ANNEXURE I

QUESTIONNAIRE

II. Personal Details: (Kindly tick {✓} appropriate blocks)

1. Gender : 1. Male✓ 2. Female✓
2. Age (Years) : 1. 18 -25✓ 2.26-33✓ 3. 34-41✓ 4. 42 and above✓
4. Experience: 1. Less than 5yrs✓ 2. More than 5yrs✓
5. Using Forensic Accounting Services for? 1. Investigation✓ 2. Litigation✓

Name of Industry____________________________________

II. Benefit of Forensic accounting and its application
6. Following statements are related to Benefit of Forensic accounting and its application. Please show your level of agreement by tick {✓} marking appropriate block.
(SD= Strongly Disagree; D = Disagree; N = Neutral; A = Agree; SA = Strongly Agree)

6.A. Reduction and Prevention in Accounting Fraud:

<table>
<thead>
<tr>
<th>I</th>
<th>Benefits</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Forensic accountant has accounting skill , investigative and analytical skills to identify fraud as compare to traditional auditor</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Forensic accounting control all possible fraud and mismanagement what traditional audit fails to do</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Accounting policy prepared by the experts helps in identifying possible fraud.</td>
<td></td>
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</tr>
<tr>
<td>4.</td>
<td>Risk calculation helps the professional to specifically locate frauds.</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>5.</td>
<td>Methodology applies in Forensic accounting and audit are different</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Forensic accounting is more stronger than audit to control fraud</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
7. Forensic accounting engagement can be specifically tailored to deter fraud and potentially prevent it what audit fails to do.

8. Investigation report under forensic accounting is the good evidence and accepted under court of law.

9. The experts take more involvement and have different approach in verifying the books of accounts.

10. Forensic accounting is more dynamic than Audit.

6.B. Techniques of forensic accounting will examine the fraud

<table>
<thead>
<tr>
<th>Techniques of forensic accounting will examine the fraud</th>
<th>Benefits</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.</td>
<td>Benford Law Techniques is to determine whether elements cover the case of actual fraud or it is an error.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12.</td>
<td>All big data when compare to previous years shows that unusual transactions and hence here relative size factors helps to understand that whether the data are manipulated or it’s an effect or unintentional error.</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>13.</td>
<td>Testing details of transactions and balances will examine fraud</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14.</td>
<td>Computer based application like testing data system will examine fraud.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15.</td>
<td>Redoing calculations performed by accounting system will help to examine fraud.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
16. Data mining one of the application helps in layout of spontaneously finding and hunting exceptional and unusual transaction from the big data of the organization.

17. Ratio analysis on financial condition of a company and hence keep examine the fraud.

18. Ratio analysis report plays important role to alert and prevent all occurring fraud in the organization.

19. Timelines Analysis helps in examine fraud

20. Genogram Analysis helps in examine fraud

### 6.C. Reduction in occupational fraud:

<table>
<thead>
<tr>
<th>Reduction in occupational fraud</th>
<th>III Benefits</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>21.</td>
<td>Occupational fraud is a significant threat to all organisation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22.</td>
<td>Fake billing can cause damage to the organization.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>23.</td>
<td>Forensic accounting identifies those areas where the occupational fraud are susceptible to fraud</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
24. Background check of employee at the time of recruitment will filter the bad applicant and prevent fraud.

25. Employee working with the close association with their vendor give a signal to have more chances of fraud.

26. Forensic accountant services can prevent identify and reduce occupational fraud.

27. Reporting from other employee will reduce the occupational fraud.

28. Implementation of Internal controls and Internal check will prevent occupational fraud.

29. Documentation of the record properly will reduce occupational fraud.

30. Monitoring Vacation Balances will help to reduce Occupational fraud.

6.D. Reduction and prevention of Technological fraud:

<table>
<thead>
<tr>
<th></th>
<th>IV</th>
<th>Benefits</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31.</td>
<td>Economy suffer from Technological fraud</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>32.</td>
<td>Using Active Data Add in will identify the fraud</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>33.</td>
<td>Chip Technology will help to prevent the technological fraud</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>34.</td>
<td>Encryption prevent the technological fraud</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
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<td>---</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>35.</td>
<td>Tokenization prevent the technological fraud</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>36.</td>
<td>Hot pepper technology (Email detective) prevent fraud</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>37.</td>
<td>Belka Soft (Evidence Centre) prevent fraud</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>38.</td>
<td>Passware Soft prevent fraud</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>39.</td>
<td>Dynamic Interconnection Software prevent fraud</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>40.</td>
<td>Forensic Write Blocker (Ready only access) prevent fraud</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7. **Suggestions to reduce and prevent fraud in Mumbai industries:**

<table>
<thead>
<tr>
<th>SUGGESTIONS</th>
<th>Please (✓) tick on your suggestions</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>The help of forensic accountant should be appointed in industries.</td>
<td>Yes</td>
</tr>
<tr>
<td>2.</td>
<td>There should be proper process of recruitment of new employees and they should be hirer after background check.</td>
<td>Yes</td>
</tr>
<tr>
<td>3.</td>
<td>The software and hardware used by the industries should be latest version with computer forensic tools uploaded in it</td>
<td>Yes</td>
</tr>
<tr>
<td>4.</td>
<td>The Work allocation of the employee should be rotated on regular basis and no employee should be allotted one department for a longer time</td>
<td>Yes</td>
</tr>
<tr>
<td>5.</td>
<td>CCTV camera should be placed in industries to monitor and control activity</td>
<td>Yes</td>
</tr>
<tr>
<td>6.</td>
<td>Employee should be motivated to give tip for any fraud they see within industries</td>
<td>Yes</td>
</tr>
<tr>
<td>7.</td>
<td>Internal control and Internal check should be implemented</td>
<td>Yes</td>
</tr>
</tbody>
</table>
Management policy should be regularly reviewed by Forensic accountant

Any other suggestions:

__________________________________________________________________

__________________________________________________________________

__________________________________________________________________

__________________________________________________________________

Thank you for your kind responses and sparing your valuable time
ANNEXURE II

OPINION FROM STATISTICIAN

After going through the details of chapters 5 & 6, it is found that researcher used the statistical tools like measures of central tendencies, measure of dispersion and graphs for descriptive analysis. For hypothesis testing, researcher used one sample t-tests, Correlation test, Kolmogorov – Smirnov and The Shapiro-Wilk test. To the best of my knowledge, statistical tools applied by the researcher, Mr Harish Jagdish Sharma in his Ph.D thesis titled ‘Forensic Accounting and Its Application in Selected Industries of Mumbai: An Analytical Study’ are appropriate.

Dr. Madhukar Dalvi
Ph.D., M. Phil, M.Sc., PGDORM
Consultant Statistician
Email ID: mhdalvi7@gmail.com
Contact No: 9969946117
ANNEXURE III

LETTER FROM INDIAFORENSIC INSTITUTE

To whomsoever it may concern

Mr. Harish Sharma has successfully completed the course on Certified Forensic Accounting Professional from our institute. We have gone through his questionnaire of PhD and filled up as well. The questionnaire covered all areas of Forensic Accounting and giving proper justice to the topic of research.

On his request we have forwarded his questionnaire to our 245 Certified Forensic Accounting Professional members in Mumbai through google forms.

We wish him all the best for his Ph.D.

For Indiaforensic Centre of Studies

Rajendra Kumar
Head of Education
ANNEXURE IV

REPORT ON PLAGARISM

FORENSIC ACCOUNTING AND ITS APPLICATION IN SELECTED INDUSTRIES OF MUMBAI: AN ANALYTICAL STUDY

ORIGINALITY REPORT

7%

SIMILARITY INDEX

PRIMARY SOURCES

<table>
<thead>
<tr>
<th></th>
<th>Source</th>
<th>Words</th>
<th>Percentage</th>
</tr>
</thead>
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<td>341</td>
<td>1%</td>
</tr>
<tr>
<td>2</td>
<td>ujdigispace.uj.ac.za</td>
<td>303</td>
<td>1%</td>
</tr>
<tr>
<td>3</td>
<td><a href="http://www.unm.edu">www.unm.edu</a></td>
<td>255</td>
<td>1%</td>
</tr>
<tr>
<td>4</td>
<td><a href="http://www.docstoc.com">www.docstoc.com</a></td>
<td>243</td>
<td>&lt;1%</td>
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<td>5</td>
<td><a href="http://www.sjsu.edu">www.sjsu.edu</a></td>
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<td>&lt;1%</td>
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<tr>
<td>6</td>
<td>htmlguaranteescheme.gov.au</td>
<td>114</td>
<td>&lt;1%</td>
</tr>
</tbody>
</table>
ANNEXURE V

TECHNIQUES OF FORENSIC ACCOUNTING

I. BENFORD LAW:

**Meaning:** It is a statistical tool to determine whether variable under study shows any patterns in the data.

**Applicability of Benford law:**

a. To detect unusual duplication of digits think hard to find the reason for it.

b. Point’s out the area which is not in consensus with the probability norms.

**Methodology of doing Benford law:**

The function keys left () and COUNTIF () functions along with other mathematical functions in Excel or Digital Analysis feature in IDEA to do these tests.

**Steps in doing Benford Law:**

Step-by-step instructions on how to apply Benford's law using Microsoft Excel, which is Commonly used by internal auditors around the world in their day-to-day work. The technique is explained in the context of a realistic example and should enable auditors to easily and effectively apply Benford's law to their company's data when identifying unusual data patterns that may signal the presence of errors or fraud.
Step 1: Open financial transitions in an Excel spreadsheet. Make sure the **transaction amount** column is the right-most column of the table.

<table>
<thead>
<tr>
<th>Account</th>
<th>Item Description</th>
<th>Agent</th>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>125200501</td>
<td>THE FL NETWORK</td>
<td>John S. Clem</td>
<td>7/31/2004</td>
<td>$ 289.72</td>
</tr>
<tr>
<td>125200501</td>
<td>THE FL NETWORK</td>
<td>John S. Clem</td>
<td>8/31/2004</td>
<td>$ 423.44</td>
</tr>
<tr>
<td>203800503</td>
<td>JapaNet South Flo</td>
<td>Steven Smith</td>
<td>8/31/2004</td>
<td>$ 160.00</td>
</tr>
<tr>
<td>125200501</td>
<td>THE FL NETWORK</td>
<td>John S. Clem</td>
<td>9/30/2004</td>
<td>$ 547.48</td>
</tr>
<tr>
<td>125200501</td>
<td>THE FL NETWORK</td>
<td>John S. Clem</td>
<td>10/31/2004</td>
<td>$ 191.42</td>
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<td>203800503</td>
<td>JapaNet South Flo</td>
<td>Steven Smith</td>
<td>10/31/2004</td>
<td>$ 195.83</td>
</tr>
<tr>
<td>125200501</td>
<td>THE FL NETWORK</td>
<td>John S. Clem</td>
<td>11/30/2004</td>
<td>$ 241.32</td>
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<tr>
<td>203800503</td>
<td>JapaNet South Flo</td>
<td>Steven Smith</td>
<td>11/30/2004</td>
<td>$ 88.00</td>
</tr>
<tr>
<td>125200501</td>
<td>THE FL NETWORK</td>
<td>John S. Clem</td>
<td>12/31/2004</td>
<td>$ 169.71</td>
</tr>
<tr>
<td>203800503</td>
<td>JapaNet South Flo</td>
<td>Steven Smith</td>
<td>12/31/2004</td>
<td>$ 311.65</td>
</tr>
<tr>
<td>125200501</td>
<td>THE FL NETWORK</td>
<td>John S. Clem</td>
<td>2/1/2005</td>
<td>$ 215.69</td>
</tr>
</tbody>
</table>

Step 2: On the cell next to the first transaction amount, perform the following actions:
1. Type in: =LEFT ( 
2. Press the left arrow key once
3. Type in: )
4. Press the **Enter** key once
Step 3: Upon completion, the **first digit** of the transaction amount should appear in the cell. Next, apply the same formula to the rest of the spreadsheet.

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/31/2004</td>
<td>$289.72</td>
</tr>
<tr>
<td>8/31/2004</td>
<td>$423.44</td>
</tr>
<tr>
<td>8/31/2004</td>
<td>$160.00</td>
</tr>
<tr>
<td>9/30/2004</td>
<td>$547.48</td>
</tr>
</tbody>
</table>

Step 4: Select the cell that contains the first digit and move the cursor to the bottom-right corner of the cell. The mouse pointer should turn into a **solid black cross**.

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/31/2004</td>
<td>$289.72</td>
</tr>
<tr>
<td>8/31/2004</td>
<td>$423.44</td>
</tr>
<tr>
<td>8/31/2004</td>
<td>$160.00</td>
</tr>
<tr>
<td>9/30/2004</td>
<td>$547.48</td>
</tr>
<tr>
<td>10/31/2004</td>
<td>$191.42</td>
</tr>
<tr>
<td>10/31/2004</td>
<td>$195.83</td>
</tr>
<tr>
<td>11/30/2004</td>
<td>$241.32</td>
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<tr>
<td>11/30/2004</td>
<td>$88.00</td>
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<tr>
<td>12/31/2004</td>
<td>$169.74</td>
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<td>12/31/2004</td>
<td>$311.86</td>
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<tr>
<td>1/31/2005</td>
<td>$215.60</td>
</tr>
<tr>
<td>2/28/2005</td>
<td>$525.31</td>
</tr>
<tr>
<td>3/31/2005</td>
<td>$9.98</td>
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<tr>
<td>3/31/2005</td>
<td>$517.37</td>
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<tr>
<td>3/31/2005</td>
<td>$662.78</td>
</tr>
<tr>
<td>3/31/2005</td>
<td>$444.25</td>
</tr>
<tr>
<td>3/31/2005</td>
<td>$608.93</td>
</tr>
</tbody>
</table>
Step 5: If done correctly, the first digit of each transaction amount should appear next to its original number. Click on the letter on top of the column to select the first digit column.

![Image of spreadsheet with column selection highlighted]

Step 6: Click on the A-Z button on the top menu.

![Image of spreadsheet with A-Z button highlighted]

Step 7: When the Sort Warning window appears, make sure the Expand the selection option is checked and click Sort.
Step 8:

All the transactions now will be arranged by the first digit. Some amounts may start with zero because their values are smaller than 1. However, according to Benford's law zero cannot be a leading digit. Therefore, we will need to modify the amount so the next available non-zero digit will become the leading digit. For example, if the number is 0.82; the next available non-zero digit is 8. You may simply modify the number by removing the fraction and changing the number to 82. Benford's law tests only the frequencies of the digits. Therefore, the size of the number is irrelevant to the test — that is, 0.82, 82, or 8200 is essentially the same number in terms of its non-zero digits. However, it is recommended to write down the original number so that you can keep track of the real transaction amount. After the modification, you may again use the sort function as instructed in the previous step. This time all the numbers will be arranged by their true leading digit.
Step 9: Make sure the column containing all the first digits is selected. Click on Data on the top menu and then choose Subtotals.

Step 10: In the next Subtotal window, you will see a box labeled Use Function. Click on the drop down menu and change the option to Count. Keep all other options unchanged and click OK.
Step 11: A new column will be inserted between the transaction amount and the first digit column. Now there is a need to copy the counting result to a new spreadsheet and create a summary table. **Click and hold** the left mouse button on the letter on top of the new column that was just created. While holding the left button, **drag** it slightly right to the column that contains all the first digits and release it. Two columns should now be highlighted.
Step 12: Click on Edit on the top menu and choose copy.

Step 13: Insert new worksheet

Step 14: A new blank worksheet will be created. **Right click** on the first cell (A1) on the upper-left corner, and choose **Paste Special.** Paste Special window opens check the values options. Keep the other options unchanged and click OK.
Step 15: Click on the letter on top of the first column. The first column which might appear to be empty- will be selected.
Step 16: When the Sort Warning appears, make sure the Expand the selection option is checked, and then Click on Sort.

Step 17: There will be a successful table created that counts transaction amounts that start with digits 1 through 9.
Step 18: Select the first cell (A1) on the upper left corner. Click on Insert on the top menu and choose Rows.

![Microsoft Excel - 01-date.xls](image)

Step 19: Create, type sample Rate in the CL space and Benford Rate in the D1 space.

![Microsoft Excel - 01-date.xls](image)

Step 20: On the first cell under Sample Rate, do the following using your keyboard:
1. Type in: =
2. Press Left arrow key once:
3. Type in: /
4. **Type** in the number next to the Grand Count. In this example, the number is 297 will have a different number).
5. Press the **Enter** key once.
Step 21: **Click and hold** the left mouse button and **drag it downward** until you reach the end of the **Grand Count** line; release the mouse button.
Step 22: Remove the word **Count** from the row label. To do so, simply click on the label **1 Count**, then type **1** on the keyboard and hit **Enter**.

![Excel spreadsheet](image)

Step 23: Repeat the last step replacing 2 Count with 2, 3 Count with 3 and so on until all 9 counts are replaced by numbers.

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>70</td>
<td>0.235690236</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>2</td>
<td>59</td>
<td>0.198653199</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>3</td>
<td>51</td>
<td>0.171717172</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>4</td>
<td>35</td>
<td>0.117845118</td>
<td></td>
</tr>
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<td>5</td>
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<td>21</td>
<td>0.070707071</td>
<td></td>
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<tr>
<td>6</td>
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<td>0.060606061</td>
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<td>7</td>
<td>7</td>
<td>19</td>
<td>0.063973064</td>
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</tr>
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<td>8</td>
<td>8</td>
<td>13</td>
<td>0.043771044</td>
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<td>9</td>
<td>11</td>
<td>0.037037037</td>
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<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Grand Count</td>
<td>297</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

Step 24: In the first cell under **Benford Rate** type in:

=\text{LOG10}(1/A2+1)

Note: If you use a different cell to store digit 1, please replace **A2** with the correct cell number. If you follow this guide entirely, you should have the same **A2** cell number. Click
and hold the left mouse button, drag it downward until you reach the end of the Digit 9 line, and release the mouse button.

Step 25: Move the mouse cursor to the bottom-right corner of the cell. You should see the mouse pointer turn into a solid Black cross.
Step 26: To increase readability, you can convert the rates to percentages. To do this, highlight all the cells under Sample Rate and Benford Rate, then on the top menu: Click the button once.
Step 27:

Now we will create a chart to visualize the difference. First, highlight the data under **Sample Rate** and **Benford Rate**. Please make sure:
1. The labels are included.
2. Rates for 1 through 9 are included.
3. Rate for **Grand Count** (100%) is **NOT** included.

On the top menu click on the button. If you cannot find this button, click **Insert** and choose **Chart**.

![Excel Chart](image-url)
Step 28: The blue bars represent the sample rates from the financial transactions have opened. When a blue bar is significantly higher than the red bar next to it, this indicates that an unusual higher amount of transaction numbers is beginning that particular number.
II. THEORY OF RELATIVE SIZE FACTOR:

**Meaning:** Relative size factor measured the ratio of the largest number to the second largest number in the given set of data. This is the techniques to identify the highest number in the data but in some relation with the second highest data. If there are any abnormalities in the number beyond the normal range there is a need for investigation.

**Applicability of theory of relative size factor:**

a. Used mainly with the help of function keys of excel or other analytical software.
b. Payment amount tempered can be easily identified. For example: Rs 52345.09 can be tempered Rs 5234509.
c. Investigator figure out the relative bigger size from the data and helps in identifying frauds.

III. GENOGRAM:

**Meaning:** is a pictorial display of a person family relationship and medical history. Some practitioners in the personal and family therapy use genograms for personal records. It creates information beyond the family tree. This is a great help in the family dispute case.

**How it is done:**

With help of commercial software such as Genopro Genome Analytics and iGenogram for ipad.

**Applicability:**

a. Genograms cab help to visualize complex interactions between individual and to study patterns of behaviors.
b. Used by sociologists to gather objective and consistent information from the clients and their family, helping them to view the client’s issues in the larger context of their marital status.
c. Genealogy software also allows the users to create detailed reports containing analysis of the information stored in each person’s individual properties.
d. Investigator uses Genogram in order to identify relationship between fraudsters. This analysis helps them to identify the originality of the fraud in family litigation.
e. Investigator can also use the genogram to settle various financial disputes in family matters.
IV. RATIO ANALYSIS:

Ratio analysis is a means of measuring the relationship between two different financial statement amounts. The relationship and comparison are the keys to the analysis. As ratios are compared from one year, next or over the period of years, significant changes in the business can be identified. When a change in a specific ratio or several ratios is detected, the sources of accounts are drilled down to identified whether any frauds has occurred or not.

Some of the Ratios help in detecting frauds:

1. CURRENT RATIO: \[
\frac{\text{CURRENT ASSETS}}{\text{CURRENT LIABILITY}}
\]

   In detecting frauds this ratio is useful as a prime indicator of manipulation of accounts. Misappropriation will cause the ratio to decrease. Liability suppression will cause a more favorable ratio.

2. QUICK RATIO: \[
\frac{\text{LIQUID ASSET}}{\text{LIQUID LIABILITY}}
\]

   This ratio play important role in detecting fraud. The liquidity of the company is compared over the years and if there is a significant increase in the liquid ratio than a closer inspection of account is required to check for fake debtors and sales. On the other hand if there is a decrease in liquid ratio indicates lost of business profits and hence management needs to verify the reason of such decrease.

3. DEBT-TO-EQUITY RATIO: \[
\frac{\text{DEBT}}{\text{EQUITY}}
\]

   This ratio helps the lender like creditor and supplier to assess relative risk. If the ratio is favorable i.e. if debts are less than one ratio the creditors have confident in the company to get back their accounts payable on time. However if there is a sudden change in the ratio may signal an examiner to look for fraud.
4. **PROFIT MARGIN:** \( \frac{\text{NET INCOME}}{\text{NET SALE}} \)

This ratio helps the examiner to understand the overall efficiency of the business. It covers profits as well as all the expenses. The analysis of income and expenses over the period helps the examiner to identify fraud.

5. **RECEIVABLE TURNOVER:** \( \frac{\text{NET CREDIT SALES}}{\text{AVERAGE NET RECEIVABLES}} \)

This ratio is an example of combine ratio where profit and loss account and the Balance items are covered. If there is an increase of sales due to fake credit sales, these fake debtors cannot be realized and therefore an increase in this ratio can be a matter of concern for the fraud examiner.

6. **COLLECTION RATIO:** \( \frac{365}{\text{RECEIVABLE TURNOVER}} \)

This ratio also helps the organization to detect fake sales and fake debtors. However the changes in billing policies or collection policies may lead to change the collection ratio.

7. **INVENTORY RATIO:** \( \frac{\text{COST OF GOODS SOLD}}{\text{AVERAGE INVENTORY}} \)

This ratio is a good determinant of overall cost of production. It determines the number of times inventory sold during the year. If there is a significantly increase in the inventory ratio than there may be a possibility of misappropriation of goods.
V. DATA MINING:

Meaning: Every method that assists in finding pattern in large data sets.

Steps in Data Mining:

a. Classification: Arranges the data into predefined groups with the help of algorithms.
b. Clustering: Groups are not defined and hence the algorithm will try to create the items together.
c. Regression: Attempts to find a function which models the data with the least error. A common method is to use Genetic Programming.
d. Association rule learning: Searches for relationship between variables.

Types of Computer aided audit tools (CAAT) Tools used in data mining:

b. General Audit software like ACL, IDEA, SOFT CAAT.

Steps in Data mining:

Step 1: Defining pattern manually and recording it in the tools.

Step 2: Testing pattern’s presence in the database automatically.

Methodology used in Data mining to match data:

Use of V lookup () function in Excel or join database features in IDEA to match data from different sources.

Applicability of data mining:

a. Match the payroll data with the card swipe data/ server log on data on the employee ID to detect ghost employees.
b. Match the transaction file received from the stock exchange with the transaction data from the broker’s application on client ID to detect possible money laundering.
VI. **SAME, SAME, DIFFERENT TEST:**

**Meaning:** Test is used to detect fraudulent trends by identifying near identical entries. It can find many different types of near identical entries.

**Methodology:** Use the Sort, IF () & AND () functions in Excel or Duplicates/Duplicates exclusion feature in IDEA to do these test.

**Applicability of Same, Same different:**

a. Use to detect customer having same email address, pin codes but different names.

b. Use to detect customers having same address, Pin code but different fixed deposit numbers.

c. Use to test to detect double payments i.e. payment made to the same vendor against the same invoice no and same date.

d. To identify cases in where the previous employer is same, job description is same and the employee name is different.

e. In airline ticket refund data, it can find cases where the ticket number is the same, the rupee amount is the same and the credit card number is different.

f. In payroll data it can find cases where the employee number is same, the date is the same and the check account number is different.
ANNEXURE VI

CIRCULAR ISSUED BY RESERVE BANK OF INDIA

RBI/2015-16/295
DBS.CO.CFMC.BC.No.007/23.04.001/2015-16

January 21, 2016

The Chairmen / Chief Executive Officers
All Scheduled Commercial Banks (excluding RRBs) / Local Area Banks / select Financial Institutions

Dear Sir / Madam

Fraud Reporting and Monitoring

1. Operationalisation of Central Fraud Registry

1.1 As you are aware, Governor had announced in his Fourth Bi-monthly Monetary Policy Statement, 2014-15 under para 22 as under:

“Along with early detection mechanisms for frauds, a Central Fraud Registry is also proposed to be created simultaneously as a searchable centralised database for use by banks.”

1.2 Accordingly, a Central Fraud Registry (CFR) has been operationalised with effect from January 20, 2016. Operational instructions on its use have since been issued to banks.

2. Revision of limits in reporting of Fraud Cases

2.1 Recently a review of the fraud reporting mechanism to the Regional Offices/Central Fraud Monitoring Cell (CFMC) of the RBI was undertaken and it has been decided to effect some changes in the same. Accordingly henceforth,

Caution: RBI never sends mails, SMSs or makes calls asking for personal information like bank account details, passwords, etc. It never keeps or offers funds to anyone. Please do not respond in any manner to such offers.
a) Frauds of ₹ 0.1 million and above but below ₹ 50 million will be monitored by the respective Regional Office of RBI under whose jurisdiction the Head Office of the bank falls / Senior Supervisory Manager (SSM) of the bank. Frauds of ₹ 50 million and above will be monitored by CFMC, Bengaluru, and

b) Flash reports are to be sent in fraud cases of ₹ 50 million and above to the CGM-i-C, DBS, CO with a copy to CFMC at Bengaluru as against the present limit of ₹ 10 million and above.

2.2. Further, it has also been decided that henceforth banks/FIs need not send the hard copies of the FMR-1 returns. Instead a monthly certificate should be submitted to the effect that soft copy of all the frauds of ₹ 0.1 million and above, to be reported to the RBI in a month, has been sent to email. The certificate should contain serially the fraud number, name of the party, amount involved and the date of sending the soft copy to RBI. The certificate may be sent to CFMC, Bengaluru with a copy to the respective Regional Office of RBI under whose jurisdiction the Head Office of the bank falls / SSM of the bank, within seven days from the end of the month. A format of the same is given in Annex-1.

2.3. The above changes will come into effect immediately. Amendments to the Master Circular on Frauds – Classification and Reporting have been made (relevant changes are given in Annex-2) and the revised Master Circular will be uploaded on the Bank’s website shortly.

2.4. All other instructions contained in the above Master Circular dated 1st July 2015 remain unchanged.

Yours faithfully

(Manoj Sharma)
Chief General Manager
Annex-1

**Monthly certificate in respect of submission of fraud cases through FMR-1**

Name of the bank: 
Certificate for the month: 
Date: 

It is certified that soft copy of the following fraud cases, which were to be reported to RBI during the month ---------------, have been sent to RBI by mail.

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Fraud Number</th>
<th>Name of the Party</th>
<th>Amount Involved (₹ lakh)</th>
<th>Date sent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Signature

Name & Designation of the authorized official
Annex-2

Changes effected in the Master Circular on Frauds-Classification and Reporting

(changes in the table given in para 3.1 of the Master Circular)

Changes are effected in the relevant cells with the remarks “Existing” and “Revised”

<table>
<thead>
<tr>
<th>Name of the return</th>
<th>Amount involved in the fraud</th>
<th>Medium in which to be reported</th>
<th>To whom it should be reported</th>
<th>Timeline for reporting</th>
<th>Remarks</th>
</tr>
</thead>
</table>
| FMR 1 Report on actual or suspected frauds  
A format of the return is given in Annex III of the MC | Frauds involving ₹0.1 million and above | Soft copy | Central Fraud Monitoring Cell (CFMC), Bengaluru. | Within three weeks of detection | No change |
| -do- | ₹0.1 million and above and below ₹ 5 million | Existing Hard copy  
Revised Not required to be sent | 1. To the Regional Office (RO) of RBI, Department of Banking Supervision (DBS) under whose jurisdiction the branch where the fraud has taken place is located.  
2. To the RO, DBS/SBMD under whose jurisdiction the Head Office of the bank where the fraud has taken place is located or to the SSM of the Bank | -do- | Requirement of sending hard copy withdrawn |
<table>
<thead>
<tr>
<th>-do-</th>
<th>Existing</th>
<th>Revised</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fraud cases involving an amount of ₹5 million and above.</td>
<td>Hard copy</td>
<td>Not required to be sent</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>-do-</th>
<th>Requirement of sending hard copy withdrawn</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Existing</th>
<th>Revised</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flash report (in addition to FMR 1)</td>
<td>Flash report for frauds involving amounts of ₹50 million and above</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Existing</th>
<th>Hard copy</th>
</tr>
</thead>
<tbody>
<tr>
<td>For frauds involving ₹10 million and above</td>
<td>For frauds involving ₹50 million and above</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Existing</th>
<th>Hard copy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Through a DO letter addressed to the PCGM/CGM-in-Charge, DBS RBI, Central Office, Mumbai.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Existing</th>
<th>Hard copy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Through a DO letter addressed to the PCGM/CGM-in-Charge, DBS RBI, Central Office, Mumbai with a copy to CFMC Bengaluru</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FMR 2</th>
<th>Quarterly report on frauds outstanding</th>
<th>Soft copy only</th>
</tr>
</thead>
<tbody>
<tr>
<td>A format of the return is given in annex III of the MC</td>
<td>CFMC Bengaluru</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FMR 2</th>
<th>Within 15 days of the end of the quarter to which it relates</th>
<th>Nil report to be submitted if no fraud is outstanding.</th>
</tr>
</thead>
<tbody>
<tr>
<td>[No change]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FMR 3</td>
<td>Case-wise quarterly progress reports on frauds involving ₹ 0.1 million and above</td>
<td>Soft copy only</td>
</tr>
</tbody>
</table>
ANNEXURE VII

CIRCULARS ISSUED BY SECURITIES & EXCHANGE BOARD OF INDIA

CIR/CFD/CMD/4/2015

September 09, 2015

To

All Listed Entities
All the Recognized Stock Exchanges

Dear Sir/Madam,

Sub: Continuous Disclosure Requirements for Listed Entities - Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

1. In order to enable investors to make well-informed investment decisions, timely, adequate and accurate disclosure of information on an ongoing basis is essential. Also, there is a need of uniformity in disclosures made by listed entities to ensure compliance in letter and spirit. Towards this end, Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as “Listing Regulations”) deals with disclosure of material events by the listed entity whose equity and convertibles securities are listed. Such entity is required to make disclosure of events specified under Part A of Schedule III of the Listing Regulations.

2. The Listing Regulations divide the events that need to be disclosed broadly in two categories. The events that have to be necessarily disclosed without applying any test of materiality are indicated in Para A of Part A of Schedule III of the Listing Regulation. Para B of Part A of Schedule III indicates the events that should be disclosed by the listed entity, if considered material.

Annexure-I of this circular indicates the details that need to be provided while disclosing events given in Para A and Para B of Schedule III. The guidance on when an event / information can be said to have occurred is placed at Annexure II.

The said details as mentioned above are given to provide guidance to listed entity and the entity has the responsibility to make disclosures that are appropriate and would be consistent with the facts of each event. In case the listed entity does not disclose any
such specified details, it shall state appropriate reasoning for the same as part of the disclosure.

3. In case of securities or the derivatives which are listed outside India by the listed entity, parity in disclosures shall be followed and whatever is disclosed on overseas stock exchange(s) by the listed entity shall be simultaneously disclosed on the stock exchange(s) where the entity is listed in India.

4. This circular shall come into force 90 days from September 02, 2015 i.e. date of notification of Listing Regulations.

5. This circular is issued under regulations 30 read with regulation 101(2) of Listing Regulations.

6. The Stock Exchanges are advised to bring the contents of this circular to the notice of their listed entities and ensure its compliance.

7. This circular is available on SEBI website at [www.sebi.gov.in](http://www.sebi.gov.in) under the categories “Legal Framework/Circulars/Continuous Disclosure Requirements”.

Yours faithfully,

Harini Balaji  
General Manager  
[+91-22-26449372](tel:+91-22-26449372)  
harinib@sebi.gov.in
1.3. De-merger:
   a) brief details of the division(s) to be demerged;
   b) turnover of the demerged division and as percentage to the total turnover of the listed entity in the immediately preceding financial year / based on financials of the last financial year;
   c) rationale for demerger;
   d) brief details of change in shareholding pattern (if any) of all entities;
   e) in case of cash consideration – amount or otherwise share exchange ratio;
   f) whether listing would be sought for the resulting entity.

1.4. Sale or disposal of unit(s) or division(s) or subsidiary of the listed entity:
   a) the amount and percentage of the turnover or revenue or income and net worth contributed by such unit or division of the listed entity during the last financial year;
   b) date on which the agreement for sale has been entered into;
   c) the expected date of completion of sale/disposal;
   d) consideration received from such sale/disposal;
   e) brief details of buyers and whether any of the buyers belong to the promoter/promoter group/group companies. If yes, details thereof;
   f) whether the transaction would fall within related party transactions? If yes, whether the same is done at "arms length";
   g) additionally, in case of a slump sale, indicative disclosures provided for amalgamation/merger, shall be disclosed by the listed entity with respect to such slump sale.

For the purpose of this sub-clause, "slump sale" shall mean the transfer of one or more undertakings, as a result of the sale for a lump sum consideration, without values being assigned to the individual assets and liabilities in such sales.

1.5. Other Restructuring:
   a) details and reasons for restructuring;
   b) quantitative and/or qualitative effect of restructuring;
   c) details of benefit, if any, to the promoter/promoter group/group companies from such proposed restructuring;
   d) brief details of change in shareholding pattern (if any) of all entities.

2. Issuance or forfeiture of securities, split or consolidation of shares, buyback of securities, any restriction on transferability of securities or alteration in terms or structure of existing securities including forfeiture, reissue of forfeited securities, alteration of calls, redemption of securities etc.

2.1. Issuance of securities:

   a) type of securities proposed to be issued (viz. equity shares, convertibles etc.);
b) type of issuance (further public offering, rights issue, depository receipts (ADR/GDR), qualified institutions placement, preferential allotment etc.);

c) total number of securities proposed to be issued or the total amount for which the securities will be issued (approximately);

d) in case of preferential issue the listed entity shall disclose the following additional details to the stock exchange(s):
   i. names of the investors;
   ii. post allotment of securities - outcome of the subscription, issue price / allotted price (in case of convertibles), number of investors;
   iii. in case of convertibles - intimation on conversion of securities or on lapse of the tenure of the instrument;

e) in case of bonus issue the listed entity shall disclose the following additional details to the stock exchange(s):
   i. whether bonus is out of free reserves created out of profits or share premium account;
   ii. bonus ratio;
   iii. details of share capital - pre and post bonus issue;
   iv. free reserves and/or share premium required for implementing the bonus issue;
   v. free reserves and/or share premium available for capitalization and the date as on which such balance is available;
   vi. whether the aforesaid figures are audited;
   vii. estimated date by which such bonus shares would be credited/dispatched;

f) in case of issuance of depository receipts (ADR/GDR) or FCCB the listed entity shall disclose following additional details to the stock exchange(s):
   i. name of the stock exchange(s) where ADR/GDR/FCCBs are listed (opening – closing status) / proposed to be listed;
   ii. proposed no. of equity shares underlying the ADR/GDR or on conversion of FCCBs;
   iii. proposed date of allotment, tenure, date of maturity and coupon offered, if any of FCCB’s;
   iv. issue price of ADR/GDR/FCCBs (in terms of USD and in INR after considering conversion rate);
   v. change in terms of FCCBs, if any;
   vi. details of defaults, if any, by the listed entity in payment of coupon on FCCBs & subsequent updates in relation to the default, including the details of the corrective measures undertaken (if any);

f) in case of issuance of debt securities or other non convertible securities the listed entity shall disclose following additional details to the stock exchange(s):
   i. size of the issue;
   ii. whether proposed to be listed? If yes, name of the stock exchange(s);
   iii. tenure of the instrument - date of allotment and date of maturity;
   iv. coupon/interest offered, schedule of payment of coupon/interest and principal;
   v. charge/security, if any, created over the assets;
vi. special right/interest/privileges attached to the instrument and changes thereof;

vii. delay in payment of interest / principal amount for a period of more than three months from the due date or default in payment of interest / principal;

viii. details of any letter or comments regarding payment/non-payment of interest, principal on due dates, or any other matter concerning the security and /or the assets along with its comments thereon, if any;

ix. details of redemption of preference shares indicating the manner of redemption (whether out of profits or out of fresh issue) and debentures;

h) any cancellation or termination of proposal for issuance of securities including reasons thereof.

2.2. **Split/consolidation of shares:**
   a) split/consolidation ratio;
   b) rationale behind the split/consolidation;
   c) pre and post share capital – authorized, paid-up and subscribed;
   d) expected time of completion;
   e) class of shares which are consolidated or subdivided;
   f) number of shares of each class pre and post split or consolidation;
   g) number of shareholders who did not get any shares in consolidation and their pre-consolidation shareholding.

2.3. **Buy back of securities:**
   a) number of securities proposed for buyback;
   b) number of securities proposed for buyback as a percentage of existing paid up capital;
   c) buyback price;
   d) actual securities in number and percentage of existing paid up capital bought back;
   e) pre & post shareholding pattern.

2.4. **Any restriction on transferability of securities:**
   a) authority issuing attachment or prohibitory orders;
   b) brief details and reasons for attachment or prohibitory orders;
   c) name of registered holders against whom restriction on transferability has been placed;
   d) total number of securities so affected;
   e) distinctive numbers of such securities if applicable;
   f) period for which order would be applicable (if stated).

2.5. **Any action, which will result in alteration of the terms or structure of any existing securities, including, but not limited to:**
   a) forfeiture of shares;
   b) reissue of forfeited shares or securities, or the issue of shares or securities held in reserve for future issue or the creation in any form or manner of new shares or securities or any other rights, privileges or benefits to subscribe to;
   c) proposal to issue any class of securities;
3. **Revision in Rating(s)**
   The listed entity shall notify the stock exchange(s), the details of any new rating or revision in rating assigned from a credit rating agency to any debt instrument of the listed entity or to any fixed deposit programme or to any scheme or proposal of the listed entity involving mobilization of funds whether in India or abroad. In case of a downward revision in ratings, the listed entity shall also intimate the reasons provided by the rating agency for such downward revision.

4. **Outcome of meetings of the board of directors**: The listed entity shall intimate to the Exchange(s), within 30 minutes of the closure of the meeting, held to consider or decide the following:

   4.1. dividends and/or cash bonuses recommended or declared or the decision to pass any dividend and the date on which dividend shall be paid/dispatched;
   4.2. any cancellation of dividend with reasons thereof;
   4.3. the decision on buyback of securities;
   4.4. the decision with respect to fund raising proposed to be undertaken;
   4.5. increase in capital by issue of bonus shares through capitalization including the date on which such bonus shares would be credited/dispatched;
   4.6. reissue of forfeited shares or securities, or the issue of shares or securities held in reserve for future issue or the creation in any form or manner of new shares or securities or any other rights, privileges or benefits to subscribe to;
   4.7. short particulars of any other alterations of capital, including calls;
   4.8. financial results;
   4.9. decision on voluntary delisting by the listed entity from stock exchange(s);

   The intimation of outcome of meeting of the board of directors shall also contain the time of commencement and conclusion of the meeting.

5. **Agreements (viz. shareholder agreement(s), joint venture agreement(s), family settlement agreement(s) (to the extent that it impacts management and control of the listed entity), agreement(s)/treaty(ies)/contract(s) with media companies) which are binding and not in normal course of business, revision(s) or amendment(s) and termination(s) thereof:**

   5.1. name(s) of parties with whom the agreement is entered;
   5.2. purpose of entering into the agreement;
   5.3. shareholding, if any, in the entity with whom the agreement is executed;
   5.4. significant terms of the agreement (in brief) special rights like right to appoint directors, first right to share subscription in case of issuance of shares, right to restrict any change in capital structure etc.;
   5.5. whether, the said parties are related to promoter/promoter group/ group companies in any manner. If yes, nature of relationship;
5.6. whether the transaction would fall within related party transactions? If yes, whether the same is done at “arms length”;

5.7. in case of issuance of shares to the parties, details of issue price, class of shares issued;

5.8. any other disclosures related to such agreements, viz., details of nominee on the board of directors of the listed entity, potential conflict of interest arising out of such agreements, etc;

5.9. in case of termination or amendment of agreement, listed entity shall disclose additional details to the stock exchange(s):
   a) name of parties to the agreement;
   b) nature of the agreement;
   c) date of execution of the agreement;
   d) details of amendment and impact thereof or reasons of termination and impact thereof.

6. Fraud/ Defaults by promoter or key managerial personnel or by the listed entity or arrest of key managerial personnel or promoter:

6.1. At the time of unearthing of fraud or occurrence of the default / arrest:
   a) nature of fraud/default/arrest;
   b) estimated impact on the listed entity;
   c) time of occurrence;
   d) person(s) involved;
   e) estimated amount involved (if any);
   f) whether such fraud/default/arrest has been reported to appropriate authorities.

6.2. Subsequently intimate the stock exchange(s) further details regarding the fraud/default/arrest including:
   a) actual amount involved in the fraud /default (if any);
   b) actual impact of such fraud /default on the listed entity and its financials; and
   c) corrective measures taken by the listed entity on account of such fraud/default.

7. Change in directors, key managerial personnel (Managing Director, Chief Executive Officer, Chief Financial Officer, Company Secretary etc.), Auditor and Compliance Officer:
   7.1. reason for change viz. appointment, resignation, removal, death or otherwise;
   7.2. date of appointment/cessation (as applicable) & term of appointment;
   7.3. brief profile (in case of appointment);
   7.4. disclosure of relationships between directors (in case of appointment of a director).

8. Appointment or discontinuation of share transfer agent:
   8.1. reason for appointment or discontinuation;
   8.2. date on which above would become effective.

9. Corporate debt restructuring (“CDR”):
   9.1. whether CDR is voluntary and reasons for opting or referred by lenders/creditors;
9.2. details of the loan to be subjected to restructuring under CDR;
9.3. brief details of the CDR proposal (if any);
9.4. the following updates to be provided at the time of the execution and at various stages of the implementation of the CDR scheme;
   a) upon execution of any agreement in relation to the CDR proposal, disclose details such as date of execution, parties to the agreement and principal terms;
   b) details of final CDR package as approved by RBI and the lenders;
   c) lenders involved;
   d) brief summary of the CDR scheme including details of the securities, interest payment, repayment schedule, negative and other restrictive covenants.

10. **One time settlement (OTS) with a Bank:**
   10.1. reasons for opting for OTS;
   10.2. brief summary of the OTS.

11. **Reference to BIFR and winding-up petition filed by any party / creditors:**
   11.1. reasons for such a reference/petition;
   11.2. impact of such reference/petition on listed entity.

12. **Issuance of notices, call letters, resolutions and circulars sent to shareholders, debenture holders or creditors or any class of them or advertised in the media by the listed entity and the following:**
   12.1. date of notice/call letters/resolutions etc.;
   12.2. brief details viz. agenda (if any) proposed to be taken up, resolution to be passed, manner of approval proposed etc.

13. **Proceedings of annual and extraordinary general meetings of the listed entity and the following details in brief:**
   13.1. date of the meeting;
   13.2. brief details of items deliberated and results thereof;
   13.3. manner of approval proposed for certain items (e-voting etc.).

14. **Amendments to memorandum and articles of association of listed entity, in brief.**

15. **Schedule of analyst or institutional investor meet and presentations on financial results made by the listed entity to analysts or institutional investors.**

B. Details which a listed entity need to disclose for events on which the listed entity may apply materiality in terms of Para B of Part A of Schedule III of Listing Regulations of Listing Regulations

1. **Commencement or any postponement in the date of commencement of commercial production or commercial operations of any unit/division:**
The listed entity shall notify the stock exchange(s) regarding the commencement of commercial production or the commencement of commercial operations of any unit/division. In cases where the listed entity has made prior intimation of date of commencement of commercial production or operations, the listed entity shall be required to disclose details in case of postponement of the date of commencement.

2. **Change in the general character or nature of business brought about by:**

   2.1. **Arrangements for strategic, technical, manufacturing, or marketing tie-up:**
       
       a) Agreement / joint venture (JV) with companies:
          
          i. name of the entity(ies) with whom agreement/ JV is signed;
          ii. area of agreement/JV;
          iii. domestic/international;
          iv. share exchange ratio / JV ratio;
          v. scope of business operation of agreement / JV;
          vi. details of consideration paid / received in agreement / JV;
          vii. significant terms and conditions of agreement / JV in brief;
          viii. whether the acquisition would fall within related party transactions and whether the promoter/ promoter group/ group companies have any interest in the entity being acquired? If yes, nature of interest and details thereof and whether the same is done at “arms length”;
          ix. size of the entity(ies);
          x. rationale and benefit expected.
       
       b) In the event that any such arrangement is called off for any reason, the same shall be disclosed along with the reasons for calling off the proposal.

   2.2. **Adoption of new line(s) of business:**
       
       a) industry or area to which the new line of business belongs to;
       b) expected benefits;
       c) estimated amount to be invested.

   2.3. **Closure of operations of any unit/division - (entirety or piecemeal):**
       
       a) date of such binding agreement, if any, entered for sale of such unit/division, if any;
       b) amount & percentage of turnover or revenue or income and net worth of the listed entity contributed by such unit or division during the last financial year;
       c) date of closure or estimated time of closure;
       d) reasons for closure.

3. **Capacity addition or product launch**

   3.1. **Capacity addition:**
       
       a) existing capacity;
       b) existing capacity utilization;
       c) proposed capacity addition;
       d) period within which the proposed capacity is to be added;
       e) investment required;
f) mode of financing;
g) rationale.

3.2. Product launch:
   a) name of the product;
   b) date of launch;
   c) category of the product;
   d) whether caters to domestic/ international market;
   e) name of the countries in which the product is launched (in case of international).

4. Awarding, bagging/ receiving, amendment or termination of awarded/bagged orders/contracts, not in the normal course of business:

4.1. Awarding of order(s)/contract(s): Only important terms and conditions which may be as under needs to be disclosed:
   a) name of the entity to which order(s)/contract(s) is awarded;
   b) whether order(s) / contract(s) is awarded to domestic/ international entity
   c) significant terms and conditions of order(s)/contract(s) awarded, in brief;
   d) time period, if any, associated with the order(s)/contract(s);
   e) broad commercial consideration or size of the order(s)/contract(s);
   f) whether the promoter/ promoter group/group companies have any interest in that entity to whom the order(s)/contract(s) is awarded? If Yes, nature of interest and details thereof;
   g) whether the same would fall within related party transactions? If yes, whether the same is done at “arms length”.

4.2. Bagging/Receiving of orders/contracts: Only important terms and conditions which may be as under needs to be disclosed:
   a) name of the entity awarding the order(s)/contract(s);
   b) significant terms and conditions of order(s)/contract(s) awarded in brief;
   c) whether order(s) / contract(s) have been awarded by domestic/ international entity;
   d) nature of order(s) / contract(s);
   e) whether domestic or international;
   f) time period by which the order(s)/contract(s) is to be executed;
   g) broad consideration or size of the order(s)/contract(s);
   h) whether the promoter/ promoter group / group companies have any interest in the entity that awarded the order(s)/contract(s)? If yes, nature of interest and details thereof;
   i) whether the order(s)/contract(s) would fall within related party transactions? If yes, whether the same is done at “arms length”.

4.3. Amendment or termination of orders/contracts:
   a) name of parties to the order(s)/contract(s);
   b) nature of the order(s)/contract(s);
   c) date of execution of the order(s)/contract(s)
5. Agreements (viz. loan agreement(s) (as a borrower) or any other agreement(s) which are binding and not in normal course of business, revision(s) or amendment(s) and termination(s) thereof): Only important terms and conditions which may be as under needs to be disclosed:

a) name(s) of parties with whom the agreement is entered;
b) purpose of entering into the agreement;
c) size of agreement;
d) shareholding, if any, in the entity with whom the agreement is executed;
e) significant terms of the agreement (in brief) special rights like right to appoint directors, first right to share subscription in case of issuance of shares, right to restrict any change in capital structure etc.;
f) whether, the said parties are related to promoter/promoter group/ group companies in any manner. If yes, nature of relationship;
g) whether the transaction would fall within related party transactions? If yes, whether the same is done at “arms length”;
h) in case of issuance of shares to the parties, details of issue price, class of shares issued;
i) in case of loan agreements, details of lender, nature of the loan, total amount of loan granted, total amount outstanding, date of execution of the loan agreement/sanction letter, details of the security provided to the lenders for such loan;
j) any other disclosures related to such agreements, viz., details of nominee on the board of directors of the listed entity, potential conflict of interest arising out of such agreements, etc;
k) in case of termination or amendment of agreement, listed entity shall disclose additional details to the stock exchange(s):
   i. name of parties to the agreement;
   ii. nature of the agreement;
   iii. date of execution of the agreement;
   iv. details of amendment and impact thereof or reasons of termination and impact thereof.

6. Disruption of operations of any one or more units or division of the listed entity due to natural calamity (earthquake, flood, fire etc.), force majeure or events such as strikes, lockouts etc.:

6.1. At the time of occurrence:
   a) expected quantum of loss/damage caused;
   b) whether loss/damage covered by insurance or not including amount;
   c) estimated impact on the production/operations in case of strikes/lock outs;
   d) factory/unit where the strike/lock out takes place including reasons for such strike.
6.2. Regularly, till complete normalcy is restored:
   a) insurance amount claimed and realized by the listed entity for the loss/damage;
   b) the actual amount of damage caused due to the natural calamity or other force majeure events;
   c) details of steps taken to restore normalcy and the impact of the natural calamity/other force majeure events on production or service, financials of the entity.

7. Effect(s) arising out of change in the regulatory framework applicable to the listed entity.

8. Litigation(s) / dispute(s) / regulatory action(s) with impact: The listed entity shall notify the stock exchange(s) upon it or its key management personnel or its promoter or ultimate person in control becoming party to any litigation, assessment, adjudication, arbitration or dispute in conciliation proceedings or upon institution of any litigation, assessment, adjudication, arbitration or dispute including any ad-interim or interim orders passed against or in favour of the listed entity, the outcome of which can reasonably be expected to have an impact.

8.1. At the time of becoming the party:
   a) brief details of litigation viz. name(s) of the opposing party, court/tribunal/agency where litigation is filed, brief details of dispute/litigation;
   b) expected financial implications, if any, due to compensation, penalty etc;
   c) quantum of claims, if any;

8.2. Regularly till the litigation is concluded or dispute is resolved:
   a) the details of any change in the status and / or any development in relation to such proceedings;
   b) in the case of litigation against key management personnel or its promoter or ultimate person in control, regularly provide details of any change in the status and / or any development in relation to such proceedings;
   c) in the event of settlement of the proceedings, details of such settlement including - terms of the settlement, compensation/penalty paid (if any) and impact of such settlement on the financial position of the listed entity.

9. Frauds/defaults by directors (other than key managerial personnel) or employees of the listed entity:

9.1. At the time of unearthing of fraud or occurrence of the default/arrest:
   a) nature of fraud/default/arrest;
   b) estimated impact on the listed entity;
   c) time of occurrence;
   d) person(s) involved;
   e) estimated amount involved (if any);
   f) whether such fraud has been reported to appropriate authorities.

9.2. Subsequently intimate the stock exchange(s) further details regarding the fraud/default including:
10. Options to purchase securities (including any Share Based Employee Benefit (SBE) Scheme) at the time of instituting the scheme and vesting or exercise of options:
   a) brief details of options granted;
   b) whether the scheme is in terms of SEBI (SBE) Regulations, 2014 (if applicable);
   c) total number of shares covered by these options;
   d) pricing formula;
   e) options vested;
   f) time within which option may be exercised;
   g) options exercised;
   h) money realized by exercise of options;
   i) the total number of shares arising as a result of exercise of option;
   j) options lapsed;
   k) variation of terms of options;
   l) brief details of significant terms;
   m) subsequent changes or cancellation or exercise of such options;
   n) diluted earnings per share pursuant to issue of equity shares on exercise of options.

11. Giving of guarantees or indemnity or becoming a surety for any third party:
   a) name of party for which such guarantees or indemnity or surety was given;
   b) whether the promoter/ promoter group/ group companies have any interest in this transaction? If yes, nature of interest and details thereof and whether the same is done at “arms length”;
   c) brief details of such guarantee or indemnity or becoming a surety viz. brief details of agreement entered (if any) including significant terms and conditions, including amount of guarantee;
   d) impact of such guarantees or indemnity or surety on listed entity.

12. Granting, withdrawal, surrender, cancellation or suspension of key licenses or regulatory approvals:
   a) name of the regulatory or licensing authority;
   b) brief details of the approval/license obtained/ withdrawn/ surrendered;
   c) impact/relevance of such approval/license to the listed entity;
   d) withdrawal/cancellation or suspension of licence/approval by the regulatory or licensing authority, with reasons for such action, estimated impact (monetary or otherwise) on the listed entity and penalty, if any;
   e) period for which such approval/license is/was valid;
   f) Subsequently, the listed entity shall inform the stock exchange(s), the actual impact (monetary or otherwise) along with corrective actions taken by the listed entity pursuant to the withdrawal, cancellation or suspension of the key license/ approval.
C. Details which a listed entity need to disclose in terms of Para C of Part A of Schedule III of Listing Regulations.

Annexure II

Guidance on when an event/information has occurred

1. The listed entity may be confronted with the question as to when an event/information can be said to have occurred.

2. In certain instances, the answer to above question would depend upon the stage of discussion, negotiation or approval and in other instances where there is no such discussion, negotiation or approval required viz. in case of natural calamities, disruptions etc, the answer to the above question would depend upon the timing when the listed entity became aware of the event/information.

2.1. In the former, the events/information can be said to have occurred upon receipt of approval of Board of Directors e.g. further issue of capital by rights issuance and in certain events/information after receipt of approval of both i.e. Board of Directors and Shareholders.

However, considering the price sensitivity involved, for certain events e.g. decision on declaration of dividends etc., disclosure shall be made on receipt of approval of the event by the Board of Directors, pending Shareholder’s approval.

2.2. In the latter, the events/information can be said to have occurred when a listed entity becomes aware of the events/information, or as soon as, an officer of the entity has, or ought to have reasonably come into possession of the information in the course of the performance of his duties.

Here, the term ‘officer’ shall have the same meaning as defined under the Companies Act, 2013 and shall also include promoter of the listed entity.
CIRCULAR

SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 November 1, 2016

To
All Credit Rating Agencies Registered with SEBI

Dear Sir/ Madam,

Sub: Enhanced Standards for Credit Rating Agencies (CRAs)

1. SEBI constituted a committee on “Strengthening the Guidelines and Raising Industry Standards for Credit Rating Agencies (CRAs)”, which included representatives from all the CRAs. The objective of the Committee was to deliberate upon measures and guidelines to bring about greater transparency in the policies of the CRAs, enhance the standards followed by the industry and thereby, facilitate ease of understanding of the ratings by the investors.

2. With a view to implementing the recommendations of the said Committee, the guidelines as annexed to this Circular are being issued. These guidelines cover the following broad areas:

   I. Formulation of Rating Criteria and rating processes and public disclosure of the same.

   II. Accountability of Rating Analysts

   III. Standardisation of Press Release for rating actions.

   IV. Functioning and evaluation of Rating Committees/Sub-Committees.

   V. Disclosure of ratings in case of non-acceptance by an issuer

   VI. Disclosure in case of delay in periodic review of ratings.

   VII. Policy in respect of non-co-operation by the issuer.

   VIII. Strengthening and enhancing the relevance of Internal Audit of CRAs, viz. appointment and rotation of auditors and scope of the audit.

3. The CRAs shall effectively implement these guidelines within 60 days from the date of issue of this circular.
4. The CRAs shall at all times observe high standards and fairness in conduct of the business and any act of omission or commission in contravention of the provisions of clauses 12 and/or 23 of Code of Conduct, as specified under Third Schedule of the SEBI (Credit Rating Agencies) Regulations, 1999, in letter or spirit, may result in violation of the provisions of section 12A of the Securities and Exchange Board of India Act, 1992 and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.

5. This circular is issued in exercise of the powers conferred by Section 11 (1) of Securities and Exchange Board of India Act, 1992 read with the provisions of Regulation 20 of SEBI (Credit Rating Agencies) Regulations, 1999 to protect the interest of investors in securities and to promote the development of, and to regulate, the securities market.

Yours faithfully,

Surabhi Gupta  
Deputy General Manager  
Market Intermediaries Regulation and Supervision Department  
Tel. No: 022-26449315  
Email id: surabhhg@sebi.gov.in

Encl: Annexure
Annexure A

1. Operations Manual/ Internal governing document:

A. The Operations Manual/ Internal governing document, formulated by the CRA, shall, inter-alia, cover operating guidelines, criteria, policies and procedures related to the rating process.

B. The contents of the Operations Manual/ Internal governing document, as well as any changes to the same, shall be communicated to employees promptly, and training of employees on the same shall be conducted at regular intervals.

2. Rating Criteria, Rating Process and their Disclosure:

A. Rating 'Criteria'

I. Each CRA shall frame detailed rating criteria, include the same in its Operations Manual/ Internal governing document and disclose the same on its website. At the least, the following rating criteria shall be formulated by each CRA:

Criteria on:

a) Default recognition and post-default curing period (Instrument-wise definition of default to be followed by all CRAs is provided in Annexure A1.)
b) Financial ratios (Explaining how a CRA analyses various financial ratios including adjustments made to financial statements for the interpretation of financial ratios)
c) Consolidation of companies
d) Parent support/group/government support
e) Manufacturing, trading companies, and services sector
f) Banks and financial institutions
g) Securitization transactions
h) Public finance
i) Infrastructure ratings

II. Each criteria shall be reviewed periodically by the CRA and the periodicity for such review shall be disclosed on the CRA's website. While disclosing the revised criteria on their website, CRAs shall also provide a reference/hyperlink to the original criteria (before revision), so as to enable investors to discern the changes made to the same.

III. The criteria shall be placed on the CRA's website in a user-friendly manner in order to facilitate easy and ready access of the same by investors.

IV. Press Release, related to rating action, shall provide a reference/hyperlink to the specific criteria applied for the rating.

B. Rating Process and Policies
I. CRAs are mandated to have in place a proper rating process and disclose the same on their website.

II. The following shall also be specified in the Operations Manual/ Internal governing document of CRAs:

   a. Basic Minimum information required for conducting the Rating Exercise
   b. External entities (bankers, auditors etc.) that need to be contacted
   c. Mode of seeking information from external entities. CRAs should endeavor to obtain such information/confirmation in writing.
   d. Policy regarding internal approvals and timelines at each step of the Rating Exercise
   e. Policy regarding monitoring and review of ratings, including the timelines within which such review is to be completed

III. Each CRA shall frame detailed guidelines on the following, include them in its Operations Manual/ Internal governing document and disclose the same on its website:

   a. General nature of compensation arrangements with rated entities
      Policy for appeal by Issuers against the Rating being assigned to its instruments
   b. Policy for placing ratings on credit watch
   c. Guidelines on what constitutes non-cooperation.
   d. Gift policy
   e. Confidentiality policy
   f. Policy on outsourcing of activities
   g. Policy on provisional ratings
   h. FAQs on ratings
   i. Disclosure on managing conflict of interest
IV. Any change in the rating process or policies shall be disclosed on the CRA’s website, while also providing a reference/hyperlink to the original provision/process/policy, to enable the investors to discern the changes made to the same.

C. Accountability of Rating Analysts of CRAs:

I. Roles and responsibilities of the rating analysts of CRAs shall be clearly laid out in the CRA’s Operations Manual/Internal governing document.

II. Analysts shall be responsible for undertaking the rating process and adhering to the timelines as specified in the Operations Manual/Internal governing document.

D. Standardization of Press Release for Rating Actions

I. CRAs are mandated to issue a Press Release after assigning a rating. With a view to harmonizing the format of the Press Release, it has been decided that all CRAs shall follow a standardized template, which is attached as Annexure-A2. It may be noted that this template specifies the minimum
information that must be covered in the Press Release. CRAs can include additional information, while maintaining the basic format of the Press Release.

II. While the Press release for the initial rating of bonds, debentures, etc. shall disclose information about the rated amount of the instrument, the subsequent Press Releases shall also disclose additional details of the rated instrument, viz. coupon, maturity date, etc.

III. Each CRA shall assign a rating Outlook and disclose the same in the Press Release.

IV. Press Releases related to review of rating shall also carry the rating transition/history of all instruments of that issuer, rated by the CRA in the past 3 years, irrespective of whether the instrument is currently outstanding or not.

V. The rating history, Press Releases and Rating Reports, including those ratings which have been withdrawn, shall be available on the CRA’s website.

3. Functioning and Evaluation of Rating Committees/Sub-Committees

A. Each CRA shall define the obligations, responsibilities, areas of conflict of interest, etc. of rating committee members in its Operations Manual/Internal governing document. The following shall be specifically set out in the Operations Manual/Internal governing document of each CRA and disclosed on its website:

I. Eligibility for becoming committee/sub-committee members
II. Composition of committee/sub-committee
III. Minimum quorum required
IV. Duties of committee members
V. System of voting and recording of dissent.
VI. Managing conflict of interest in the rating committee/sub-committee.

B. Persons who have business responsibility shall not be part of the Rating Committee. However, the MD/CEO may be a member of the Rating Committee if the majority of the Rating Committee members are independent. ("Independent" would mean people not having any pecuniary relationship with the CRA or any of its employees).

C. Minutes of each case discussed at the committee shall be maintained and signed (digitally or manually) by the Chairperson. Standard format for the Minutes of Rating Committee Meeting is placed at Annexure-A3.

D. The process of discussion of case by circulation must be avoided, unless there is urgency in taking a rating action.

E. Chairperson(s) of each rating committee/sub-committee of the CRA shall, on an annual basis, undertake a review of the decisions taken by the Committees in that year, which would, inter alia, include:
I. Ratings assigned by the rating committees/sub-committees including ratings assigned based on best available information in cases of non-cooperation by the issuer.

II. Sharp changes in ratings.

The review report thereof shall be placed before the Board of the CRA.

4. Disclosures:

A. In case of rating not accepted by an issuer

I. Each CRA shall disclose on its website details of all ratings assigned by them, irrespective of whether the rating is accepted by the issuer or not, even in case of non-public issues. Details disclosed shall include the name of the issuer, name/ type of instrument, size of the issue, rating and outlook assigned, etc.

B. In case of delay in periodic review

II. Each CRA shall promptly disclose on its website details of all such ratings where the review became due but was not completed by the due date, as per the timelines specified in the CRA’s Operations Manual/ Internal governing document. Details disclosed shall include the name of the issuer, name/ type of instrument, size of the issue, date of last review, reasons for delay in periodic review, hyperlink to the last Press Release, etc.

5. Policy in respect of non-co-operation by the issuer

A. In case of non-cooperation by the issuer (such as not providing information required for rating, non-payment of fees for conducting surveillance), inline with the existing Regulations, the CRA shall continue to review the instrument, on an ongoing basis throughout the instrument’s lifetime, on the basis of best available information, in accordance with the rating process and policies set forth in its Operations Manual/ Internal governing document.

B. In such cases the credit rating symbol shall be accompanied by “Issuer did not co-operate; Based on best available information” in the same font size.

C. The rating action(s) in such cases shall be promptly disclosed through press release(s), which shall mention, at least, the following:

I. Date of Press Release
II. Details of Instrument
III. Rating Action and Indicative/updated rating based on best available information
IV. A brief write-up on the non-co-operation by the Issuer/ Borrower and the consistent follow-up done by the CRA for getting the information.
V. Hyperlink/ reference to the applicable “Criteria”
VI. Limitations regarding information availability (shall have a suitable caveat cautioning the investors/lenders/public)

VII. Rating History for last three years

VIII. Name and contact details of the Rating Analyst(s)

D. In case an issuer, having not co-operated with a CRA in the past, approaches another CRA for rating, the new CRA shall, in its Press Release, disclose the aspect of non-co-operation.

E. The Rating Agreement, signed between the CRA and its client (issuer/borrower), shall have an additional clause stating that -

"The client (issuer/borrower) agrees to disclose the history and status (non-cooperation, non-payment of fees etc.) of previous rating relation with the earlier CRA(s) to the new CRA along with reasons for non-cooperation, etc. if applicable."

6. Internal Audit of CRAs:

For strengthening and improving the relevance of the internal audit of CRAs, as envisaged under Regulation 22 of the SEBI (Credit Rating Agencies) Regulations, 1999 and Circular SEBI/MIRSD/CRA/Cir-01/2010 dated January 06, 2010, it has been decided to implement the below mentioned additional norms for the Internal Audit:

A. Eligibility of Auditors for conducting the Internal Audit of the CRA

I. The audit firm shall have a minimum experience of three years in the financial sector.

II. The internal auditor of a CRA shall declare that
   a) The firm has not been employed by other CRAs for any other services (such as statutory audit, taxation, consultancy/retainership etc.) in the past two years, and
   b) The partners/firm do not have any association with any other CRA.

III. The audit team must be composed of, at least, a Chartered Accountant (ACA/FCA) and a Certified Information Systems Auditor (CISA).

B. Rotation of Internal Auditors

I. An auditor shall be appointed for a maximum term of five years, with a cooling-off period of two years.

C. Scope of the Internal Audit

The scope of the internal audit shall be expanded to include the following additional checks:
I. CRA and its employees, who are associated directly or indirectly with the rating business, have complied with the regulations and code of conduct.

II. CRA has defined processes for operations that have been followed during the rating exercise.

III. Rating analysts have adhered to their roles and responsibilities laid down in the Operations Manual/Internal governing document and processes disclosed on the CRA’s website, during the rating.

IV. Policy in respect of non-cooperation by the issuer, including procedures to be followed for the same, have been complied with.

V. CRA has framed a policy for default recognition, consistent with regulatory guidelines, and is adhering to the same. At a minimum, it shall be checked if any irregularities/delays/defaults in debt servicing had been indicated by any of the below mentioned entities and suitable action with regard to the same was taken by the CRA:

   a) The issuer/ borrower
   b) The Company’s statutory auditor
   c) The borrower’s bankers, during interactions with the CRA
   d) Debenture Trustees

Cases where there are deviations to the checklist shall be documented by the auditor as part of the audit report submitted to the board.

VI. Review of ratings has been carried out as per the review policy of the CRA.

VII. Dissents, if any, have been recorded for each committee meeting, as stated in the Operations Manual/Internal governing document.

VIII. CRA has complied with the timelines for publication of press release/rating rationale for the ratings assigned, as set out in its Operations Manual/Internal governing document.

IX. The Press Releases issued are broadly in line with the standard template as placed at Annexure-A2.

X. Verify the rating disclosures made by the CRAs on their website.

XI. Comment on the conflict of interest, if any, arising due to composition of the rating committee and participation in the rating committee meetings.

D. Action on the Internal Audit Report:

I. Upon receipt of the internal audit report, the Compliance Officer of the CRA shall provide detailed comments on each of the observations therein and place the same before the Board of the CRA.
II. The final action taken report, including the comments/ recommendations made by Compliance Officer and the Board of the CRA as well as the corrective steps taken by the CRA, shall be submitted to SEBI within 2 months from the date of receipt of the internal audit report or 1 month from the date of Board Meeting of the CRA, whichever is later, in the following format:

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Observations of the auditor</th>
<th>Remarks by the Compliance Officer</th>
<th>Comments of the Board of the CRA</th>
<th>Corrective actions taken</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

7. Modification in format of Annexure IV under Clause 6.2.2 of SEBI Circular CIR/MIRSD/CRA/6/2010 dated May 3, 2010:

The format of Annexure IV under Clause 6.2.2 of SEBI Circular CIR/MIRSD/CRA/6/2010 dated May 3, 2010, providing the format for disclosure of “Movement of each credit rating that has moved by more than one notch over last six months” is modified. The revised format is placed at Annexure-A4. All other provisions of the aforesaid Circular remain unchanged.
### Annexure-A1: Instrument-wise definition of default

<table>
<thead>
<tr>
<th>Facilities</th>
<th>Rating Scale</th>
<th>Proposed Definition of Default</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fund-based facilities &amp; Facilities with pre-defined repayment schedule</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Term Loan</td>
<td>Short Term</td>
<td>A delay of 1 day even of 1 rupee (of principal or interest) from the scheduled repayment date.</td>
</tr>
<tr>
<td>Working Capital Term Loan</td>
<td>Short Term</td>
<td>Overdue/unpaid for more than 30 days.</td>
</tr>
<tr>
<td>Working Capital Demand Loan (WCDL)</td>
<td>Short Term</td>
<td>Continuous overdrawn for more than 30 days.</td>
</tr>
<tr>
<td>Debentures/Bonds</td>
<td>Short Term</td>
<td></td>
</tr>
<tr>
<td>Certificate of Deposits (CD)/ Fixed Deposits (FD)</td>
<td>Short Term</td>
<td></td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>Short Term</td>
<td></td>
</tr>
<tr>
<td>Packing Credit (pre-shipment credit)</td>
<td>Short Term</td>
<td></td>
</tr>
<tr>
<td>Buyer's Credit</td>
<td>Short Term</td>
<td></td>
</tr>
<tr>
<td>Bill Purchase/Bill discounting/Foreign bill</td>
<td>Short Term</td>
<td></td>
</tr>
<tr>
<td>Discounting/Negotiation (BP/BD/FBP/FBDN)</td>
<td>Short Term</td>
<td></td>
</tr>
<tr>
<td><strong>Fund-based facilities &amp; No Pre Defined Repayment Schedule</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Credit</td>
<td>Long Term</td>
<td>Continuous overdrawn for more than 30 days.</td>
</tr>
<tr>
<td>Overdraft</td>
<td>Short Term</td>
<td>Continuous overdrawn for more than 30 days.</td>
</tr>
<tr>
<td><strong>Non fund-based facilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Letter of credit (LC)</td>
<td>Short Term</td>
<td>Overdue for more than 30 days from the day of devolvement.</td>
</tr>
<tr>
<td>Bank Guarantee (BG)(Performance/Financial)</td>
<td>Short Term</td>
<td>Amount remaining unpaid from 30 days from invocation of the facility.</td>
</tr>
<tr>
<td><strong>Other Scenarios</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>When rated instrument is rescheduled:</td>
<td></td>
<td>Non-servicing of the debt (principal as well as interest) as per the existing repayment terms in anticipation of a favourable response from the banks of accepting their restructuring application/proposal shall be considered as a default. Rescheduling of the debt instrument by the lenders prior to due date of payment will not be treated as default, unless the same is done to avoid default or bankruptcy.</td>
</tr>
<tr>
<td><strong>Curing Period</strong></td>
<td></td>
<td>90 Days – for Default to Speculative Grade and generally 365 Days for Default to Investment Grade</td>
</tr>
</tbody>
</table>

*For bank loan ratings, default recognition will need to be in line with the RBI guidance*
Annexure-A2: Standard Template for Press Release (Minimum Information be disclosed)

Name of the Company

Date of Press Release

Details of Instrument

<table>
<thead>
<tr>
<th>Name of the instrument</th>
<th>Date of issuance</th>
<th>Coupon rate</th>
<th>Maturity Date</th>
<th>Size of the issue</th>
<th>Rating assigned, along with Rating Outlook</th>
</tr>
</thead>
</table>

Rating action (assigned/upgraded/downgraded) for the instrument.

Detailed Rationale justifying the Rating Action/ rating assigned.

List of key rating drivers for the Rating Action i.e. factors justifying favourable assessment (strengths) and factors constituting risk (weakness).

Detailed description of key rating drivers highlighted above.

Analytical approach (wherever applicable) taken by the CRA to assign the rating.

Hyperlink/ reference to the applicable "Criteria" for rating the instrument.

About the Company: Factual details of the company along with the major financial information for the last and current financial year.

Status of non-cooperation with previous CRA (if applicable): Reason and comments on status of non-co-operation with the previous CRA (if applicable).

Any other information:

Rating History for last three years:

<table>
<thead>
<tr>
<th>S.No</th>
<th>Name of Instrument (NCD/ Bank Loan/ Non-Fund based facilities/ Commercial Paper etc.)</th>
<th>Current Rating (Year T)</th>
<th>Chronology of Rating History for the past 3 years (Rating Assigned and Press Release Date) along with Outlook/ Watch, if applicable</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Type (Long term/ Short term)</td>
</tr>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Note on complexity levels of the rated instrument:
Name and Contact Details of the Rating Analyst(s):
About CRA:
CRA Disclaimer:

Annexure-A3: Summary Record of the Rating Committee Meeting (RCM)

A. Preliminary Information

- Date of the RCM
- Names of all the persons attending the RCM
- Name of rating committee members present (only rating committee members will have voting rights)
- Name of the Chairperson of the meeting
- Any other special invitees (if any)

B. Information Relating to Rating Decision

Following information/details of each rating decision shall be captured:

- Name of the rated issuer/entity
- Rating exercise i.e. whether it’s a fresh rating or review/surveillance case
- Rating outcome i.e. rating assigned, along with rating outlook and special rating symbol, if any.
- Summary of key issues discussed during the rating committee.
- Dissent (if any) by any RCM member

C. Authentication and Maintenance of Rating Committee Summary

- The summary of the RCM shall be approved/signed by the Chairperson either manually or digitally.
- The approved/signed summary shall be maintained either manually or electronically.
Annexure-A4: Movement of each credit rating that has moved by more than one notch

<table>
<thead>
<tr>
<th>S.No</th>
<th>Name of the Issuer</th>
<th>Rating post revision</th>
<th>Notch Difference</th>
<th>Date of Rating Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rating prior to revision- AAA category</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rating prior to revision- AA category</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rating prior to revision- A category</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rating prior to revision- BBB category</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rating prior to revision- BB category</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rating prior to revision- B category</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rating prior to revision- C category</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ANNEXURE VIII

SKILLS & QUALIFICATION REQUIRED FOR FORENSIC ACCOUNTANT

<table>
<thead>
<tr>
<th>Particulars of the post</th>
<th>Tentative place of Posting</th>
<th>No. of posts</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Consultants in the Field of Law (Advocates)</td>
<td>Delhi/Mumbai/Kolkata/ Hyderabad/Chennai</td>
<td>10*</td>
</tr>
<tr>
<td>B. Consultants in the field of Financial Analysis (CA/CS/CWA)</td>
<td>Delhi/Mumbai</td>
<td>06*</td>
</tr>
<tr>
<td>C. Consultants in other fields* (Banking/Law/Tax/Audit &amp; Accounts/ Capital Market/ Investigation/ Management Accounting/ General Administration) (In this category retired Government/Public Sector Undertakings/ Autonomous Bodies employees are also eligible to apply)</td>
<td>Delhi/Mumbai</td>
<td>08*</td>
</tr>
</tbody>
</table>

* Tentative

2. The eligibility criteria stating qualification, experience and also fee payable to Consultant-I/Consultant-II etc. is given in Annexure-I. Terms of Reference (ToR) and other general terms & conditions are given in Annexure-II.

3. The short listed candidates will be interviewed by a Consultancy Evaluation Committee constituted for the purpose, whose decision will be final and no correspondence in this regard will be entertained. Intimation will be sent only to selected candidates. SFIO would undertake police verification of the selected candidates.

4. Interested candidates may forward their applications in the enclosed format (Annexure-III) in a sealed envelope super-scribed “Application for the post of Consultant in SFIO” which should reach Director, Serious Fraud Investigation Office, 2nd Floor, Paryavaran Bhawan, B-3 Wing, CGO Complex, Lodhi Road, New Delhi-110003 within 30 days from the date of publication of the advertisement in Times of India/Nav Bharat Times on 09.07.2015.

Deputy Director (Admn.)
## Qualification, Experience and Fee Payable to Experts/Consultants

### (a) Experts/Consultants in the field of Law

<table>
<thead>
<tr>
<th>Sl.</th>
<th>Category of Experts/Consultants</th>
<th>Qualification and Experience</th>
<th>Fee payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Consultant-I</td>
<td>The incumbent should be an Advocate with at least 10 years experience at the Bar in the relevant field/specialization as specified in the Terms of Reference (ToR)</td>
<td>Rs. 50,000/- to Rs. 80,000/- depending upon the educational qualification and experience</td>
</tr>
<tr>
<td>2.</td>
<td>Consultant-II</td>
<td>The incumbent should be an Advocate with at least 4 years experience at the Bar in the relevant field/specialization as specified in the Terms of Reference (ToR)</td>
<td>Rs. 30,000/- to Rs. 50,000/- depending upon the educational qualification and experience</td>
</tr>
</tbody>
</table>

### (b) Experts/Consultants in the field of Financial Analysis

<table>
<thead>
<tr>
<th>Sl.</th>
<th>Category of Experts/Consultants</th>
<th>Qualification and Experience</th>
<th>Fee payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Consultant-I</td>
<td>The incumbent should be a CA/CWA/CS with at least 5 years experience in the relevant field/specialization as specified in the Terms of Reference (ToR)</td>
<td>Rs. 50,000/- to Rs. 80,000/- depending upon the educational qualification and experience</td>
</tr>
<tr>
<td>2.</td>
<td>Consultant-II</td>
<td>The incumbent should be a CA/CWA/CS with at least 3 years experience in the relevant field/specialization as specified in the Terms of Reference (ToR)</td>
<td>Rs. 30,000/- to Rs. 50,000/- depending upon the educational qualification and experience</td>
</tr>
</tbody>
</table>
### (c) Experts/consultants in any other field

<table>
<thead>
<tr>
<th>Sl.</th>
<th>Category of Experts/Consultants</th>
<th>Qualification and Experience</th>
<th>Fee payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Consultant-I</td>
<td>Professionals having Qualification of Master’s Degree in relevant field/subject as specified in the ToR for the specialisation/field and minimum post qualification experience of at least 7 years in the requisite field. The candidates should have high competency and established peer reputation. OR Retired Government/Public Sector Undertakings/Autonomous Bodies employees with Grade Pay of Rs. 6,600/- and above (or equivalent) with experience of at least 7 years and knowledge in the required domain field as specified in the ToR for the specialization/field</td>
<td>Fee in the case of retired Government officials shall not exceed the ceiling of last pay drawn [(Pay + GP+ DA) – (Basic Pension)]</td>
</tr>
<tr>
<td>2.</td>
<td>Consultant-II</td>
<td>Professionals having qualification of Masters Degree in relevant field/subject as specified in the ToR for the specialization/field and minimum post qualification experience of at least 5 years in the requisite field. OR Retired Government/Public Sector Undertakings/Autonomous Bodies employees with Grade Pay of Rs. 4,200/- and above (or equivalent) with experience of at least 5 years and knowledge in the required domain field as specified in the ToR for the specialization/field</td>
<td>Fee in the case of retired Government officials shall not exceed the ceiling of last pay drawn [(Pay + GP+ DA) – (Basic Pension)]</td>
</tr>
</tbody>
</table>
Annexure II

Terms of Reference & other General Terms and Conditions

1. Background

Serious Fraud Investigation Office has been constituted under Sec 211 of the Companies Act, 2013. It is a multidisciplinary Investigating Agency, wherein experts from diverse sectors like banking, capital markets regulation, corporate regulation, law, forensic audit, taxation, information technology etc. work together to unravel corporate frauds. It is headed by a Director, in the rank of Joint Secretary to the Government of India, SFIO. The Head Office of SFIO is at Delhi and five Regional Offices are presently functional i.e. at New Delhi, Chennai, Mumbai, Hyderabad and Kolkata.

2. Scope of work

For efficient discharge of its functions, Serious Fraud Investigation Office proposes to engage individual consultants in distinct fields which inter alia include:

(a) **Consultants in the field of Law (Advocates)**

The consultants engaged in the field of Law would be required to perform following functions:

i) To draft complaints, petitions, replies, rejoinders, affidavits and other pleadings/legal documents to be filed before various Courts and other forums.

ii) To appear before different Courts and other forums throughout the country as per requirement.

iii) To render all assistance to the officers of SFIO in prosecution matters and also during investigation of the cases.

iv) To provide legal advice and opinion on points of law in various matters.

v) To keep abreast of the latest developments in the field of law specially Corporate Law.

vi) Any other work assigned to them.

(b) **Consultants in the field of Financial Analysis (CA/CS/CWA)**

The consultants engaged in the field of Financial Analysis would be required to perform the following functions:

...
i) To conduct analysis of financial statements/data available in MCA 21 database.

ii) To conduct analyses of other financial data.

iii) To critically analyse the corporate announcements made by the corporate entities and prepare research reports.

iv) To study financial reports of the companies under investigation and make complex financial analysis and prepare reports.

v) To assist investigation teams in forensic audit, examination/scrutiny of board minutes, directors reports and other schedules and documents.

vi) To use spreadsheet and statistical software packages to analyse financial data and prepare company specific/sector specific reports for use by SFIO.

vii) Any other work assigned to them.

(c) **Consultants in other fields**

(i) The consultants engaged in other fields like Banking/Law/Tax/Audit & Accounts/Capital Market/Investigation/Management Accounting would be required to assist SFIO teams with inputs on their field of specialization and also undertake the work of analysis of information/data including other miscellaneous work assigned to them from time to time.

(ii) They would also be required to assist the investigation teams in preparation of annexures while finalising the reports.

(iii) The consultants in the field of General Administration would be required to attend to the work relating to establishment, accounts and general administration including preparation of budget/reports and returns & other miscellaneous work assigned to them from time to time. Experienced applicants with proficiency in providing secretarial assistance to the officers would also be considered.

3. **Period of Engagement**

The initial term of engagement of consultants shall be for a period of six months and subsequent extension(s), if any, shall be considered depending upon the requirement, work performance and quality output.
4. **Qualification, Experience & fee payable**

Consultants would be engaged at two levels, i.e., Consultant-I and Consultant-II. The qualification, work experience and fee payable to individual consultants in the field of Law/Financial Analysis/Other fields is given in Annexure-I.

5. **General Terms & Conditions**

i) The appointment of Consultants would be on full-time basis and they would not be permitted to take up any other assignment during the period of Contract with SFIO. However, in exceptional cases engagement of consultants may also be made on part-time basis for which modalities and fee payable will be decided by the Competent Authority.

jj) The consultants would have no lien on any job and such engagement may be cancelled at any time by the SFIO without assigning any reason.

iii) The consultants on having accepted the offer shall enter into a contract with the SFIO and also give a Declaration of Fidelity and Secrecy. The contract will remain provisional till police verification is received.

iv) The Consultants shall not indulge in or disclose to any person, any details of office, operational process, technical know-how, security arrangements and administrative/organizational matters which are of confidential/secret nature.

v) The Consultants shall not be entitled to any allowance such as conveyance allowance, dearness allowance, residential telephone, transport facility, residential accommodation, CGHS, medical reimbursement, etc.

vi) No TA/DA shall be admissible for interview/joining the assignment or on its completion. However, they shall be entitled to claim TA/DA for their travel within the country in connection with the official work.

vii) The consultants shall work in Serious Fraud Investigation Office at Headquarter at Delhi or any of its regional offices and shall perform the functions assigned to them by the Competent Authority of SFIO.

viii) The consultants shall be eligible for 8 days leave in a calendar year on pro-rata basis.

ix) Consultants shall not be allowed to work on attaining the age of 65 years. However, Competent Authority may relax this condition in special cases.

x) If any declaration given or information furnished by the candidate proves to be false or if the candidate is found to have willfully suppressed any material information, he/she shall be liable for termination in addition to any administrative and/or legal action as Govt. may deem fit.