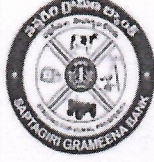


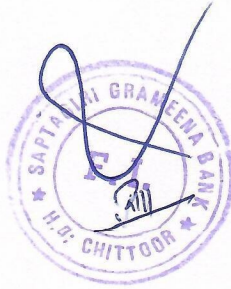
# COMPLIANCE POLICY 2024-25



**సప్తగిరి గ్రామీణ బ్యాంక్**  
(ప్రభుత్వ రంగ సంస్థ : ఇండియన్ బ్యాంక్ చే ప్రాయోజితం)  
**Saptagiri Grameena Bank**  
(Public Sector RRB : Sponsored by Indian Bank)

**Compliance Department**  
**Head office, Chittoor**

This Policy supersedes and replaces the COMPLIANCE POLICY 2023-24



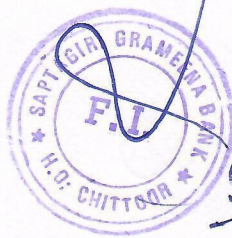
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## Policy Certification

**Title: Policy on Compliance 2024-25**

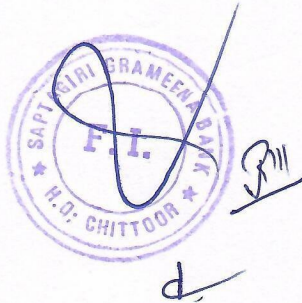
Owned By	HO: Compliance Dept.
Prepared By	Compliance Officer
Reviewed By	General Manager
Approved By	Board
Effective From	01.04.2024
Validity	31.03.2025



## Compliance Policy for the FY 2024-2025

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## 1. Introduction

The Compliance Function must ensure strict observance of all statutory, regulatory and other provisions and compliances prescribed by various statutory and other regulators from time to time, fair practice codes prescribed by industry associations and also bank's internal policies.

These are likely to go beyond what is legally binding and embrace broader standards of integrity and ethical conduct. When a bank fails to comply with the applicable regulatory / statutory rules and defined code of conduct, it exposes itself to significant compliance risk.

Hence, it is necessary to have a documented Compliance Policy covering guideline on compliance and compliance functions in the bank and all its related aspects.

Chief Compliance Officer and compliance officials at all levels to effectively assist the management in managing the compliance risks faced by the bank.

## 2. Scope of Policy

The scope of the Compliance Policy relates to assessing compliance risk related laws, regulations and standards which are specific to the financial services and which are issued by legislative and regulatory bodies, SRO, Internal policies that are relevant to Banking businesses.

### **Types of Compliance**

The compliance functions in the Bank shall be divided into three broad categories: -

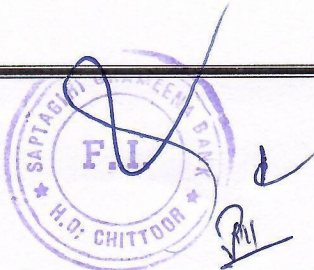
- Statutory Compliance
- Regulatory Compliance
- Other Compliances

### **2.1 Statutory Compliance**

The Bank has to ensure strict observance of all statutory Provisions contained in various legislations such as Banking Regulation Act, Reserve Bank of India Act, Prevention of Money Laundering Act, etc.,

### **2.2 Regulatory Compliance**

The bank has to ensure strict observance of other regulatory guidelines issued from time to time by the regulators such as RBI,



SEBI, IRDA, etc., Such compliances shall be termed as Regulatory compliances.

### **2.3 Other Compliances**

In addition to the statutory and regulatory compliance, the Bank has to comply with standards and codes prescribed by IBA and also bank's internal policies and fair practices code. Such compliances are termed as other compliances.

### **3. Objectives of the Compliance Policy**

As a part of the Compliance philosophy of the Bank, it is envisaged to embed compliance in every department of the Bank in an effective way as a part of the corporate culture that emphasizes standards of honesty and integrity.

The organization shall hold itself to high standards when carrying on business and at all times, strive to observe the spirit as well as the letter of the law.

#### **The Compliance Function is to**

3.1 Assess the level of compliance of applicable laws, regulations, supervisory requirements, code of conduct, internal policies and procedures so that remedial measures, wherever required, could be taken to improve the level of compliance.

3.2 Protect the bank's image and reputation by keeping close watch on compliance standards and codes of conduct at various levels.

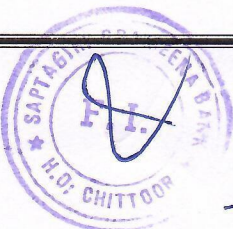
3.3 Manage compliance risk effectively by establishing compliance culture down the organization.

3.4 Mitigate any significant risk which is brought to the notice of the bank by various sources including RBI / bank's internal auditor's on-site or off-site inspection/ Risk Based Supervision (RBS) etc.,

"The compliance laws, rules and standards are likely to go beyond what is legally binding and embrace broader standards of integrity and ethical conduct.

3.5 Effectively assist the management in managing the compliance risk faced by the bank Compliance officials at all levels.

3.6 Identify statutory and regulatory compliance requirements and other compliance obligations arising out of the fair practices codes and other codes prescribed by self-regulatory organizations, IBA,



[Signature]



IRDA, SEBI, etc., government policies, prevention of money laundering and funding of illegal activities and the Bank's internal policies.

3.7 Define the role and structure of the Compliance Department, composition of its staff and their specific responsibilities at HO, Regional Offices and Branches.

3.8 Provide a mechanism to ensure that regulatory guidelines / instructions are promptly issued / disseminated within the organization and to monitor Compliance with the regulatory guidelines / instructions.

3.9 Provide a methodology to proactively identify, document, assess the Compliance risks associated with bank's business activities and products.

3.10 Provide procedures to integrate the Compliance risk management Frame work with the Bank's operational risk management framework.

3.11 Create group / enterprise-wide compliance program covering.

(i) Group / Enterprise-wide compliance functions and program must ensure that controls and procedures capture the appropriate information in accordance with accounting standards IFRS / Ind-As issued by ICAI, directives of SEBI / RBI / Other Regulatory and statutory bodies to facilitate Senior Management / Board to perform compliance risk management / governance functions on Group / Enterprise wide effectively.

(ii) A Group / Enterprise-wide compliance program could help management and the board in understanding where the legal and reputation risks in the organization is concentrated, provide comparisons of the level and changing nature of risks, and identify those control processes which need enhancement.

(iii) The compliance function must therefore ensure that controls and procedures capture the appropriate information to allow senior management and the board to better perform their risk management functions on a group / enterprise-wide basis.

#### 4. Resources

Reserve Bank of India vide Circular No. DBS.CO.PP.BC.06/11/01.005 / 2006-07 dated 20.04.2007 has issued comprehensive final guidelines on Compliance and Compliance Function in Banks.



RBI has advised that each bank will formulate a Compliance Function for their Bank and put in place a Compliance Policy to manage Compliance risk.

RBI has also issued a circular No. DBS. CO. PPD. 10946/11 / 01.005 /2014-15 dated 04.03.2015 reiterating the contemporary relevance of the circular issued in 2007 and the additional concerns and other aspects that would need to review and testing from the compliance perspective.

In accordance with these guidelines, this Compliance Policy aims at establishing a robust Compliance System in our Bank.

## **5. Functions of Compliance**

The Functions of various tiers in the Organizational Structure are detailed below: -

### **5.1 Board / ACB**

5.1.1 The Bank recognizes that the compliance starts at the top. In order to inculcate the best corporate compliance culture that emphasizes standards of honesty and integrity, the Board as well as the Top Management will lead by example by setting the right tone for others to emulate.

5.1.2 The Annual Review of Compliance Policy shall be approved by the Board. The implementation of the Policy and Compliance Function shall be overseen by the ACB / Board / Internal audit and should regularly review compliance functions in strict accordance with extant guidelines on the subject.

5.1.3 Compliance failures may be reviewed by ACB / Board and appropriate remedial measures may be taken. A detailed Annual Review shall be placed before the ACB.

### **5.2 HO: Compliance Department and Chief Compliance Officer**

5.2.1 The Compliance Department at Head Office shall be responsible for implementing the Policy. The compliance department should be independent and sufficiently resourced.

Its responsibilities should be clearly specified and its activities should be subject to periodic and independent review.

The Compliance Department at Head Office will be headed by an executive not less than in the rank of Assistant General Manager / Chief Manager designated as Chief Compliance Officer with overall responsibility for identification and management of the

bank's compliance risk and supervising the activities of other compliance function staff. He shall not be removed / transferred without the specific approval of the Board.

The Bank shall keep informed RBI as well as the Board and the Audit Committee of the Board of the name of the Chief Compliance Officer as also any change thereof as and when it takes place with reasons for change.

5.2.2 The Chief Compliance Officer shall be the nodal point of contact between the Bank and the Regulator. However, activities of the Bank are not limited to the banking sector and the directions are also received from other regulators such as IRDA, SEBI, etc., These directions, can constitute part of compliance functions of the Bank.

To ensure proper compliance of such other regulators, the Nodal Compliance Officers / Designated Officer for the concerned function shall be appointed to primarily carry out the compliance of their domain and shall report the compliance to Chief Compliance Officer.

5.2.3 Designated Officers / Principal Officers / Compliance officers for regulators like SEBI, FIU-IND, IRDA, PFRDA, etc., also for Department of currency management, department of information security of RBI, etc., would be nominated by Chairman / General Manager and they will report to Board.

5.2.4 In case of discomfort conveyed to the bank on any issue by any regulators, it shall be the duty of the concerned Compliance / Designated Officer to that specific regulator to bring it to the notice of the Reserve Bank of India through Chief Compliance Officer of the Bank.

5.2.5 The staff of HO / Compliance Department shall preferably have knowledge of Legal, Accountancy, Information Technology and also adequate practical experience in various business lines and Audit / Inspection functions to enable to carry out their duties effectively.

Besides, they should be provided with suitable training to update them in new products and services as well as in areas of Corporate Governance, Risk Management, Supervisory Practices, etc.,

5.2.6 HO / Compliance Department will be provided with Senior Manager assisted by a team of Officers having exposure in Credit / Credit related matters, Legal issues and documentation, Treasury, Information Technology, Risk Management and Banking

Operations to take care of compliance and Risk Based Supervision.

5.2.7 HO / Compliance Department should submit quarterly report to the ACB & Board and Annual Review to ACB to enable the Board members to make an informed judgment on whether the bank is managing its compliance risk effectively.

5.2.8 HO / Compliance Department shall report promptly to ACB and the Board of Directors on any material Compliance failure. E.g.: - Failure/s that may attract a significant risk of legal or regulatory sanctions, material financial loss or loss of reputation.

5.2.9 The Compliance Department shall arrive at comprehensive data based on the Regulatory and Statutory compliances required and also from the data on internal policies, rules and guidelines of rules and regulations derived from various sources for compliance by functional departments.

The functional department shall disseminate all such regulatory and statutory guidelines to field level functionaries for compliance. The Compliance Department shall also update and circulate all the rules, standards and laws to the functional departments from time to time for compliance.

5.2.10 HO / Compliance Department shall design the Reporting Formats and update it periodically to enable branches / Regional Offices for reporting compliance to HO: Compliance Dept. on quarterly basis.

5.2.11 HO / Compliance Department, **once in a year**, has to identify and assess the main compliance risks, faced by the Bank in their respective functional area upon receipt of input from all departments on compliance failures, if any, during the preceding year, scope of compliance procedures and processes, system of internal control to minimize compliance risk, progress in rectification of deficiencies pointed out by auditors, inspectors and regulators etc., and place Annual Review to ACB.

5.2.12 Bank shall ensure independence of the Chief Compliance Officer and the other staff in the Head office. Compliance department should avoid conflict of interest and the compliance staff should primarily focus on the compliance functions.

In order to ensure that there is no room for conflict of interest and the activities of the compliance function are subject to independent review, the compliance function and the audit function of the bank should necessarily be kept separate.

However, in branches / Regional Offices / Functional Departments, the compliance staff may perform some other duties other than Audit / Inspection duty while ensuring that there is no conflict of interest.

5.2.13 The compliance functionary should be looked at as a friend, philosopher and guide by the business units. There should be a close coordination and partnership between compliance and business operations functions.

To achieve this purpose, the Chief Compliance Officer will be a member of the various interdepartmental committees in the Bank. Chief Compliance Officer shall be a special invitee to Audit Committee of the Board.

5.2.14 The Chief Compliance Officer shall have access to all information he requires and have the right on his own initiative to communicate with any staff member of the Bank and obtain access to any records or files necessary to carry out his responsibilities.

5.2.15 The Chief Compliance Officer shall be empowered to conduct compliance review investigations whenever required and to request assistance from the specialists within the Bank. The authority to use external experts for the purpose of investigation shall be left to the discretion of the Chief Compliance Officer.

5.2.16 The Chief Compliance Officer shall be free to report to General Manager and Chairman on any irregularities or possible breaches disclosed by its investigations without fear or disfavor from management or other staff members.

5.2.17 The Chief Compliance Officer shall be a participant in the **quarterly discussions** held with RBI. In case no quarterly meeting is held, he shall meet the CGM, DBS / SSM in charge of the Bank at Head Office / Regional Office of RBI **once in every quarter** of the year to discuss compliance issues.

5.2.18 All new products & processes shall be approved by the **New Product and Process Approval Committee** / CRMC / ORMC wherein, compliance risk besides other risk shall be analyzed and appropriate risk mitigating checks and balances, if required, shall be put in place before launching a product /process.

5.2.19 Once the product / process is approved, Compliance Officer of the concerned Department shall ensure that the operative & Regulatory guidelines are disseminated amongst the operational units i.e., Regional Offices / Branches.

The concerned department will monitor the prescribed procedure for initial six months & in case any deviation is found the same should be informed to Chief Compliance Officer / Compliance Department & to CRMC / ORMC along with steps proposed to mitigate the same.

5.2.20 Compliance Testing of the RBI/ Internal guidelines shall be carried out by the staff of Compliance Department. However, for conducting Compliance Testing of Specialized Areas like Forex, Investment, Risk Management, IT etc., where Compliance Department does not have staff having relevant expertise, the Chief Compliance Officer may depute official(s) having requisite skills & experience in the respective areas.

5.2.21 The Audit of Compliance Department would be conducted independently by the Inspection Department on annual basis.

### **5.3 Functional Departments at Head Office**

5.3.1 Chief Compliance Officer at Head Office will nominate the concerned department heads as the case may be coming under his control as compliance officers for managing Compliance risk pertaining to their functional area.

5.3.2 Such nominated compliance officer of the department will in turn identify an officer, for managing the Compliance Risk in the department to assist him/her for reporting compliance to HO: Compliance Dept.

5.3.3 Each Functional Department shall maintain all compliance issues / checklists duly approved by the Chief Compliance Officer.

The same will be provided to the staff associated with the respective functions and such manuals shall be updated at periodic intervals.

These compliance checklists will serve as the basis for the quarterly compliance reports to be submitted by Branches / Regions.

5.3.4 Each Functional Department shall submit a detailed quarterly compliance report to HO: Compliance Department relating to their function.

5.3.5 Inspection Department has to submit on Quarterly Basis a certificate on total compliance with all specified guidelines enlisted in the specific template oriented towards Compliance assessment introduced under RBS framework.



5.3.6 Chief Compliance Officer to convene a quarterly meeting with the Department Heads and Compliance Officers of the respective departments for exchange of views / information on various matters and to strengthen the compliance culture in the organization.

5.3.7. Relationship between compliance function, legal function, various other risk management functions & business line functions

(i) In order to establish a relationship between Compliance Function and other Risk Management Functions, the Chief Compliance Officer will be included in various Risk Management Committees functioning at corporate level viz.

Credit Risk Management Committee,  
Asset Liability Management Committee,  
Operational Risk Management Committee,  
Risk Management Committee of the Board, etc.,

(ii) In order to ensure adherence to compliance rules in new business products, Chief Compliance Officer will be included in the New Product and process approval committee.

(iii) It will be ensured that Compliance Staff works in coordination with the Risk Management staff and Business line staff. For this purpose, a committee of the officers from the Departments at Head Office **will meet once in Quarter** for exchange of views / information on various matters and establishing compliance culture down the organization.

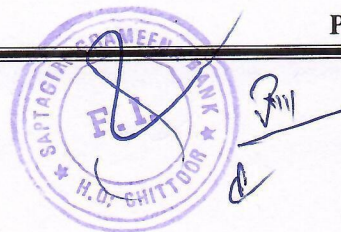
Such meetings will be convened by the Compliance Department and chaired by Chief Compliance Officer.

#### 5.4 Field Level

##### Regional Offices

5.4.1 Each Regional Office shall designate officer in the rank of not less than Scale-III as Compliance Officer at Regional Office. He will be under the administrative control of Regional Manager and report to HO.

5.4.2 The Compliance staff / officials / Compliance Officers at ROs will not be entrusted with the direct business line responsibilities and duties of audit and inspection function in order to avoid potential conflict of interest and to ensure their independence.





5.4.3 All the departmental heads in Regional Office are equally responsible for managing the Compliance function pertaining to their functional area and will assist the Compliance Officer by providing inputs relating to their functions to enable the Compliance Officer in Regional Office to report to Chief Compliance Officer.

5.4.4 The Compliance Officer at Regional Office shall submit on-line compliance Report on status / extent of compliance to HO/Compliance Department **at Quarterly intervals**.

5.4.5 The compliance officer at RO, in addition to the HO level compliance functions, will monitor the proceedings of Regional Level Compliance Committee (RLCC) reports of the Regions coming under their jurisdiction.

### **Regional Compliance Officers**

5.4.6 Regional Compliance Officer will be designated by Regional Manager and will be under the administrative control of RM. However, their line of reporting, tour program, will be with the approval of CCO/Compliance Department and CCO will be part of their Annual Performance Appraisal.

5.4.7 The Compliance Officer in the Regional Office shall appraise the Regional Level Compliance Committee the level of Compliance and failures, if any so that the Regional Level Compliance Committee shall take prompt corrective action and report to Chief Compliance Officer at Head Office.

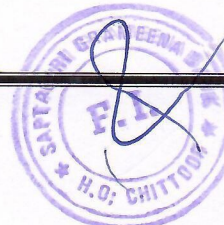
### **Branches**

5.4.8 At branches the ABM / second line official will perform the role of compliance officer. However, in single man branches the BM / Officer in charge of the branch will perform the role of the compliance officer.

5.4.9 The Compliance Officer in each branch shall submit the **quarterly online compliance report** on compliances / non-compliance of various compliance issues to HO: Compliance Dept.

In addition, the Compliance Officer in each branch shall submit a quarterly Compliance Certificate to Regional Office in the prescribed format.

Compliance Officers at HO Departments, Regional Offices, Branches and other offices shall be responsible for all compliance functions and compliance related responsibilities.





## 6. Policy Aspects

### 6.1. Compliance Risk

6.1.1 The Basel Committee on Banking Supervision (BOBS) has published a high-level paper on Compliance Risk and the Compliance Function in Banks in April 2005 prescribing certain principles aimed at strengthening Compliance structure in Banks. The paper defines Compliance Risk as "the risk of legal or regulatory sanctions, material financial loss or loss to reputation a bank may suffer as a result of its failure to comply with laws, regulations, rules, etc., related self-regulatory organization standards and codes of conduct applicable to its banking activities".

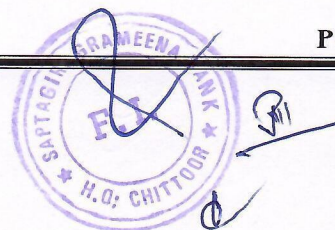
6.1.2 Compliance functions are one of the key elements in the Bank's Corporate Governance Structure, which have to be adequately enabled and made sufficiently independent so that it is capable of identifying, evaluating & addressing Legal / Reputation Risks.

6.1.3 Legal Risk is the risk of financial or reputational loss that can result from lack of awareness or misunderstanding of ambiguity in, or reckless indifference to the way law and regulation apply to your business, its relationships, processes, products and services.

6.1.4 Reputational risk refers to the potential for negative publicity, public perception or uncontrollable events to have an adverse impact on a Bank's reputation thereby affecting its revenue.

### 6.2. Tools for Identification of Compliance Risk:

- Deficiencies on compliance aspects as reported in Risk Based Internal Audit of Branches.
- Deficiencies on compliance aspects as reported in Concurrent Audit Reports.
- Deficiencies on compliance aspects as reported in inspection/audit reports of Regional Offices / various Departments at Head Office.
- Feedback received from Regional Level Compliance Committees on quarterly basis.
- Calendar of reviews submitted to Board and Board Level Committees by various H.O. Departments.
- Various guidelines / circulars received from RBI / Govt. / IBA vis-a-vis Action Taken Report by the concerned H.O. Departments.
- Deficiencies on compliance aspects observed during visit of Branches / ROs by the RO / HO officials.
- Control returns / statements submitted by ROs to HO and by various Departments of HO to RBI.





- Feedback received from various levels during meeting, workshop, etc.,
- Information collected through online Compliance Templates from Branches and Administrative Offices.
- Control Gaps pointed out by RBI in Risk Assessment Report.
- Audit findings in statutory audit reports LFAR.

### 6.3 Risk Based Supervision

6.3.1 Certain very specific templates (data points) oriented towards compliance assessment have been introduced under RBS frame work.

RBI expects Chief Compliance Officer to ensure total compliance with all specified guidelines enlisted in the said template. It may also be noted that regulatory guidelines forming part of such template are neither exhaustive nor static and are expected to be updated on an annual basis.

Bank may, therefore, strive to put in an exhaustive compliance frame work encompassing all guidelines emanating from RBI, identify potential breaches and remedy them up-front.

6.3.2 Compliance with Monitorable Action Plan (MAP) / Risk Mitigation Plan (RMP):

RBI has been placing a lot of emphasis on bank's adherence and compliance with MAP / RMP prescribed pursuant to the Risk Based Supervision process.

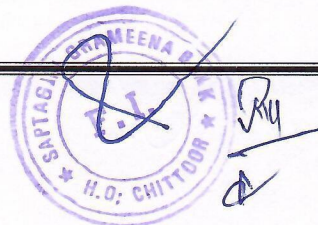
Compliance units may specifically devise a time bound strategy to ensure that compliance on all specified points is achieved within the time frame.

RBI will continue to expect an apt compliance scenario, where all MAP / RMP points are complied with well before the commencement of the subsequent supervisory cycle and/or within the periods prescribed for fulfilling the requirements of MAP/RMP.

Penal provisions can also be invoked for unsatisfactory compliance with MAP/RMP.

### 6.4 Training

With a view to create awareness and educate staff on the Compliance Function, the training programs conducted by BIRD (NABARD) / IMAGE (Sponsor Bank) / Staff Training Centers (Sponsor Bank) / Internal Training Programs at Head Office,



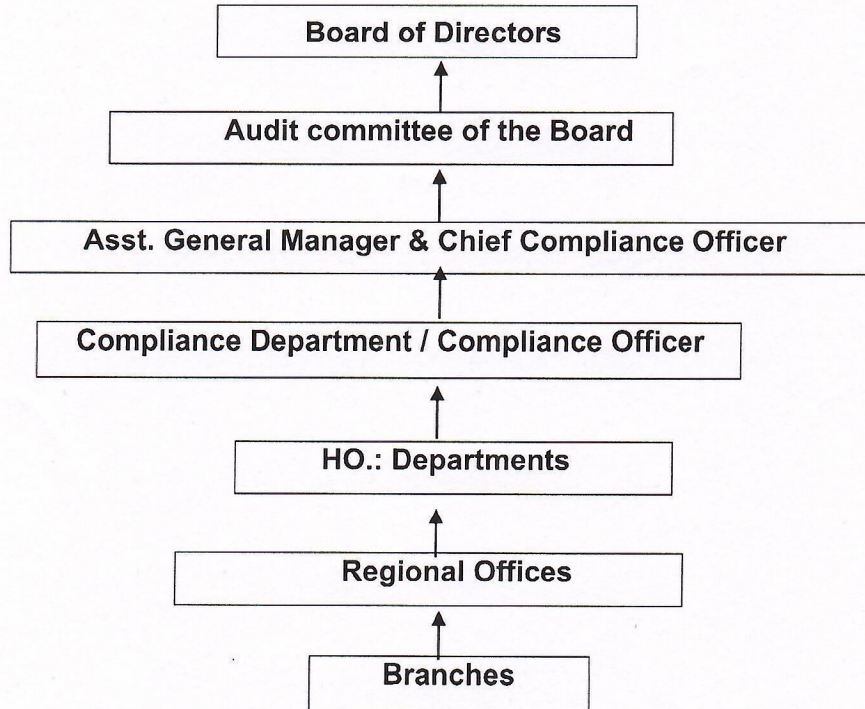


Chittoor should include suitable sessions on compliance and compliance risk management and to promote Compliance culture.

It is important that the need to comply with instructions meticulously is re-emphasized among all the staff in the bank through continuous and mandatory training on compliance aspects, appropriate disciplinary measures through staff accountability framework / policies for non-compliance etc., Compliance should not be seen as an activity of the compliance department alone but as a culture that should pervade across the banks.

### 6.5 Organizational Structure

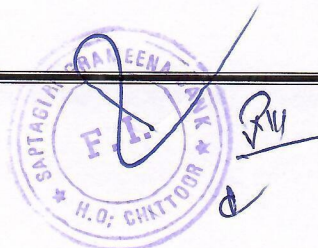
The following shall be the Organizational Structure for the Compliance Function:



### 7. Annual Review by Internal Audit

(i) The activities of the compliance function should be subject to Annual review by the Internal Audit.

Compliance Risk shall be included in the Risk Assessment methodology of the internal audit function and the audit program shall cover the adequacy and effectiveness of the bank's



compliance function including testing of controls commensurate with the perceived level of risk.

The report of the Annual Review shall be placed before the ACB.

(ii) The scope and breadth of the activities of the Compliance Function at the level of HO: Compliance Department will be subject to Management Audit by an officer deputed by HO: Inspection Dept HO.

The findings of such audit will be communicated to the Head of Compliance i.e., Chief Compliance Officer (CCO) and shall be placed before apex authority / ACB.

#### **8. Modifications and Review**

The Policy shall be **reviewed once in a year** and modified, if necessary, to suit the needs of the Bank and to comply with Revised Guidelines issued by RBI from time to time.

#### **9. Standard Operating Procedures (SOP) relating to Compliance Policy**

##### **Compliance Process and Procedure**

In our Bank, Assistant General Manager is the Chief Compliance Officer & in-charge of Compliance Department of the Bank.

9.1 Bank shall ensure independence of Compliance Department in the Head Office and Compliance Department to avoid conflict of interest and focus on compliance functions.

In order ensure that there is no room for conflict of interest and the activities of the compliance function are subject to independent review, the compliance function and the audit function of the bank should necessarily be kept separate.

9.2 The compliance functionary should be looked at as a friend, philosopher and guide by the business units. There should be a close coordination and partnership between compliance and Business operations functions.

To achieve this purpose, the Chief Compliance Officer will be a member of the various inter-departmental committees in the Bank. Chief Compliance Officer shall be a special invitee to Audit Committee of the Board.

9.3 Chief Compliance Officer shall have access to all information he/she requires and have the right on his own initiative to communicate with any staff member of the Bank and obtain

access to any records or files necessary to carry out his responsibilities.

9.4 The Chief Compliance Officer shall be empowered to conduct compliance review investigations whenever required and to request assistance from the experience and knowledgeable officer within the Bank

9.5 The Chief Compliance Officer shall be free to report to Chairman on any irregularities or possible breaches disclosed by its investigations without fear of disfavor from management or other staff members.

The Chief Compliance Officer shall also have the right of direct access to the Audit Committee of the Board (ACB).

9.6 The Chief Compliance Officer shall be a participant in the Quarterly Discussions held with RBI.

9.7 All regulatory and statutory guidelines, circulars / letters received from RBI / NABARD / Sponsored Bank and Government of India at the Chairman's secretariat will be forwarded to the concerned functional department under copy to HO: Compliance Department to enable HO: Compliance Department to follow up with the respective functional department as to its compliance.

9.8 HO: Compliance Department has to ensure that the instructions / guidelines based on the circulars / notifications of Reserve Bank of India / Government of India pertaining to the functions of various departments are promptly issued to field level functionaries for compliance by the functional departments at Head office.

Copies of such circulars should be sent to HO: Compliance Department for vetting with a view to ensure compliance with the regulatory guidelines.

9.9 HO: Compliance Department shall follow compliance of all guidelines / Circulars / letters from RBI and GOI and submit a weekly status report on action taken on the guidelines / letters / circulars to the Chairman.

Further a quarterly note on Status with regard to Compliance of various directions of Reserve Bank of India / Government of India is placed to ACB / Board.

9.10 HO: Compliance Department shall monitor timely submission of regulatory returns by the regional offices through a system of monthly / quarterly Returns calendar which will indicate the returns



/ reports to be submitted by each department at HO along with branch/Regional office.

9.11 HO: Compliance Department shall serve as reference point for the Bank's staff for operational departments for seeking clarifications / interpretation of various regulatory and statutory guidelines.

9.12 With a view to create awareness and educate staff on the Compliance Function, the training programmes of HRM Department should include suitable sessions on compliance and compliance risk management and to promote Compliance culture.

It is important that the need to comply with instructions meticulously is re - emphasized among all the staff in the bank through continuous and mandatory training on compliance aspects, appropriate disciplinary measures through staff accountability framework / policies for noncompliance etc.,

Compliance should not be seen as an activity of the compliance department alone but as a culture that should pervade across the banks.

9.13 Staff Accountability shall be examined for all compliance failures. Bank shall Endeavour to design a suitable system to give due weightage to the record of compliance during performance appraisal of the staff.

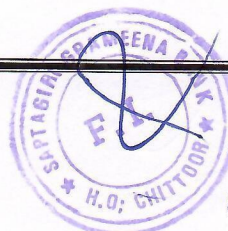
9.14 HO: Compliance Department shall at frequent intervals interact with Legal Department, Operational Risk Department and Audit & Inspection Department to take stock of the latest developments.

## **10. Compliance Risk Management**

10.1 HO: Compliance Department in coordination with Risk Management and Audit Department will identify and document the compliance risk associated with the Bank's business activities / products and formulate procedure for measuring the compliance risk and compliance testing.

10.2. The compliance risks in all new products and processes should be thoroughly analyzed and appropriate risk mitigates by way of necessary checks and balances should be put in place to Chief Compliance Officer.

10.3 The Compliance Department shall categorize the compliance issues as "High", "Medium" and "Low" risks. This would enable the



Bank to focus on the compliance issues that demand appropriate attention to mitigate the risks.

**10.4 Verification of Compliance:** HO: Compliance Dept will randomly select branches every quarter for verification of the compliance reported by the branches through Regional Compliance Officers.

10.5 Inspection / Audit findings should serve as a feedback mechanism for the Compliance Department for assessing the areas of compliance breaches / failures. For this purpose, HO: Inspection Department should include compliance aspect as a part of the inspection reports for the inspectors / concurrent auditors to verify the level of compliance. The HO: Inspection Department should keep the HO: Compliance Department informed of inspection / audit findings related to compliance.

10.6 In case, compliance to RBI inspection reports is communicated through the Inspection & Audit department of banks to RBI, a copy of the same needs to be endorsed to the Chief Compliance Officer, for information.

10.7 HO: Compliance Department shall periodically circulate the instances of compliance failures among staff along with preventive instructions.

10.8 HO: Compliance Department shall carry out an annual compliance risk assessment in order to identify and assess major compliance risks faced by them and prepare a plan to manage the risks.

The Annual Review shall broadly cover the following aspects covering all the Bank's activities, Compliance failures, if any, during the preceding year and consequential losses and regulatory action as also steps taken to avoid recurrence of the same: -

- List of all major regulatory guidelines issued during the preceding year and steps taken by the bank to ensure compliance.
- Independence of compliance function.
- Scope of compliance procedures and processes.
- System of internal control to minimize compliance risk.
- Compliance with fair practices codes and adherence to standards set by self-regulatory bodies and accounting standards.
- Progress in rectification of significant deficiencies pointed out in

the internal audit, statutory audit and NABARD inspection reports and position of implementation of recommendations made therein.

- As RBI has been placing a lot of emphasis on banks' adherence and compliance with MAP/RMP prescribed pursuant to the Annual Financial Inspection / Risk Based Supervision process, a time bound strategy and progress on all specified points is achieved within the time frame and be reported.
- The report of the Annual Review shall be placed to the ACB.

#### 11. Reporting Structure

Reporting Level	Reporting To	Monthly	Quarterly	Annually
Branches	RO:Compliance Dept	--	Compliance Report	--
Regional Offices	HO:Compliance Dept	--	Compliance Certificate Report	--

11.1 Besides the above, any major breaches / non-compliances should be reported immediately by the above functionaries to HO: Compliance Department under copy to respective Functional Department so that corrective steps are taken promptly.

11.2 The Formats for the above reports will be designed by HO: Compliance Department and advised to the Regions / Branches.

**HO: CHITTOOR**

**Compliance reporting format**

Region/Branch Name: .....

Quarter ended: .....

No	Irregularities/ Deviation of Compliance	Action Taken/ Rectification	Remarks
A	Statutory Compliance		
1			
2			
3			
B	Regulatory Compliance		
1			
2			
3			
C	Internal Policy/ Bank Govt Policies		
1			
2			
3			

Date:

RM / BM

