

**Alpha Alternatives Financial Services Private Limited  
Policy on Outsourcing of Financial Services**

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## **1. Introduction**

In terms of para-A.10 of the Reserve Bank of India (Non-Banking Financial Companies- Managing Risks in Outsourcing) Directions, 2025 DOR. ORG. REC. No.282/21-04-158/2025-26 dated November 28, 2025, the NBFC has put in place a Board approved policy to outsource any of its financial services, incorporating, *inter alia*, the following:

- (i) criteria for selection of such activities and service providers,
- (ii) delegation of authority depending on risks, and materiality, and
- (iii) systems to monitor and review these activities.

## **2. Definitions**

(i) '**Outsourcing**' means use of a third party (either an affiliated entity within a corporate group or an entity that is external to the corporate group) by the NBFC to perform activities on a continuing basis that would normally be undertaken by the NBFC itself, now or in the future. 'Continuing Basis' shall include agreements for a limited period.

(ii) '**Group**' is an arrangement involving two or more entities related to each other through any of the following relationships, viz., subsidiary, associate, joint venture, group entities with common brand name, related party as defined in the applicable accounting standards.

## **3. Applicability of the Policy**

The provisions in the policy shall be applicable to material outsourcing arrangements entered into by the NBFC with a service provider, which may be either a member of the group/conglomerate to which the NBFC belongs, or an unrelated party, located in India or elsewhere for outsourcing of financial services.

## **4. Material Outsourcing**

Material Outsourcing means arrangements, which if disrupted, have the potential to significantly impact the business operations, reputation or profitability or customer service. Outsourcing arrangement will be classified as "Material" if any of the below criteria are met along with annual cost threshold of Rs 50 lacs or above. 'Materiality' of outsourcing shall be based on the:

- (i) level of importance to the NBFC of the activity being outsourced as well as the significance of the risk posed by the same,
- (ii) potential impact of the outsourcing on the NBFC on various parameters such as earnings, solvency, liquidity, funding, capital, and risk profile,
- (iii) likely impact on the NBFC's reputation and brand value, and ability to achieve its business objectives, strategy, and plans, should the service provider fail to perform the service,

- (iv) cost of the outsourcing as a proportion of total operating costs of the NBFC,
- (v) aggregate exposure to that service provider, in cases where the NBFC outsources various functions to the same service provider, and
- (vi) significance of activities outsourced in the context of customer service and protection.

#### **5. Services/Activities not to be Outsourced**

The NBFC shall not outsource core management functions, including Internal Audit, strategic and compliance functions, and decision-making functions, such as determining compliance with KYC norms for opening deposit accounts, giving sanction for loans and management of investment portfolio. While internal audit function itself is a management process, the internal auditors can be on contract.

#### **6. Services/Activities not to be considered as Outsourcing**

The provisions shall not apply to outsourcing of activities unrelated to financial services like usage of courier, catering of staff, housekeeping and janitorial services, security of the premises, movement and archiving of records, etc.

#### **7. Authorisation, Accountability, and Oversight**

- (i) The NBFC, outsourcing financial services, shall not require prior approval from RBI. However, such arrangements would be subject to on-site/off-site monitoring and inspection/scrutiny by RBI.
- (ii) The NBFC shall be responsible for the actions of its service provider including Direct Sales Agents (DSAs)/Direct Marketing Agents (DMAs) and recovery agents and the confidentiality of information pertaining to the customers that is available with the service provider. The NBFC shall retain ultimate control of the outsourced activity.
- (iii) The NBFC shall ensure that all relevant laws, regulations, rules, guidelines and conditions of approval, licensing or registration have been considered when performing due diligence in relation to outsourcing.
- (iv) The NBFC shall ensure that outsourcing, whether the service provider is in India or outside, does not impede RBI in carrying out its supervisory functions and objectives, or diminish the ability of an NBFC to fulfil its obligations to the regulator/ supervisor.
- (v) The NBFC shall ensure that outsourcing, whether the service provider is in India or outside, does not impede or interfere with the ability of an NBFC to effectively oversee and manage its activities, and fulfil its obligations.
- (vi) The NBFC shall ensure that outsourcing would not result in the compromise or weakening of an NBFC's internal control, business conduct, or reputation.
- (vii) The NBFC shall ensure that the service provider employs the same high standard of care in performing the services as would be employed by the NBFC, if the activities

were conducted within the NBFC and not outsourced.

(viii) The NBFC shall ensure that the service provider, if not a group company of the NBFC, shall not be owned or controlled by any director of the NBFC, or their relatives having the same meaning as assigned under Companies Act, 2013 and the Rules framed thereunder, as amended from time to time.

(ix) The NBFC shall be responsible for making Currency Transactions Reports (CTRs) and Suspicious Transactions Reports (STRs) to FIU-Ind or any other competent authority in respect of its customer related activities carried out by the service providers.

### **8. Role of the Board**

The outsourcing of any activity by the NBFC does not diminish its obligations, and those of its Board and senior management, who have the ultimate responsibilities for the outsourced services/activities. The Board shall be responsible, *inter alia*, for:

(i) approving a framework to evaluate the risks and materiality of all existing and prospective outsourcing arrangements and the policies that apply to such arrangements,

(ii) laying down appropriate approval authorities for outsourcing depending on risks and materiality,

(iii) setting up suitable administrative framework of senior management,

(iv) undertaking regular review of outsourcing strategies and arrangements for their continued relevance, and safety and soundness,

(v) deciding on business activities of a material nature to be outsourced, and approving such arrangements,

(vi) approving a policy for outsourcing financial services to a group entity, and

(vii) reviewing records of all material outsourcing on half-yearly basis, through the Risk Management Committee (RMC).

### **9. Role of the Audit Committee of the Board**

The Audit Committee of the Board (ACB) of the NBFC shall:

(i) monitor the system of internal audit of all outsourced activities, and

(ii) review the ageing analysis of entries pending reconciliation with outsourced vendors and make efforts to reduce the old outstanding items therein at the earliest.

### **10. Role of the Senior Management**

The senior management of the NBFC shall, *inter alia*, be responsible for:

(i) evaluating the risks and materiality of all existing and prospective outsourcing, based on the framework approved by the Board or RMC.

(ii) developing and implementing sound and prudent outsourcing policies and procedures commensurate with the nature, scope, and complexity of the outsourcing.

- (iii) reviewing periodically the effectiveness of policies and procedures.
- (iv) communicating information pertaining to material outsourcing risks to the Board in a timely manner.
- (v) ensuring that contingency plans, based on realistic and probable disruptive scenarios, are in place and tested.
- (vi) ensuring that there are independent review and audit for compliance with set policies.
- (vii) undertaking periodic review of outsourcing arrangements to identify new material outsourcing risks as they arise.

## **11. Managing Risks in Outsourcing**

The NBFC shall evaluate and guard against the following key risks, when entering outsourcing arrangement:

- (i) Strategic Risk: such as where the service provider conducts business on its own behalf, inconsistent with the overall strategic goals of the NBFC.
- (ii) Reputation Risk: such as where the service provider delivers poor service, or its customer interactions are inconsistent with the overall standards of the NBFC.
- (iii) Compliance Risk: such as where, owing to outsourcing, the privacy, consumer, and prudential laws are not adequately complied with.
- (iv) Operational Risk: which may arise due to technology failure, fraud, error, or inadequate financial capacity of the service provider to fulfil obligations or to provide remedies.
- (v) Legal Risk: where the NBFC is subjected to, *inter alia*, fines, penalties, or punitive damages resulting from supervisory actions, or private settlements due to omissions and commissions by the service provider.
- (vi) Exit Strategy Risk: which may arise when then NBFC becomes over reliant on one service provider, loses relevant internal skills preventing it from bringing the activity back in-house, or enters contracts that make speedy exits prohibitively expensive.
- (vii) Counterparty Risk: such as where the service provider engages in inappropriate underwriting or credit assessments.
- (viii) Country Risk: where the political, social, or legal climate creates added risk in the outsourcing arrangement.
- (ix) Contractual Risk: where the NBFC may not have the ability to enforce the contract with the service provider.
- (x) Concentration and Systemic Risk: where there is a lack of control of the NBFC over a service provider, more so when overall industry has considerable exposure to one service provider.

## **12. Confidentiality and Security of Information**

(i) The NBFC shall seek to ensure the confidentiality, security, preservation, and protection of the customer information in the custody or possession of the service provider.

(ii) The access to customer information by a service provider or its staff shall be on a 'need to know' basis, i.e., limited to those areas where the information is required to perform the outsourced function.

(iii) The NBFC shall review and monitor the security practices and control processes of its service providers on a regular basis and require the service provider to disclose security breaches.

(iv) In instances, where a service provider acts as an outsourcing agent for multiple entities, the NBFC shall take care to build strong safeguards so that there is no comingling or combining of information, documents, records, and assets.

(v) The NBFC shall ensure that a service provider is able to isolate and clearly identify the NBFC's customer information, documents, records and assets to protect the confidentiality of the information.

(iv) The NBFC shall immediately notify RBI in the event of breach of security and leakage of confidential customer related information. In these eventualities, the NBFC shall be liable to its customers for any damage.

## **13. Outsourcing Process-Evaluation of Service Provider**

The NBFC shall perform appropriate due diligence while considering or renewing an outsourcing arrangement, to assess the capability of the service provider to comply with obligations in the outsourcing agreement on an ongoing basis. The NBFC may obtain independent reviews and market feedback on the service provider to supplement the findings of its own due diligence. The due diligence shall involve an evaluation of all the available information, as applicable, about the service provider, as given below:

(i) qualitative, quantitative, financial, operational, legal, and reputational factors

(ii) risks arising from undue concentration, if outsourcing to a single service provider, or a limited number of service providers

(iii) past experience and demonstrated competence to implement and support the proposed activity over the contracted period.

(iv) financial soundness and ability to service commitments even under adverse conditions.

(v) business reputation and culture, compliance, complaints and outstanding or potential litigation.

(vi) quality of due diligence exercised by the service provider of its employees and sub-contractors.

(vii) security and internal control, audit coverage, reporting, and monitoring procedures, and business continuity management

(viii) compatible of the systems of its service provider, with those of the NBFC

(ix) acceptability of the standards of performance including customer service, of its service provider.

(x) external factors like political, economic, social, and legal environment of the jurisdiction in which the service provider operates and other events that may impact data security and service performance.

#### **14. Outsourcing Agreement**

The NBFC shall ensure that the terms and conditions governing the outsourcing arrangement are carefully defined in written agreements and vetted by the NBFC's legal counsel on their legal effect and enforceability. The agreement shall appropriately reckon the associated risks and the strategies for mitigating or managing them. The NBFC shall ensure that such an agreement is sufficiently flexible to allow it to retain an appropriate level of control over the outsourcing and the right to intervene with appropriate measures to meet legal and regulatory obligations. The agreement shall also bring out the nature of legal relationship between the parties, i.e., whether agent-principal or otherwise. Some of the key provisions of the agreement shall include:

(i) details of the activity being outsourced, including appropriate service and performance standards.

(ii) the NBFC's access to all books, records, and information relevant to the outsourced activity available with the service provider.

(iii) regular and continuous monitoring and assessment by the NBFC of the service provider for continuous management of the risks holistically, so that any necessary corrective measure can be taken immediately.

(iv) prior approval or consent by the NBFC for the use of subcontractors by the service provider for all or part of an outsourced activity.

(v) controls for maintaining confidentiality of data including of its customers and incorporating service provider's liability in the event of security breach and leakage of such confidential information.

(vi) contingency plans to ensure business continuity.

(vii) the NBFC's right to conduct audits on the service provider whether by its internal or external auditors, or by agents appointed to act on its behalf and to obtain copies of any audit or review reports and findings made on the service provider in conjunction with the services performed for the NBFC.

(viii) right of RBI or persons authorised by it to access the NBFC's documents, records of transactions, and other necessary information given to, stored or processed by the service provider within a reasonable time.

(ix) right of RBI to cause an inspection to be made of the service provider of the NBFC and its books and account by one or more of its officers, employees or other authorised persons.

(x) a termination clause and minimum period for executing termination, if deemed necessary.

(xi) provision that confidentiality of customers' information shall be maintained even after the contract expires or gets terminated.

(xii) provisions to ensure that the service provider preserves documents and data in accordance with legal and regulatory obligations of the NBFC and take suitable steps to ensure that its interests are protected in this regard even post termination of the services.

#### **15. Monitoring and Control of Outsourced Activities**

(i) The NBFC shall have in place a management structure to monitor and control its outsourced activities and shall ensure that outsourcing agreements with its service provider contain provisions to address the same.

(ii) The NBFC shall maintain a central record of all material outsourcing of financial services for review by its Board and Senior Management. The records shall be updated promptly, and half-yearly reviews shall be placed before the Board or RMC.

(iii) Regular audits, by either the internal auditors or external auditors of the NBFC shall assess the adequacy of the risk management practices adopted in overseeing and managing the outsourcing arrangement, the NBFC's compliance with its risk management framework, and the requirements of these Directions.

(iv) The NBFC shall, at least on an annual basis, review the financial and operational condition of the service provider to assess its ability to continue to meet its outsourcing obligations. Such due diligence reviews, which shall be based on all available information about the service provider, shall highlight any deterioration or breach in performance standards, confidentiality, and security, and in operational resilience or business continuity preparedness.

## **16. Business Continuity and Management of Disaster Recovery Plan**

(i) The NBFC shall require its service provider to develop and establish a robust framework for documenting, maintaining, and testing business continuity and recovery procedures. The NBFC shall ensure that the service provider periodically tests the Business Continuity and Recovery Plan and may also consider occasional joint testing and recovery exercises with its service provider.

(ii) In establishing a viable contingency plan, the NBFC shall consider the availability of alternative service providers or the possibility of bringing the outsourced activity back in-house in an emergency, and the costs, time, and resources that would be involved.

(iii) The NBFC shall ensure that its service providers are able to isolate the NBFC's information, documents, and records, and other assets so that in adverse conditions or termination of the agreement, all documents, records of transactions and information given to the service provider, and assets of the NBFC, can be removed from the possession of the service provider (in order to continue its business operations); or deleted, destroyed or rendered unusable.

(iv) In order to mitigate the risk of unexpected termination of the outsourcing agreement or insolvency or liquidation of its service provider, the NBFC shall retain an appropriate level of control over its outsourcing arrangement along with the right to intervene with appropriate measures to continue its business operations without incurring prohibitive expenses and disruption in the operations of the NBFC and its services to the customers.

## **17. Termination of Outsourcing Agreement**

In the event of termination of an outsourcing agreement for any reason, this shall be publicised by the NBFC by displaying at a prominent place in the branch, posting it on the website, and informing the customers to ensure that the customers do not continue to deal with the service provider.

## **18. Outsourcing within a Group/Conglomerate**

(i) In a group structure, the NBFC may have back-office and service arrangements or agreements with group entities such as sharing of premises, legal and other professional services, hardware and software applications and centralized back-office functions, outsourcing certain financial services to other group entities.

(ii) In such arrangements, the NBFC shall inform the customers specifically about the company which is offering the product/service, wherever there are multiple group entities involved, or any cross selling observed.

- (iii) While entering such arrangements, the NBFC shall ensure that the agreements:
- (a) are appropriately documented in written agreements with details like scope of services, charges for the services and maintaining confidentiality of the customer's data.
  - (b) do not lead to any confusion to the customers on whose products / services they are availing by clear physical demarcation of the space where the activities of the NBFC and those of its group entities are undertaken.
  - (c) do not compromise the ability of the NBFC to identify and manage risk on a stand-alone basis.
  - (d) do not prevent RBI from being able to obtain information required for the supervision of the NBFC or pertaining to the group.
  - (e) incorporate a clause under the written agreements that there is a clear obligation for any service provider to comply with directions given by RBI in relation to the activities of the NBFC.
- (iv) The NBFC shall ensure that its ability to carry out its operations in a sound fashion would not be affected, if premises or other services (such as IT systems and support staff) provided by the group entities become unavailable.
- (v) If the premises of the NBFC are shared with the group entities for the purpose of cross-selling, the NBFC shall take measures to ensure that the entity's identification is distinctly visible and clear to the customers. The marketing brochure used by the group entity and verbal communication by its staff / agent in the NBFC's premises shall mention nature of arrangement of the entity with the NBFC, so that the customers are clear on the seller of the product.
- (vi) The NBFC shall not publish any advertisement or enter into any agreement stating or suggesting or giving tacit impression that it is in any way responsible for the obligations of its group entities.
- (vii) The risk management practices to be adopted by the NBFC while outsourcing to a related party (i.e., party within the group / conglomerate) shall be identical to those for a non-related party

#### **19. Redressal of Grievances related to Outsourced Services**

- (i) The outsourcing arrangements entered by the NBFC shall not affect the rights of its customers against the NBFC, including the ability of the customers to obtain redressal as applicable under relevant laws.
- (ii) In cases where customers are required to deal with a service provider in the process of dealing with the NBFC, the NBFC shall incorporate a clause in the corresponding product literature and brochures, stating that services of the service provider, including

in sales, and marketing of the products, may be used. The role of the service provider may be indicated in broad terms.

(iii) The NBFC shall have a robust grievance redressal mechanism that shall not be compromised in any manner on account of outsourcing, i.e., responsibility for redressal of customers' grievances related to outsourced services shall rest with the NBFC. In case of microfinance loans, a declaration that, the NBFC shall be accountable for inappropriate behaviour of the employees of the service provider and shall provide timely grievance redressal, shall be made in the loan agreement, and Fair Practices Code (FPC) displayed in its office premises and its website.

(iv) The NBFC shall constitute Grievance Redressal Machinery in accordance with the provisions of Reserve Bank of India (Non-Banking Financial Companies-Responsible Business Conduct) Directions, 2025.

(v) At the operational level, the NBFC shall display the name and contact details (Telephone/Mobile Nos. as also email address) of the Grievance Redressal Officer prominently at its premises, where business is transacted. The designated officer shall ensure that genuine grievances of customers are redressed promptly without involving delay. It shall be clearly indicated that NBFC's Grievance Redressal Machinery will also deal with the issue relating to services provided by the outsourced agency.

(vi) The NBFC shall give a time limit of 30 days to the customers for preferring their complaints or grievances. The grievance redressal procedure of the NBFC and the time frame fixed for responding to the complaints shall be placed on the NBFC's website; and

(vii) If a complaint is rejected wholly or partly by the NBFC and the complainant is not satisfied with the reply or does not get any reply within 30 days, after the NBFC received the complaint, the complainant shall have the following options for redressal of their grievance(s): (a) the RBI's Ombudsman in case of the NBFC to which RBI's Integrated Ombudsman Scheme, 2021 applies, or (b) Consumer Education and Protection Cell (CEPC) of respective Regional Office of RBI in case of the NBFC to which RBI's Integrated Ombudsman Scheme, 2021 does not apply.

## **21. Review of the Policy**

The Board shall review the Policy on Outsourcing of Financial Services, on an annual basis, or more frequently, keeping in view the changes in regulations.