5. Outsourcing Policy

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5.1 Objectives

The objectives of the policy are to ensure that the risks emanating from outsourcing activities are identified and minimized. The policy ensures responsibility of TIDCO is not diluted for outsourced activities and puts in place a mechanism to ensure timely action and resolution.

5.2 Outsourcing Activities Undertaken by TIDCO

TIDCO outsources activities on need basis ensuring that the ultimate control and responsibility lies with TIDCO.

5.3 Prohibition on Outsourcing Certain Activities

TIDCO will not outsource core management functions in their entirety including Internal Audit, Strategic and Compliance functions and decision-making functions such as determining compliance with KYC norms and any other management function restricted for outsourcing by RBI guidelines. However, portions of the above functions maybe outsourced to third party service providers with clear delineation of activities to be performed, delegation of authority depending on risks and materiality and systems to monitor and review the operations of these activities. TIDCO will oversee the outsourced activity and retain the overall responsibility.

5.4 TIDCO's Responsibility

The outsourcing of any activity does not diminish TIDCO's obligations, and those of its Board, who have the ultimate responsibility for the outsourced activity. TIDCO is therefore responsible for the actions of its service provider. TIDCO shall retain ultimate control of the outsourced activity.2.

TIDCO shall not outsource decision-making functions while other activities without decision making function maybe outsourced and TIDCO shall retain responsibility for the overall function.

TIDCO will perform due diligence in relation to outsourcing, considering all relevant laws, regulations, guidelines and conditions of approval, licensing or registration etc. and comply with all RBI requirements pertaining to outsourcing of activities.

5.5 Designated Authority

The GM(P&A) is the designated authority responsible for ensuring implementation of the outsourcing policy and manage risks emanating from outsourcing of activities.

5.6 Risk Assessment and Management

Some key risks in outsourcing are Strategic Risk, Reputation Risk, Compliance Risk, Operational Risk, Legal Risk, Exit Strategy Risk, Counterparty Risk, Country Risk, Contractual Risk, Access Risk, Concentration and Systemic Risk.

Risk assessment is performed not only during the initial contracting stage but also reviewed periodically by the ***Designated authority.***

A risk management program is put in place by TIDCO with the following core elements and any other requirements as maybe suggested by RBI from time to time.

A. Risk assessments – TIDCO determines whether outsourcing an activity is consistent with the strategic direction and overall business strategy and determines whether outsourcing an activity is consistent with the strategic direction and overall business strategy.

B. Due diligence and selection of service providers – TIDCO assesses the capability of the service provider to comply with obligations in the outsourcing agreement. Due diligence shall take into consideration qualitative and quantitative, financial, operational and reputational factors.
C. Monitoring and Control of Outsourced Activities shall be undertaken by the Designated Authority. TIDCO will maintain a central record of all material outsourcing and perform regular audits and reviews including due diligence review.
D. Business continuity and disaster recovery plans – TIDCO ensures that the service provider periodically tests the Business Continuity and Recovery Plan while it retains an appropriate level of control over their outsourcing and the right to intervene with appropriate measures to continue its business operations. TIDCO will ensure it has a viable contingency plan, including availability of alternative service providers or the possibility of bringing the outsourced activity back in-house and maintains a feasible exit strategy in case the service provider is unable to perform.

5.7 Other Considerations

a. **Redressal of Grievances** related to Outsourced Services – TIDCO has not outsourced any customer interface activities and will constitute Grievance Redressal Machinery as contained in RBI's circular on Grievance Redressal Mechanism vide DNBS. CC. PD. No. 320/03. 10. 01/2012-13 dated February 18, 2013 when any of its customer interface activities are outsourced.
b. **Confidentiality and Security** - Access to customer information by staff of the service provider is on 'need to know' basis and TIDCO reviews and monitors the security practices and control processes of the service provider on a regular basis and require the service provider to disclose security breaches and will immediately notify RBI.
c. **Suspicious Transactions** – TIDCO would be responsible for making Currency Transactions Reports and Suspicious Transactions Reports to FIU (Financial Intelligence Unit) or any other competent authority.
d. **Direct Sales Associates (DSA)/Direct Marketing Associates (DMA)/Recovery agents** - TIDCO does not employ

DSA/DMA/Recovery agents as there are no customer loans promoted or given to the public.

e. **Outsourcing within a group** – TIDCO will ensure compliance with guidelines issues by RBI if it outsources to any group or government owned third party.
f. **Outsourcing agreement** – The agreement has to be vetted by legal counsel and define what activities that are going to be outsourced along with performance standards. The agreement must cover the following aspects in addition to any other requirements as per RBI guidelines:
    - ability to access records and information,
    - continuous monitoring and assessment,
    - data security and confidentiality (including even after expiry of contract)
    - contingency plans to ensure business continuity,
    - termination clause
    - approval/ consent for use of subcontractors
    - right to conduct audits on the service provider
    - arbitration for resolution of disputes
    - RBI's right to access records and carry out inspections
    - service provider's obligation to preserve documents as required by law even post termination.

5.8 Role of the Board and Designated Authority:

A. Role of the Board:

The Board of the companyis responsible for the following:

i. approving a framework to evaluate the risks and materiality of all existing and prospective outsourcing and the policies that apply to such arrangements;
ii. laying down appropriate approval authorities for outsourcing depending on risks and materiality;
iii. setting up suitable administrative framework of senior management/designated authority for the purpose of these directions;
iv. undertaking regular review of outsourcing strategies and arrangements for their continued relevance, and safety and soundness and
v. Deciding on business activities of a material nature to be outsourced, and approving such arrangements.

B. Responsibilities of Designated Authority:

i. Evaluating the risks and materiality of all existing and prospective outsourcing, based on the framework approved by the Board;
ii. developing and implementing sound and prudent outsourcing policies and procedures commensurate with the nature, scope and complexity of the outsourcing activity;
iii. reviewing periodically the effectiveness of policies and procedures;
iv. communicating information pertaining to material outsourcing risks to the Board in a timely manner;
v. ensuring that contingency plans, based on realistic and probable disruptive scenarios, are in place and tested;
vi. ensuring that there is independent review and audit for compliance with set policies and
vii. Undertaking periodic review of outsourcing arrangements to identify new material outsourcing risks as they arise.

(The policy will be reviewed every three years or as and when there are changes in RBI guidelines, whichever is earlier.)