deviations from prescribed operational guidelines, code of conduct or fair practices.
- Data integrity issues, misreporting or suppression of information submitted to MFIN, CICs or regulators.
- Practices that may adversely impact borrowers, sector stability or the reputation of the microfinance industry.
- Systemic or recurring issues observed across geographies or portfolios.

The scope of the policy will not include:

- Individual employee related grievances or other interpersonal issues. Those should be addressed through the internal grievance redressal mechanisms or committees established by the respective RE.
- Purely commercial disputes or bilateral contractual issues between member entities are excluded from the scope of this Policy.

3. Definitions

**Complainant:**

A person or group of people or the RE who makes a complaint under this Policy.

**Subject:**

A person or group of people or the RE against or in relation to whom a complaint is made and evidence is submitted.

**Nodal Officer:**

Compliance officer of MFIN who will receive complaints from complainants, maintain records thereof, placing the same before the MFIN CEO/SROC/Board for its disposal and inform the result to the complainant thereof.

**Complaint:**

Any communication of a concern made, that discloses or demonstrates evidence in support of it.

**Disciplinary action:**

Any action that can be taken on the completion of the investigation including but not limiting to a warning, suspension/ termination from membership or any such action as is deemed to be fit considering the gravity of the matter as per the MFIN SRO Enforcement framework.

4. Guiding Principles

- Confidentiality of the complainant will be maintained and disclosed only in case of regulatory requirements.
- Investigations will be fair and unbiased.
- Frivolous/malicious complaints or complaints without adequate documentary evidence will not be taken up.

5. Procedure for Registering Complaints

5.1 Who Can Report

- MD/CEO or Chief Compliance Officer or the Microfinance Head of the RE (REs should develop their own Institutional mechanisms to help the employees escalate complaints related to operational issues of the concerned entity).
- Any person authorized by the MD/CEO or Chief Compliance Officer or the Microfinance Head of the RE to make the complaint on behalf of the RE.
- Any consultant, advisor or service provider engaged by MFIN.
- Any unrelated person/group of people with sufficient evidence and proof.

5.2 Modes of Reporting

Complaints may be reported through a dedicated email ID – srocompliance@mfinindia.org for member entities which will be accessed by the Nodal officer of MFIN.

5.3 Contents of Complaints

The complaints should, to the extent possible, include-

- Name of the member institution/person lodging the complaint.
- Name of the member institution/person/group of people against whom the complaint is being lodged.
- Nature and details of the operational or compliance related concern.
- Regulatory or SRO provisions involved.
- Period during which the issue was observed.
- Supporting documents, data or evidence, whatever is available.

Anonymous complaints may also be considered; however, such complaints should contain sufficient evidence to enable meaningful examination.

6. Confidentiality and Anonymity

- The identity of the complainant will be kept confidential and will be disclosed as per regulatory requirements.
- The Nodal Officer will maintain confidentiality of all matters under this Policy and discuss only to the extent or with those persons as required under this policy for completing the process of investigation.
- All records related to complaints shall be securely maintained.

7. Investigation Process

7.1 Preliminary Review

- All complaints will be acknowledged.
- A preliminary review shall be undertaken to assess credibility and materiality.

7.2 Investigation

- Investigations will be conducted by the nodal officer or any external expert appointed for this purpose by the CEO & Director of MFIN.
- The investigation will be conducted in a fair and confidential manner.
- People against whom allegations are made shall be given an opportunity to be heard.

- The decision by MFIN to initiate an investigation does not, in itself, constitute an accusation and should be regarded as a neutral fact-finding process.
- The subject(s) will normally be informed in writing, of the allegations, at the commencement of a formal investigation and will be provided an opportunity to submit their inputs during investigation.
- Unless there are compelling reasons not to do so, subject(s) will be given the opportunity to respond to material findings contained in the final investigation report. No allegation of wrongdoing against a subject(s) shall be considered as maintainable unless there is good evidence in support of the allegation.

7.3 Outcome and Action

- MFIN will carry out an investigation based on the evidence provided by the complainant.
- The SROC and Board of MFIN will be kept informed on the matter.
- Findings of the investigation will be documented.
- The matter will be taken up as per the MFIN-SRO enforcement framework and appropriate disciplinary or corrective actions will be recommended for the Subject.
- Systemic or process-level improvements may also be suggested by MFIN.

8. Oversight and Governance

- Overall oversight of the mechanism under this policy shall rest with the Board of MFIN.
- Complaints raised under the scope of this policy will be examined independently, without conflict of interest.
- Periodic summary reports on complaints raised under the scope of this policy by member entities along with their status, will be placed before the MFIN Board.
- Insights from these complaint cases may be used for strengthening SRO guidelines, supervisory processes, or sector-wide advisories.

9. Review and Amendment

This Policy shall be reviewed periodically and may be amended with the approval of the MFIN Board to align with regulatory developments and best practices.

10. Communication

This Policy shall be communicated to all the member institutions and will be made available on MFIN's website.



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