

FAIR PRACTICE CODE

- 1) RBI has vide circular dated September 28,2006, and further circulars dated March 26, 2012 and February 18, 2013 prescribed guidelines on Fair Practices for all NBFC's on the basis of which Fair Practices Code shall be put in place by NBFC's with the approval of their Board. The guidelines broadly provide for processing of application for loans, loan appraisal, disbursement of loans including changes in terms and conditions and certain other conditions.

- 2) The Company being a Primary Dealer (PD), is registered with RBI under Section 45 IA of the Reserve Bank of India Act, 1934 as a Non-Banking Financial Company (NBFC) not accepting public deposits. As a Primary Dealer, the Company shall lend in Call/Notice/Term Money Market, CBLO and Reverse repo as per the RBI guidelines applicable to PDs. It shall become a Member of Primary Dealers Association of India (PDAI) and Fixed Income Money Market and Derivatives Association (FIMMDA) and shall abide by the code of conduct framed by them.
 - (a) **Lending in Call/Notice/Term Money Market:** In this market, the Company shall lend funds for a short duration to specified participants viz. Banks & PDs subject to dealing /exposure limits fixed for the counter parties in accordance with guidelines laid down from time to time by its Board. The rate of interest would be market determined. PNB Gilts Limited would be a member of Negotiated Dealing System (NDS) and all Call / Notice money market deals would be reported on NDS whether the counter party is a member or not thereby making the deals transparent.

 - (b) **Lending in Repo Market :** The Company shall lend in Repo Market to Banks, PDs, NBFC's, Mutual Funds, Housing Finance Companies, Insurance Companies and any listed company holding SGL Account with RBI or a Gilt Account with a custodian. Repo transactions shall be undertaken only in permitted securities by RBI from time to time. The dealing/exposure limits shall be fixed for the counterparties in accordance with the guidelines laid down from time to time by its Board. The repo transactions shall be settled through central-counter-party as prescribed by RBI.

 - (c) **Lending under CBLO Market :** The Company as a Member of CBLO segment shall open a Constituent SGL (CSGL) Account with CCIL for depositing securities offered as collateral for borrowing/lending funds. CCIL provides an automated dealing system to all the members of CBLO segment through Indian Financial network (INFINET) to enable them to borrow and lend funds. Dealing / Exposure limits shall be fixed for the counterparties in accordance with guidelines laid down from time to time by its Board. CCIL acts as a central counterparty for both borrowers and lenders and there is no settlement risk involved as CCIL guarantees all the trades.