

RBI Mandated 'Staff-Trainings' for NBFCs and HFCs

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Background

- Various regulatory and compliance requirements are laid down by the RBI, from time to time, to regulate the operations of NBFCs and HFCs. Since the implementation of compliances is to be done through the employees and staff at various levels, it becomes necessary to apprise the staff on these requirements and guide them on the approach and methodology to ensure a seamless, and effective implementation.
- Thus, in addition to standard compliances, the regulator has also mandated that NBFCs and HFCs undertake certain mandatory trainings for their staff.
- In this document, our team has compiled the regulatory requirements for the Regulated Entities, along with actionable recommendations. Specifically having reference to:
 - i. List of mandatory trainings for NBFCs and HFCs**
 - ii. List of mandatory trainings only for NBFCs**
 - iii. List of mandatory trainings only for HFCs**

List of Mandatory Trainings (applicable on NBFCs and HFCs)

Applicable Regulation	Actionable
<p>Para 45.7 of SBR Directions - General (Fair Practices Code)</p> <p>Para 85.4 of the HFC Directions</p>	<p>Staff Training under this should include the following aspects:</p> <ul style="list-style-type: none"> (a) Ethical Conduct: Staff should be trained on ethical conduct (e.g. not using “muscle power” for recovery of loan / repossession / security interest). (b) Fairness and Transparency: Staff should be trained to communicate clearly and transparently with the consumer. Staff should ensure that no attempt is made to conceal key aspects of the facility for purposes of marketing or salesmanship. (c) Consumer Protection: In case staff engages in such conduct, the NBFC may face liability for “unfair trade practices” under the Consumer Protection Act, 2019.
<p>Annex XIII - Para 4 of SBR Directions</p> <p>Annex XI - Para 3 of the HFC Directions</p>	<p>To be ensured that DSA/DMA/Recovery agents are properly trained on how to handle customers, adhering to standards of ethics, and transparency.</p>

List of Mandatory Trainings (applicable on NBFCs and HFCs)

Applicable Regulation	Actionable
<p>Para 14.4.6 of SBR Directions - Consumer Education</p> <p>Para 8A.6 of the HFC Directions</p>	<p>To enhance borrower awareness, front line staff should be thoroughly trained on concepts such as SMA/NPA classification, date of overdue, etc., so as to enable them to effectively explain this to borrower, and fulfil “consumer-education” requirements.</p>
<p>Para 70 of KYC Directions - Hiring of Employees</p>	<p>The staff training per KYC Directions needs to be tailored to the staff profile.</p> <p>(a) Frontline Staff/Staff Dealing with New Customers: Training should be based on CDD norms at time of opening account based relationship, and such staff should be conversant with the reporting requirements (e.g. STR and CTR)</p> <p>(b) Compliance Staff: Compliance staff should be given in-depth training on the KYC norms. This should include KYC nuances with respect to different modalities, e.g. V-CIP, Digital KYC, non face-to-face KYC, OTP based KYC, offline verification, etc. Ancillary obligations such as risk categorization, ongoing due diligence, enhanced due diligence, etc., also need to be understood.</p>

List of Mandatory Trainings (applicable on NBFCs and HFCs)

Applicable Regulation	Actionable
<p>Para 45.15 of SBR Directions</p> <p>Para 102 of the HFC Directions</p>	<p>Following aspects to be taken note for training:</p> <ul style="list-style-type: none"> (a) NBFCs shall not discriminate in extending products and facilities to disabled persons, and shall have a module to train staff on rights of persons with disabilities under applicable law, and international conventions. (See Rights of Persons with Disabilities Act, 2016) (b) Conduct by staff should not inadvertently violate rights of persons with disabilities, and shall entail: <ul style="list-style-type: none"> i. Maintenance of records per applicable law. ii. Compliance with rules for accessibility. iii. Display of information as mandated by applicable law.
<p>Para 25 of IT Governance Directions</p>	<p>NBFC to ensure that the staff members and service providers are briefed about the detailed obligations under relevant laws, e.g. IT Act, Dark Pattern Guidelines, SPDI, the to-be notified DPDPA, etc.</p>

List of Mandatory Trainings (applicable on NBFCs and HFCs)

Applicable Regulation	Actionable
<p>Para 18(b) of KYC Directions:</p>	<ul style="list-style-type: none"> (a) In case VCIP is being adopted, the NBFC would have to formulate a work-flow, and SOP for the same. (b) NBFCs shall ensure that only authorized and trained officials operate the same, and such officials should be given training on suspicious conduct / liveness issues (e.g. responses with customers not tallying with instructions, indications of morphed/artificial video, etc.)
<p>Master Directions - Regulatory Framework For Microfinance Loans, 2022 - Para 7.2</p>	<p>NBFCs and HFCs engaged in MFI lending should ensure that:</p> <ul style="list-style-type: none"> a. Staff are trained on how to make enquiries regarding income of the household. This would entail making enquiries regarding: household income sources, stability of income, current debt obligations, recent changes to households financial situation, etc. b. As the borrower profile in microfinance lending is particularly vulnerable, the staff should be trained to ensure appropriate conduct towards customers.

List of Mandatory Trainings (applicable only on NBFCs)

Applicable Regulation	Actionable
Para 45.14 of SBR Directions- Lending against collateral of Gold Jewellery (Fair Practices Code)	In case the NBFC is extending gold loans, the staff training must be ensured on the process of lending, assessment and valuation of ornaments, storage requirements, etc.

List of Mandatory Trainings (applicable only on HFCs)

Applicable Regulation	Actionable
Annex X of the HFC Directions	The employees/representatives of DSA/DMA shall undergo a two-day preliminary training and a day training every year which shall be organized by the Company. The Company shall also maintain a record of training provided by them.
Annex XI of HFC Directions	HFCs shall ensure that its recovery agents undergo the training as prescribed by Indian Institute of Banking and Finance (IIBF) and obtain the certificate from the institute within a period of one year of engagement with the HFC.