

RISK MANAGEMENT FRAMEWORK POLICY  
**Version 1.1**

# **RISK MANAGEMENT FRAMEWORK**

## **Background:**

With the overall objective of management of key risks involved in mutual fund operation, SEBI vide circular SEBI/HO/IMD/IMD-1 DOF2/P/CIR/2021/630 dated 27<sup>th</sup> Sept 2021, has prescribed the revised Risk Management Framework (RMF) which provide a set of principles or standards, which inter alia comprise the policies, procedures, risk management functions and roles & responsibilities of the management, the Board of AMC and the Board of Trustees.

The Risk Management Framework (RMF) has been prepared in-line with the above circular. We have used the services of KPMG in arriving at the various parameters of risk identification, measuring and monitoring.

Key Elements of the policy are as follows:

- a. Roles and Responsibilities
- b. Constitution of various committees
  - a. Board Risk committee-Trustee and AMC
  - b. Executive RMC
  - c. IC
- c. Scheme specific risks: Investment risk, Credit risk, Liquidity risk, Governance risk
- d. AMC specific risks: Operational risk, Technology Information Security & cyber risk, Compliance risk, Reputation & conduct risks, Outsourcing risk, Sales & Distribution risk, Financial Reporting risk, Legal & Tax Risks, Talent Risk
- e. Risk Appetite parameters: Scheme Level
- f. Risk Appetite parameters: AMC Level
- g. Other policies as prescribed to be part of RMF: Reputation risk, Crisis Management Policy, Media Interaction policy, Stress testing policy
- h. Key risks identification across departments and Delegation of Power
- i. Risk incident reporting and data capture

# **I. Roles and Responsibilities**

## **1. Background**

### **1.1. Objective**

To provide additional roles and responsibilities including KRAs for risk management activities for mutual funds (“MFs”) and Asset Management Companies (“AMCs”) in accordance with SEBI risk management circular dated 27<sup>th</sup> September 2021. This shall be aligned to the risk management policies and procedures documented by respective AMC for the risk management activities.

### **1.2. Scope**

This document defines the illustrative roles and responsibilities for the following key positions:

- Chief Executive officer (“CEO”)
- Chief Risk Officer (“CRO”)
- Head of Equity (“HOE”) Fund Manager (“FM”)
- Chief Compliance Officer (“CCO”),
- Chief Operations Officer (“COO”), and
- Chief Financial Officer (“CFO”)
- Head of Sales and Marketing (“HOE”) Chief Human Resources Officer (“CHRO”)

## 2. Roles and responsibilities (including KRAs)

### 2.1. Chief Executive Officer (CEO)

#### **Roles & Responsibilities:**

- Monitor and manage risk at both AMC and Scheme level
- Review the outcomes of risk management function on a monthly basis.
- Approve roles and responsibility including KRA of Head of Equity (HOE) and other CXO like Chief Compliance Officer (“CCO”), Chief Operations Officer (“COO”), Chief Human Resources Officer (“CHRO”), Head of Sales and Marketing (HSM), Chief Financial Officer (“CFO”) relating to risk management
- Define Delegation of Power (DoP) framework for daily risk management, reporting and corrective actions and place it with Board of AMC for approval.
- Define risk appetite at AMC and scheme level and place these at the risk committees for approvals.
- Define risk metric for
  - HOE and Fund Managers
  - CCO, COO, HSM CHRO
- Review risks events across different functions and approve corrective / recommended actions highlighted by the HOE and other CXOs
- Review identified fraud incidents, loss and near miss incidents along with corrective action plans and report to the risk committee
- Report and escalate corrective actions on major findings to the Board of AMC and Trustee.
- Ensure adherence to the risk management framework of SEBI.

#### **Key Result Area:**

- Risk incidents / events beyond the defined thresholds or tolerance limits
- Incidents of breach in risk appetite at AMC and Scheme Level
- Frauds, loss and near miss incidents identified across AMC and Mutual Fund
- Timely implementation of action plans beyond timelines approved by the board

## 2.2. Chief Risk Officer (CRO)

### **Roles & Responsibilities:**

- Ensure all risk related policies are defined, reviewed, and updated periodically and placed at the relevant risk management committee for approval.
- Responsible for implementation and governance of Risk Management Framework (“RMF”) across Asset Management Company (“AMC”) and Mutual Fund Schemes
- Responsible for overall risk management related activities of the AMC and Mutual Fund Schemes
- Establishing an organization wide risk conscious culture.
- Formulate and implement structured reporting process for risk monitoring and reporting to CEO, Risk Committees and Board of AMC and Trustee
- Monitor and ensure adherence and compliance to RMF across AMC and Mutual Fund Operations.
- Perform periodic review and update the RMF defined by the AMC and place the same to the Risk Management Committee (“RMC”) for approval.
- Formulate and recommend changes to roles and responsibilities including KRAs relating to risk management activities and place these at the RMCs for approval.
- Periodically review the DoP covering the following:
  - Daily risk management
  - Daily risk reporting
  - Corrective actions at the level of Fund manager, HOE and CEO
- Review and suggest changes to the risk appetite and risk metrics for AMC and scheme as defined by the CEO
- Ensure formulation and implementation of adequate mechanism for –
  - Generating early warning signals;
  - Conducting stress testing for investment, credit and liquidity risks basis approved parameters;
  - Define the tolerance limits for each of the risk parameters;
  - Measurement and review of AMC and scheme specific risks including RCSA and the person responsible to monitor the risks;
  - Assessment and review of credit risk policies
  - Assess liquidity risk at a scheme level
  - Alerts pertaining to asset liability mismatch
  - Formulation of Fraud Risk Registers and Frauds response plan / strategies
  - Escalation matrix for reporting and resolution of incidents (loss, near miss, fraud etc.)
  - Ensure review of operations for material outsourced activities at least on an annual basis;
  - Adequate framework to detect and prevent security market violation, frauds and malpractices by the AMC and reporting framework on the same to the ERM and board Trustee on half yearly basis.
- Review and report the following to the ERM and Board Risk Committee of AMC and Trustee –
  - Risk reports and dashboards capturing deviations to risk thresholds, risk appetite across AMC and Scheme
  - Results of monitoring of early warning signals by respective functions
  - Result of stress testing based on defined parameters for investment, credit and liquidity risks, etc.
  - Internal and external fraud incidents reported / identified by CXOs including evaluation of fraud risk scenarios

- Near miss and loss incidents identified and reported by the respective departments
- Monitor liquidity risk including asset liability mismatch at a scheme and portfolio level vis-à-vis internally approved and defined liquidity model on a monthly basis
- Major findings and corrective actions prepared by the CXOs
- Monitor delays in implementation of corrective actions by CXOs
- Monitor control breaches as a result of periodic RCSA review and mitigating actions put in place by the management and risk function.
- Independently assess reporting of risks to various committees and CEO.
- Ensure insurance cover is maintained based on AMC and Trustee approval for the MF operations and third party losses
- Report outcomes of the risk management function to the management at least once a month.
- Approve investment limit setup such as minimum number of stocks/securities, cash (net of derivatives), stocks/securities vis-a-vis benchmark and Beta range, regulatory limits
- Define process to assess the control against each of the identified risk capturing following elements:
  - Measurement tool for each risk ( RCSA, Stress Testing etc)
  - Monitoring and reporting frequency
  - Reporting of breaches
- Identify, assess and estimate emerging risks and their possible impact on AMC and mutual fund schemes
- Report existing and emerging risks associated with the MF and AMC activities in a structured manner to the Board Risk Management Committee of the AMC and Trustee

**Key Result Area:**

- Adherence to the requirements of SEBI risk management circular
- Timely reporting of the results from monitoring of AMC and scheme specific risks such as:
  - RCSA testing;
  - Stress testing;
  - Monitoring of risk thresholds and risk appetite
  - Monitoring of investment and liquidity risks
  - Monitoring of EWS by functions;
- Monitor and timely report implementation status of the actions plan committed by the respective functions/ CXOs and reporting of delays, if any
- Timely reporting of risk events to the ERM and Board Risk Committees
- Adherence to the defined roles and responsibilities and Delegation of Power (DoP)
- Availability of adequate insurance coverage for MF operations and third-party losses.

## 2.3. Head of Equity (HOE)

### **Roles & Responsibilities:**

- Ensure adherence to risk management guidelines and risk appetite framework for schemes;
- Ensure daily management of risk and necessary reporting relating to Investment risk of all scheme(s) such as market Risk, liquidity Risk, credit risk etc. and other scheme specific risks (Compliance Risk, Fraud Risk, etc.)
- Review and provide recommendations for changes to the Investment and other policies such as credit risk policy, liquidity risk policy and governance risk policy and place it with Board for approval.
- Ensure implementation of an integrated investment management system across front office, mid office and back office.
- Ensure investment policies are aligned to the investment objectives as documented in the Scheme Information Document (“SID”)
- Formulate, review and implement a framework for -
  - Updation / modification in the equity or debt investment universe
  - Updation in internal investment limits;
  - Provide relevant information to CRO regarding the risk reports
  - Quantitative risk analysis (using metrics such as VaR, Sharpe Ratio, Treynor Ratio, Information Ratio, etc.)
  - Review portfolio concentration and take necessary actions to make adjustments to the portfolio holding
  - Monitoring risk appetite within the potential risk class of the respective schemes
  - Assessment of the governance risk of the issuer
  - Assessing and monitoring risks of investing in multiple markets
  - Maintenance of all relevant documents and disclosures with regard to the debt and money market instruments before finalizing the deal
  - Ensuring that schemes are managed in line with regulatory requirements
- Manage and monitor investment risks by conducting –
  - Redemption analysis
  - Investor concentration analysis
  - Distributor concentration analysis
- Ensure adherence to the “Stewardship Code” and other regulatory updates prescribed by SEBI for mutual funds
- Calculate overall risk by taking in to account the weighted average of -
  - The risk-o-meter and
  - The events of defaults.
- Ensure periodic reviews and monitoring the following –
  - Activities performed by fund managers with respect to risks identification, risk management, reporting and corrective actions.
  - Review and approve the changes to the risk appetite within the potential risk class of the respective schemes
  - Exceptions / breaches to the Investment limit and identify and implement corrective actions.
  - Investment risk for new products
  - Implementation of controls around dealing room such as –
    - non usage of mobile phones
    - dedicated recorded lines
    - restricted internet access
    - handling of information

- Ensure adequate due diligence are conducted and documented during inter-scheme transfers
- Monitor exceptions identified on review of the regular risk management activities
- Review adequacy of disclosures made to the investors regarding significant risks such as liquidity, counterparty and credit (quality of investments made mainly debt based on the credit rating), investment, and other risk areas across all schemes. Ensure disclosures made to clients are consistent with investments and holdings
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- Ensure that fund managers and dealers comply with Code of Conduct as per Schedule V B of Mutual Fund Regulations.
- Define and set internal limits such as -
  - minimum number of stocks/securities,
  - cash (net of derivatives),
  - stocks/securities vis-a-vis benchmark and
  - Beta range
- Report the key risk identified and corrective actions taken to the CEO and CRO.
- Define the responsibilities of the Fund Managers.

### **Key Result Areas:**

- Adherence to the SEBI risk Management circular
- Adherence to investment risk tolerance limits
- Compliance with investment limits such as
  - Single Issuer Limit
  - Group Issuer Limits
  - Counter party
  - Sector limits
  - Rating linked limits
  - Liquidity limits
  - Asset Allocation limits as per SID
  - Internal investment norms
  - Stress testing
  - Market capitalization limits
  - Other internal/ regulatory limits
- Instances where security perfection is pending beyond defined timelines
- Timely implementation of remediation actions plan relating to the investment function.
- Instances of fraud, near miss and loss events relating to investment activities resulting in losses
- Instances of breach in dealing room controls
- Timey reporting of risk incidents to CEO / CRO
- Adequate risk reporting to the investors
- Monitoring of requirements prescribed under the stewardship code
- Risk incidents / events beyond the defined thresholds or tolerance limits
- Instances of breach in covenant monitoring and action taken



## 2.4. Fund Manager (FM)

### **Roles & Responsibilities:**

- Manage investment risk of managed scheme(s). i.e., market risk, liquidity risk, credit risk and other scheme specific risks within approved limits
- Ensure adherence to Risk Management framework, SID, internal & Regulatory limits.
- Ensure adherence of applicable provisions of Mutual Funds Regulations including Code of Conduct per Schedule V B.
- Adhere to the risk appetite framework of the scheme managed by the Fund Manager.
- Suggest / provide inputs on changes required to risk appetite to the HOE
- Recommend reduction/ change in the risk level of the schemes within the Potential Risk Class (PRC) to the HOE.
- Report identified risk, risk related events and corrective actions plans to the HOE
- Measure risks in accordance with the approved internal policy and risk metric.
- Periodic analysis of bulk trades and block deals of large values.
- Analysis and evaluation of ratings received from multiple credit rating agencies for securities across portfolios and take necessary actions
- Ensure disclosures made to clients are consistent with investments and holdings
- Manage and monitor investments in schemes by conducting –
  - Quantitative risk analysis using metrics such as VaR, Sharpe Ratio, Treynor Ratio, Information Ratio, etc.
  - analysis of concentration limits (counterparty wise, group wise, industry or sector wise, geography wise)
- Perform due diligence at the time of buying securities through inter-scheme transfers.
- Ensure maintenance of all relevant documents and disclosures with regard to debt and money market instruments before finalizing the deal
- Take corrective action for deviations, if required, as per the approved Delegation of Power (DoP).

### **Key Result Area:**

- Adherence to the SEBI risk Management circular relating to investment activities
- Adherence with investment limits such as
  - Single Issuer Limit
  - Group Issuer Limits
  - Sector limits
  - Rating linked limits
  - Liquidity limits
  - Asset Allocation limits as per SID
  - Internal investment norms
  - Stress testing
  - Market capitalization limits, Other internal/ regulatory limits
- Adherence to the investment risk tolerance levels for the schemes managed by the fund manager
- Timely implementation of remediation actions plan linked to respective fund manager.
- Instances of fraud, near miss and loss events relating to schemes managed by the fund manager
- Timely reporting of risk incidents to HOE
- Adherence to DoP
- Adequate due diligence during inter-scheme transfer of securities
- Timely action upon downgrade of securities
- Adequate documentation for debt and money market deals

## 2.5. Head of Sales and Marketing

### **Roles & Responsibilities:**

- Responsible for the governance of business risks including distribution risks.
- Provide inputs to CRO to define risk threshold and risk appetite
- Define and delegate roles to the key personnel within the distribution / sales function for identifying and reporting risks
- Provide relevant information to CRO regarding the risk reports
- For the relevant functional risks, identify, analyze and report the following to the CRO and CEO along with recommended action plan for:
  - Early warning signals
  - Emerging risks
  - Major findings
  - Near miss and loss events
  - Fraud incidents

Ensure escalation of such incidents as per the escalation matrix approved by CRO.

- Review the risk level for the functional risk is in accordance to the approved risk threshold and risk metric.
- Ensure adherence with the DoP framework
- Formulate, review and periodically provide inputs to update the RCSA for key risks and controls
- Perform and report outcomes of periodic testing of the RCSA to CRO
- Identify and implement corrective actions / recommend action plans for deviations in the controls and present to CRO/ CEO
- Ensure adherence to the SEBI risk management framework
- Monitor the distribution channels and miss-selling incidents reported such as –
  - Number of mis-selling incidents
  - Negative comments in the inspection report relating to distribution
  - Analysis of the portfolio of investors e.g. nature of investments vis-à-vis risk appetite of investor
- Exceptions reported by Sales & Marketing basis reviews done for distributors.

### **Key Result Area:**

- Adherence to Risk Management Framework
- Compliance with roles and responsibilities and DoP framework
- Risks and inconsistencies identified and reported to CEO / CRO
- Timely reporting of identified risks and outliers to CEO / CRO
- Timely implementation of corrective actions for the risks and deviations
- Timely reporting of fraud, loss and near miss events in the respective functions
- Breach of approved threshold relating to risk appetite and risk metrics
- Instances of mis-selling reported and actions taken Risk incidents / events beyond the defined thresholds or tolerance limits

## 2.6. Chief Compliance Officer ('CCO')

### **Roles & Responsibilities:**

- Responsible for the governance of compliance risks.
- Formulate and implement compliance and other policies such as prevention of front running, outside business activity, commercial bribes and kickbacks, whistle blowing policy, record retention policy, outsourcing arrangements etc. in accordance with SEBI risk management framework and approved by the Board of AMC and Trustee
- Review and suggest changes in the policies on the Compliance matters and obtain approval from Board of AMC and Trustee
- Ensure identification and communication of regulatory updates to the respective functions and CXOs and monitor implementation. (this will be as per SEBI Circular)
- Provide inputs to CRO to define risk threshold and risk appetite of Compliance
- Define and delegate roles to the key personnel within the compliance function for identifying and reporting risks
- Provide relevant information to CRO regarding monthly / quarterly risk reporting to the Committees
- For the relevant functional risks, identify, analyze and report the following to the CRO and CEO along with recommended action plan for: (this will be intimated as and when received from any department)
  - Early warning signals
  - Emerging risks
  - Major findings
  - Near miss and loss events
  - Fraud incidentsEnsure escalation of such incidents as per the escalation matrix approved by CRO.  
(Escalation by all the departments)
- Ensure timely and accurate filing of the regulatory returns / filings
- Review the risk level for the functional risk is in accordance with the approved risk threshold and risk metric
- Ensure adherence with the DoP framework
- Formulate, review and update the RCSA for key Compliance risks and controls
- Perform and report outcomes of periodic testing of the RCSA to CRO
- Identify and implement corrective actions / recommend action plans for deviations in the controls and present to CRO/ CEO
- Ensure adherence to the SEBI risk management framework
- Ensure timely submission of regulatory reports to the Regulator and Board of AMC and Trustee as prescribed by the SEBI Mutual Funds Regulations.
- Monitor the following scheme related disclosures -
  - 
  - Disclosure of credit (quality of investments made mainly debt based on the credit rating), counterparty, investment and other risks associated with the scheme to the investors
  - Scheme's risk profile is stated in all communications with investors including in the SID and marketing materials
  - Incorporate any other elements of risk appetite as may be stipulated by AMCs and Trustees in SID.
- Implement process for prevention or detection of possible insider trading at the personnel or portfolio levels (process to be formulated & guided).

- Implement process for performing compliance check of AMC's marketing materials (collateral, brochures etc.), website uploads, digital advertising, and performance advertising etc. before its usage.
- Ensure that roles and responsibilities as per the RMF is disclosed on the AMC website

**Key Result Areas:**

- Adherence to Risk Management Framework
- Compliance with roles and responsibilities and DoP framework
- Risks and inconsistencies identified and reported to CEO / CRO
- Timely reporting of identified risks and outliers to CEO / CRO
- Timely implementation of corrective actions for the risks and deviations relating to compliance function
- Timely reporting of fraud, loss and near miss events relating to Compliance function
- 
- Timely reporting to the regulator, Board of AMC and Trustee
- Adequacies in disclosure in SID
- Compliance check on the marketing material not performed resulting in non-compliance
- Identification and timely implementation of regulatory changes
- Risk incidents / events beyond the defined thresholds or tolerance limits, or the elements in the risk registers which are mapped to the compliance function

## 2.7. Chief Operating Officer ('COO')

### **Roles & Responsibilities:**

- Responsible for the governance of operational risks.
- Provide inputs to CRO to define risk threshold and risk appetite
- Define and delegate roles to the key personnel within the operations function for identifying and reporting risks
- Provide relevant information to CRO regarding the risk reports
- For the relevant functional risks, identify, analyze and report the following to the CRO and CEO along with recommended action plan for:
  - Early warning signals
  - Emerging risks
  - Major findings
  - Near miss and loss events
  - Fraud incidents

Ensure escalation of such incidents as per the escalation matrix approved by CRO.

- Perform adequate due diligence of outsourced vendors prior to on boarding
- Ensure periodic assessment of outsourced vendors considering following elements:
  - Review of vendors' people, systems and processes
  - Documentation and communication of error tolerance and code of conduct and monitoring breaches
  - Monitor fraud vulnerabilities in the outsourced process
- Monitor outliers findings identified during periodic assessment of outsourced vendors and recommend and monitor implementation
- Ensure implementation of an integrated investment management system across front office, mid office and back office.
- Ensure risk level is in accordance to the approved risk threshold and risk metric.
- Ensure adherence with the DoP framework
- Formulate, review and periodically provide inputs to update the RCSA for key risks and controls
- Perform and report outcomes of periodic testing of the RCSA to CRO
- Identify and implement corrective actions / recommend action plans for deviations in the controls and present to CRO/ CEO
- Ensure adherence to the SEBI risk management framework

### **Key Result Areas:**

- Adherence to Risk Management Framework
- Compliance with roles and responsibilities and DoP framework
- Risks and inconsistencies identified and reported to CEO / CRO
- Timely reporting of identified risks and outliers to CEO / CRO
- Timely implementation of corrective actions for the risks and deviations
- Timely reporting of fraud, loss and near miss events in the respective functions
- Breach of approved threshold relating to risk appetite and risk metrics
- Deviations / risks identified on outsourced vendor due diligence or internal review
- Risk incidents / events beyond the defined thresholds or tolerance limits

## 2.8. Chief Financial Officer ('CFO')

### **Roles & Responsibilities:**

- Responsible for the governance of financial accounting and reporting risks.
- Formulate and implement policy for mutual fund accounting and obtain approval from the Board of AMC
- Perform periodic review and suggest changes in the policies and obtain approval from Board of AMC
- Provide inputs to CRO to define risk threshold and risk appetite
- Define and delegate roles to the key personnel within the finance / accounting function for identifying and reporting risks
- Provide relevant information to CRO regarding the risk reports
- For the relevant functional risks, identify, analyze and report the following to the CRO and CEO along with recommended action plan for:
  - Early warning signals
  - Emerging risks
  - Major findings
  - Near miss and loss events
  - Fraud incidents

Ensure escalation of such incidents as per the escalation matrix approved by CRO.

- Ensure adequate segregation of duties within the finance function for accounting related activities for scheme and AMC
- Review the risk level is in accordance with the approved risk threshold and risk metric.
- Ensure adherence with the DoP framework
- Formulate, review and periodically provide inputs to update the RCSA for key risks and controls
- Perform and report outcomes of periodic testing of the RCSA to CRO
- Identify and implement corrective actions / recommend action plans for deviations in the controls and present to CRO/ CEO
- Ensure adherence to the SEBI risk management framework
- Formulate procedure documents and implement process to perform periodic testing of internal controls over financial reporting of Mutual Fund schemes

### **Key Result Area:**

- Adherence to Risk Management Framework
- Compliance with roles and responsibilities and DoP framework
- Risks and inconsistencies identified and reported to CEO / CRO
- Timely reporting of identified risks and outliers to CEO / CRO
- Timely implementation of corrective actions for the risks and deviations
- Timely reporting of fraud, loss and near miss events in the respective functions
- Breach of approved threshold relating to risk appetite and risk metrics
- Reporting of major gaps identified across MF schemes during Internal Financial Control ("IFC") review
- Delayed / non implementation of action plan to mitigate IFC gaps
- Risk incidents / events beyond the defined thresholds or tolerance limits

## 2.9. Chief Human Resource Officer ('CHRO')

### **Roles & Responsibilities:**

- Responsible for the governance of Human Resource risks
- Formulate and implement Human Resources and remuneration policy and obtain approval from the Board of AMC
- Review and suggest changes in the policies and obtain approval from Board of AMC
- Provide inputs to CRO to define risk threshold and risk appetite
- Define and delegate roles to the key personnel within the human resource function for identifying and reporting risks
- Provide relevant information to CRO regarding the risk reports
- For the relevant functional risks, identify, analyze and report the following to the CRO and CEO along with recommended action plan for:
  - Early warning signals
  - Emerging risks
  - Major findings
  - Near miss and loss events
  - Fraud incidentsEnsure escalation of such incidents as per the escalation matrix approved by CRO.
- Review the risk level for the functional risk is in accordance to the approved risk threshold and risk metric.
- Ensure adherence with the DoP framework
- Formulate, review and periodically provide inputs to update the RCSA for key risks and controls
- Perform and report outcomes of periodic testing of the RCSA to CRO
- Identify and implement corrective actions / recommend action plans for deviations in the controls and present to CRO/ CEO
- Ensure adherence to the SEBI risk management framework
- Ensure that risk related KRAs are defined for CXOs and one level below CXO as required by the SEBI RMF

### **Key Result Areas:**

- Adherence to Risk Management Framework
- Compliance with roles and responsibilities and DoP framework
- Risks and inconsistencies identified and reported to CEO / CRO
- Timely reporting of identified risks and outliers to CEO / CRO
- Timely implementation of corrective actions for the risks and deviations
- Risk incidents / events beyond the defined thresholds or tolerance limits
- Timely reporting of fraud, loss and near miss events in the respective functions
- Breach of approved threshold relating to risk appetite and risk metrics
- Number of vacant positions for KMP and other key positions

## II) Constitution of various committees

### A. Board Risk committee of AMC

#### 1. Objective

The Board of the AMC shall review the risk management activities of the AMC and Trustee and periodically review the risk monitoring methodology and outliers. The objective of this document is to provide an overview of the composition, structure and responsibilities of the Board Risk Committee (“BRC”) of the AMC consequent to the SEBI Risk Management Circular dated 27th September 2021

#### 2. Compositions

The Board Risk Committee of the AMC may comprise of the following members:

- Relevant Members of the Board (including independent director(s))
- Any other invitees as may be identified by the Board

Note: Chief Risk Officer (“CRO”) would be the permanent invitee to the Board Risk Committee of the AMC

#### 3. Chair

The Committee members shall decide and elect a chairperson for the committee. The Committee should be chaired by an Independent Director.

*(The AMC must document this in the Terms of Reference)*

#### 4. Quorum

The Quorum of the Committee shall be a simple majority of the total committee members and at least one Independent Director must be part of the meeting.

*(The above mentioned quorum is an illustration. The AMC and the committee shall decide and update the quorum in the Terms of Reference)*

#### 5. Scope of activities

5.1. Review and approve mandatory risk management policies and framework both at AMC and scheme level, including but not limited to:

5.1.1. Risk Management Policy



- 5.1.2. Investment policy,
  - 5.1.3. Credit risk policy,
  - 5.1.4. Liquidity risk policy,
  - 5.1.5. Operational risk management policy (including Incident reporting and escalation matrix),
  - 5.1.6. Outsourcing policy,
  - 5.1.7. Cyber security and information security policy
  - 5.1.8. Business Continuity and Disaster Recovery Plan
  - 5.1.9. Such other policies as may be prescribed by SEBI from time to time
- Any modifications to the policies approved by the Executive Risk Management Committee (“ERMC”) shall be reviewed by the BRC of the AMC
- 5.2. Review and approve the risk appetite, risk metric and tolerance limits for AMC and schemes.
  - 5.3. Periodically review the risk appetite and risk metrics against actual risk of the AMC and scheme.
  - 5.4. Review breaches to risk appetite and risk matrix / thresholds and approve the action plan for remediation
  - 5.5. Define mechanism for risk reporting on a quarterly basis by ERMC to the BRC of the AMC.
  - 5.6. Annually review and approve changes to the roles and responsibilities and Delegation of Power (“DoP”) as placed by the ERMC
  - 5.7. Periodically review material breaches in the code of conduct.
  - 5.8. Monitor and review the resolution, strategies as recommended by the management and ERMC for the existing and emerging risks identified by them.
  - 5.9. Review of the exceptions in key risk such as :
    - 5.9.1. Results of stress testing (investment, credit and liquidity risks)
    - 5.9.2. Outliers identified during “Early Warning Signals” review
    - 5.9.3. Material alerts generated through the liquidity risks model at scheme level
    - 5.9.4. Material deviations, issues and corrective actions as a result of periodic RCSA review
  - 5.10. Report on outsourced vendor review and risks emanating from them along with the remediation plans.
  - 5.11. Review and recommend the level and type of insurance cover against first and third party losses arising from errors and omissions.
  - 5.12. Review evaluation of the loss / near miss incidents and fraud risk reports submitted by the ERMC.
  - 5.13. Review major findings and corrective actions approved by CEO and CRO on various risk.
  - 5.14. Formulate and approve a methodology for annual evaluation of the RMF, either through outsourced or by way of self-assessment.
  - 5.15. Review the findings and action plan on the annual RMF compliance review.
  - 5.16. Approve Terms Of Reference for Executive Risk Management Committee (ERMC)
  - 5.17. Delegate matters to CEO or the Executive Risk Management Committee, as required

- 5.18. Review any other material deviations or exceptions and matters of concerns identified by the management / ERM / previous BRC meeting(s) along with action plans
- 5.19. Ensure and comply with such other matters specified by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 read with various amendments and clarifications issued by SEBI from time to time. and SEBI Risk Management Circular dated 27th September 2021

6. Frequency of meetings

The BRC must meet at least once in every quarter or at such shorter frequency as may be required on case-to-case basis.

(The AMC must also ensure that the Minutes of the meeting should be documented and placed at the subsequent meeting or circulated to the members of the committee)

## **B. Board Risk committee of Trustees**

1. Objective

The Board of the Trustee shall review the risk management activities of the AMC and Trustee and periodically review the risk monitoring methodology and outliers. The objective of this document is to provide an overview of the composition, structure and responsibilities of the Board Risk Committee (“BRC”) of the Trustee consequent to the SEBI Risk Management Circular dated 27th September 2021

2. Compositions

The Board Risk Committee of the Trustee may comprise of the following members:

1.1 Members of the Trustee Board (including independent director(s))

1.2 Any other invitees as may be identified by the Board

3. Chair

The Committee members shall decide and elect a chairperson for the committee. The Committee should be chaired by an Independent Director.

*(The AMC must document this in the Terms of Reference)*

#### 4. Quorum

The Quorum of the Committee shall be a simple majority of the total committee members and at least one Independent Director must be part of the meeting.

*(The above mentioned quorum is an illustration. The AMC and the committee shall decide and update the quorum in the Terms of Reference)*

#### 5. Scope of activities

5.1 Review and approve various mandatory risk management policies and framework both at AMC and scheme level, including but not limited to such as:

5.1.1 Risk Management Policy

5.1.2 Investment policy,

5.1.3 Credit risk policy,

5.1.4 Liquidity risk policy,

5.1.5 Operational risk management policy (including Incident reporting and escalation matrix),

5.1.6 Outsourcing policy,

5.1.7 Business Continuity and Disaster Recovery Plan

5.1.8 Such other policies as may be prescribed by SEBI from time to time

Any modifications to the policies approved by the ERM shall be reviewed by the BRC of the Trustees

5.2 Review and approve the risk appetite, risk metric and tolerance limits for AMC and schemes.

5.3 Periodic monitoring of the risk appetite and risk metrics to the actual risk of the AMC and scheme.

5.4 Define a mechanism for risk reporting on a quarterly basis by ERM to the BRC of the Trustee.

5.5 Annually review and approve changes to the roles and responsibilities of the CRO and CXOs and the Delegation of Power (DoP) as approved by the ERM.

5.6 Recommend reduction/ change in the risk level of the schemes within the Potential Risk Class (PRC).

5.7 Monitor and review the resolution, strategies as recommended by the management and ERM for the existing and emerging risks identified by them.

5.8 Review of the exceptions in key risks such as:

5.8.1 Results of stress testing (investment, credit and liquidity risks)

5.8.2 Outliers identified during “Early Warning Signals” review

5.8.3 Material deviations, issues and corrective actions as a result of periodic RCSA review

- 5.8.4 Report on outsourced vendor review and risks emanating from them along with the remediation plans
- 5.8.5 Other Dashboards and reports prepared by management highlighted to the ERM
- 5.9 Review evaluation of the loss / near miss incidents and fraud risk reports submitted by the ERM.
- 5.10 Review report on major findings and corrective actions taken as received from CEO and CRO
- 5.11 Review outcome and submission from the Risk management function on a quarterly basis.
- 5.12 Review and approve level and type of insurance cover against first and third party losses arising from errors and omissions
- 5.13 Review the findings and action plan on the annual RMF compliance review prior to submission to SEBI in the half yearly SEBI report.
- 5.14 Review exceptions and matters of concerns identified by the management / ERM / previous BRC meeting(s) of Trustees along with action plan.
- 5.15 Review of scheme portfolio by the trustee at frequency as required by SEBI Regulations.
- 5.16 Ensure and comply with such other matters specified by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 read with various amendments and clarifications issued by SEBI from time to time. and SEBI Risk Management Circular dated 27th September 2021

## 6. Frequency of meetings

The BRC must meet at least once in every quarter or at such shorter frequency as may be required on case-to-case basis.

(The AMC must also ensure that the Minutes of the meeting should be documented and placed at the subsequent meeting or circulated to the members of the committee)

## C. Executive Risk Management Committee

### 1. Objective

The Executive Risk Management Committee shall review risk management and reporting activities across all risks for AMC and Mutual Fund. The objective of this document is to provide an overview of the composition, structure and responsibilities of the Executive Risk Management Committee (“ERMC”) of the AMC consequent to the SEBI Risk Management Circular dated 27th September 2021.

### 2. Composition

The Executive Risk Management Committee of the AMC may comprise following members:

- Chief Executive Officer (CEO)
- Chief Financial Officer (CFO)
- Chief Business Officer (CBO) / Head of Sales and Marketing (HRM)
- Chief Investment Officer (CIO) / Head of Equity (HOE)/ Fund Manager (FM)
- Chief Operating Officer (COO)
- Chief Compliance Officer (CCO)
- Chief Information Security Officer (CISO)
- Chief Risk Officer (CRO) Any other CXOs and Officer as may be identified by the management / committee

### 3. Chair

The CEO or CRO shall act as the chairperson for the committee.

*(The AMCs must document this in the Terms of Reference)*

### 4. Quorum

The Quorum of the Committee shall be a simple majority of the members who constitute the committee and the CEO or CRO should be part of the meeting.

In case Chairperson is not present for the meeting, the Chairperson should formally designate an attendee to act as a chair for the meeting

*(The above-mentioned quorum is an illustration. The AMC and the committee shall decide and update the quorum in the Terms of Reference)*

### 5. Scope of activities

5.1. Ensure formulation of various mandatory risk management policies and frameworks both at AMC and scheme level, including but not limited to:

5.16.1 Risk Management Policy

#### 5.16.2 Risk Management Framework

5.16.3 Operational risk management policy (including Incident reporting and escalation matrix),

5.16.4 Such other risk policies as may be prescribed by SEBI from time to time

Any modifications to the policies must be highlighted and approved by the ERM. Once reviewed and approved by the ERM, these shall also be placed to the Board Risk Committee ('BRC') of the AMC and Trustee for final approval

5.2. Ensure periodic update and approval of the risk management policies

5.3. The committee shall annually review roles and responsibilities of the CRO and CXOs and the Delegation of Power (DoP) with respect to risk management activities of the management. Changes to roles and responsibilities and DoP must be approved by the committee. Once approved, these must be placed at the BRC of the AMC and Trustee.

5.4. Ensure reporting of significant breaches in the code of conduct to the board of the AMC.

5.5. Review risk appetite and risk metrics for AMC

5.6. Approve tolerance limits against each of the risk parameters

5.7. Review and approve key risks and risk register for different risks across AMC and Mutual Fund and the controls for the same

5.8. Review control breaches as a result of periodic RCSA review and mitigating actions put in place by the management and risk function and report to Board of AMC and Trustee.

5.9. Perform periodic (at least annually) review and approve key risk and risk register

5.10. Review any alerts or exceptions brought to the notice of ERM by CXOs including the following:

5.10.1. Early warning signals w.r.t. operation risk and other risks

5.10.2. Monitor and seek corrective action on reported mis-selling,

5.10.3. Exceptions reported by Sales & Marketing basis reviews done for distributors.

5.10.4. Such other review activities as may be required considering the size and maturity of the AMC

5.11. Assess and review of the following:

5.11.1. Red flags / exceptions emanating from monitoring of early warning signals

5.11.2. Periodic risk reports (such as near miss events, actual misses, loss events, internal and external frauds etc.) submitted by respective functions

5.11.3. Internal review pertaining to outsourced activities conducted by the management along with the remediation plans finalised for the exceptions.

5.12. Review any other investment risk reports and approve mitigating action plans, if any

5.13. Review the exception/deviation report relating to review of security market violation, frauds and malpractices and report the same to the Trustee on half yearly basis.

5.14. Submission of summarized reports of the loss events, near miss and fraud risk to BRC of the AMC and Trustee.

- 5.15. Review external agency reports on periodic review of verification of efficacy of corporate governance standards and business line compliances, validation of the RMF and assurance over the risk management processes.
- 5.16. The Committee shall carry such other functions to assist the AMC and Trustee BRC and delegate such other responsibilities to the management as may be required in discharging its duties.
- 5.17. Review implementation of actionable and requirements of the BRC of the AMC and Trustee
- 5.18. Report exceptions and matters of concerns to BRC of the AMC and Trustee along with action plan.
- 5.19. Ensure and comply with such other matters specified by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 read with various amendments and clarifications issued by SEBI from time to time. and SEBI Risk Management Circular dated 27th September 2021

#### 6. Frequency of meetings

The Executive Risk Management Committee must meet once in a quarter or at a lesser frequency as may be decided by the AMC. A meeting of the Risk Management Committee may be called by the Chair or any other member of the Committee in case of urgent matters.

*(The AMC must also ensure that the Minutes of the meeting should be documented and placed at the subsequent meeting or circulated to the members of the committee.)*

#### **D. Investment Committee:**

##### 1. Objective

The Investment Committee shall review matters relating to investment and investment risks including credit and liquidity risks of the mutual fund at a scheme and portfolio level. The objective of this document is to provide an overview of the composition, structure and responsibilities of the Investment Committee ("IC") of the AMC consequent to the SEBI Risk Management Circular dated 27th September 2021.

##### 2. Compositions

The Investment Committee may comprise following members:

- Chief Executive Officer (CEO)
- Head of Equity (HOE)
- Fund Manager (FM) Chief Compliance Officer (CCO)
- Chief Risk Officer (CRO) – for risk management related activity

*(The above mentioned composition is an illustration. The AMC shall decide and update the composition in the Terms of Reference as per their internal governance structure)*

Further, the Dealers, Fund Managers and Research Analyst(s) or any other official of the AMC/external experts may attend the meetings of the IC by invitation of the Chairman of the Committee for presentation/advice.

3. Chair

The CEO or CIO shall be the chairperson for the committee.  
*(The AMC must document this in the Terms of Reference)*

4. Quorum

The Quorum of the Committee shall be a simple majority of the members who constitute the committee and the chairperson and CRO must be part of the meeting.

*(The above mentioned quorum is an illustration. The invitees shall not be included in determining the quorum. The AMC and the committee shall decide and update the quorum in the Terms of Reference)*

5. Scope of activities

- 5.1 Periodically review and provide recommendations to Investment and other policies such as credit risk policy, liquidity risk policy, stewardship policy and governance risk policy.
- 5.2 Ensure that the investments are as per investment objectives documented in the Scheme Information Document (“SID”)
- 5.3 IC must review and monitor investment risks affecting the mutual fund at scheme and portfolio level including material risk incidents identified by the CIO for its severity and corrective actions
- 5.4 Periodically monitor market and credit risks affecting the AMC and schemes.
- 5.5 Review scheme level and aggregate portfolio level performance of the investments
- 5.6 Monitor analysis of risk management activities conducted at scheme level and portfolio levels such as:
  - 5.6.1 Investment downgrades.
  - 5.6.2 overseas investment limit;
  - 5.6.3 key performance and risk ratios
  - 5.6.4 volatility in performance,
  - 5.6.5 style drift and portfolio concentration,
  - 5.6.6 Interest rate movements etc.
  - 5.6.7 concentration limits such as counterparty wise, group wise, industry or sector wise, geography wise
  - 5.6.8 Alerts generated through the liquidity risks model for the schemes
  - 5.6.9 Assessment and review of credit risk
  - 5.6.10 Assess liquidity risk at a scheme level,
  - 5.6.11 Alerts pertaining to asset liability mismatch,
  - 5.6.12 Risk Models to monitor liquidity risk at scheme level including alerts pertaining to asset liability mis-match



- 5.6.13 Stress testing conducted by the Risk management function and the periodic reports and dashboards prepared by them and take action as required.
- 5.7 Develop framework for credit assessment or due diligence for debt and money market instruments conducted by the AMC
- 5.8 Monitor credit rating of debt and money market instruments at AMC and portfolio level and action plan for securities having rating downgrades
- 5.9 Review changes / updation in regulatory, asset allocation and internal limits such as –
  - 5.9.1 Issuer / group limits
  - 5.9.2 Sector limits
  - 5.9.3 Counter party limits
  - 5.9.4 Broker limits
  - 5.9.5 Limits for investment in debt and money market instruments of various credit qualities
  - 5.9.6 Any other limits as may be specified by SEBI
- 5.10 Monitor and review passive limit breaches and timely rebalancing / corrective actions taken by the management
- 5.11 Ensure due diligence is conducted and documented during inter-scheme transfers by the scheme buying the security.
- 5.12 Review risk appetite and risk metrics for mutual fund schemes.
- 5.13 Review additions and deletions to the debt and equity investment universe
- 5.14 Review matters of concerns identified by the HOE/ Fund Managers / previous investment committee meeting(s) along with action plans
- 5.15 Exceptions to the stewardship code relating to the governance risk in investee company and approve the action plan.
- 5.16 Review any deviation from Risk Management Framework and Delegation of Power with respect to Investment Management.
- 5.17 Review investment risk reports and approve mitigating action plans, if any

## 6. Frequency Of Meetings

The Investment Committee meetings should be held on a monthly basis subject to business requirements.

### III) Identification of Risks- Scheme Specific

Following mandatory elements have been prescribed by SEBI.

	<b><u>SEBI prescribed Elements</u></b>	<b><u>Status / Comments</u></b>
<b><u>INVESTMENT RISK</u></b>		
	The AMC should have the following policies / process	
	a. An investment universe to be updated periodically and responsibility for the same should be clearly defined	Policy document last reviewed by the Board in Dec 2020.
	b. An Investment policy for investment in various asset classes/ securities as permitted by SEBI from time to time and policy on hedging of interest rate risk, foreign exchange risk, price risk etc.	The same is in place and part of the investment policy document last reviewed by the Board in Dec. 2020.
	c. Policy on participation in IPOs/ FPOs including policy on participation in IPOs/ FPOs of associate/ group company(ies)	Policy document last reviewed by the Board in Dec 2020.
	d. Trade execution policy	The same is in place and part of the investment policy document last reviewed by the Board in Dec. 2020.
	e. Policy on trade allocation and inter-scheme transfers (ISTs)	The same is in place and part of the investment policy document last reviewed by the Board in Dec. 2020.
	f. Investment Valuation Policy	The same is in place and part of the investment policy document last reviewed by the Board in Dec. 2020.
	g. Broker Empanelment Policy	The same is in place and part of the investment policy document last reviewed by the Board in Dec. 2020.
	Regulations	Basis
	II. The AMC must ensure that investment risk is adequately factored in by:	
	a) Setting up an investment committee which has close coordination with related departments, and monitors market risk	The same is in place
	b) Setting limits for issue / sector exposure (in line with MF Regulations and internal limits)	Policy document last reviewed by the Board in Dec 2020.
	c) Setting limits for investment debt and money market instruments of various credit qualities	Not applicable as of now as no Debt Schemes
	d) Review of passive breaches and corrective actions	Done through the Risk Management Framework
	III. Investment Committee shall be responsible for the following:	
	a. Review of Investment Policy at a pre-defined frequency	The same is in place
	b. Reviewing the investment plan or policy to meet the investment objectives documented in the SID	The same is in place and will be done in Risk Management Framework henceforth
	c. Monitor investment risk at a defined frequency	To be done through the Risk Management Framework

	IV. The AMC should conduct the following to manage and monitor investment risks (at scheme level or aggregate portfolio level, whichever is applicable).	
	a. Redemption analysis	The same is in place and will be done in Risk Management Framework henceforth
	b. Investor concentration analysis. Both single investor and / or group concentration	To be done through the Risk Management Framework
	c. Monitor investment risk at a defined frequency	To be done through the Risk Management Framework
	d. Investment if any	To be done through the Risk Management Framework
	e. Concentration risk and other relevant risks at aggregate portfolio level in a structured manner	To be done through the Risk Management Framework
	f. Stress testing for investment risk	To be done through the Risk Management Framework
	g. Consider investment risk while launching new products	To be done through the Risk Management Framework
	h. Ensure that Trade Allocation Policy is adhered to along with adequate information to identify those allocations that are out of line with the normal percentage allocation across funds	The same is in place and will be done in Risk Management Framework henceforth
	i. Ratio etc.	In place
	j. Prepare and maintain management reports on topics discussed and conclusions made at investment committee meetings (including interest rate prospects, risk taking and hedging policy, etc.)	In place
	k. Distributor concentration analysis	To be done through the Risk Management Framework
	V. Further, it should be ensured that	
	a. Characteristic of the individual asset classes, and capture dependencies between risks (e.g. market risk and liquidity risk)	To be done through the Risk Management Framework
	b. Adequate processes and controls are in place to ensure that risk reporting is complete, accurate, timely and meets the needs of various stakeholders.	The same is in place and will be done in Risk Management Framework henceforth
	c. Is maintained	In place
	d. Performance and positions with regard to objectives of scheme are reviewed	The same is in place and will be done in Risk Management Framework henceforth
	e. Performance vis-à-vis scheme benchmarks and performance of peer group(s) is reviewed	The same is in place and will be done in Risk Management Framework henceforth
	f. Exceptions are defined and their monitoring is conducted	The same is in place and will be done in Risk Management Framework henceforth
	g. Exceptions in style drift and concentration are reviewed	The same is in place and will be done in Risk Management Framework henceforth
	h. In cases of inter scheme transfer, the scheme(s) buying the securities must	The same is in place and will be done in Risk Management Framework henceforth

	conduct an enhanced level of due diligence	
<b><u>CREDIT RISK</u></b>		This is applicable to Fixed Income Portfolio Taurus MF does not have any Fixed income scheme
<b><u>LIQUIDITY RISK</u></b>		Primarily applicable to Debt Instruments. For Equity securities, the IC to review the Large Cap/ Midcap / Small-cap exposure for each scheme. Also, trading volumes is one of the criteria for including the stock in the universe of stocks for Investments. In addition, the IC to review thinly traded stocks, if any, on a monthly basis and report to the IMC.
<b><u>GOVERNANCE RISK</u></b>		
	The AMC shall have an approved policy to deal with governance risk of the investee companies.	In place and covered in Stewardship policy
	There are enough system checks and balances in the governance structure of the issuer to prevent such wrong doing and also assessment of track record or history of the issuer to monitor the trend of their past behaviour	In place and covered in Stewardship policy
	The policy shall also include guidelines on how it identifies and monitors any conflicts involving members of the Board / KMPs of the investee company	In place and covered in Stewardship policy. Also will be part of RMF
	For mutual funds which inter alia includes continuous of the investee companies on various matters such as operational and financial performance. Corporate governance, related party transactions, opportunities or risks including ESG risks etc., bearing in mind the insider trading Regulation while seeking information from the investee company for the purpose of monitoring etc.	In place and covered in Stewardship policy
<b><u>OPERATIONAL RISK</u></b>		Covered in Operational risk policy and is a part of the RMF - Annexure

## IV) Identification of Risks- AMC Specific

Following mandatory elements have been prescribed by SEBI covering various departments.

### 1. Operational Risk

Key Mandates	Comments
Responsible for the governance of operational risks.	Clear definition of risk at each activity as done in operations, customer service and a manual to be prepared and maintained on the same
Define and delegate roles to the key personnel within the operations function for identifying and reporting risks	Draft a role definition/job description for each activity in Operations/Customer Service and take trainings to towards any risks associated with each tasks as done by them.
For the relevant functional risks, identify, analyze and report the following to the CRO and CEO along with recommended action plan for: <ul style="list-style-type: none"> <li>o Early warning signals</li> <li>o Emerging risks</li> <li>o Major findings</li> <li>o Near miss and loss events</li> <li>o Fraud incidents</li> </ul> Ensure escalation of such incidents as per the escalation matrix approved by CRO.	Risk definition of each activity will be taken through with the RTA and the internal employees. A monthly report will be shared with any of risks encountered in the current month through a mail with the CRO and CEO. Any fraud cases, losses, etc will be informed as soon the same is identified.
Perform adequate due diligence of outsourced vendors prior to onboarding	KYC documents, along bank proof will be taken for any new vendors being onboarded. Also, a reference check will be attempted.
Communication with external stakeholders - regulators, investors, distributors	Already in place through taking action as per the activities as received from regulators, any communication as needed to be sent to the investors or distributors well within the required deadlines. Also, SID/KIM/SAI is updated as per AMFI guidelines on periodic basis.
Implementation of a 'new product approval' process to ensure that all functions have the systems, people, processes to support a new product	Any new product planned is sent to SEBI with the required SID/KIM/NFO form and guidelines as required
Recording and documentation	All calls are recorded as attended/addressed by the central Customer Service team. Also, documentation is done for the process as followed by each tasks that includes front desk, time -stamping processes, etc. in the Customer Service Manual

<p>Roles and responsibilities are defined for the following:</p> <ol style="list-style-type: none"> <li>1. Time stamping, application processing and confirmation,</li> <li>2. Review of KYC and investor declarations as specified through various SEBI regulations,</li> <li>3. Timely and accurate credit identification (for investor subscription) and bank reconciliations (banks/custody).</li> <li>4. A system to track and report high value transactions (including bulk redemptions) to the Investment management function</li> </ol>	<p>This is covered in the Customer Service Manual</p>
<p>Control oversight on brokerage computation and payment, redemptions, inter-scheme switches, maturity payments in closed ended funds, dividend payouts, tax and other statutory payments, subscription refunds, identification of unclaimed amounts and their deployment as per regulatory requirements, etc.</p>	<p>This is done on a quarterly basis and any misses are highlighted with the RTA. Any escalations/misses to be notified to the CRO and CEO</p>
<p>Review of 'value dated' transactions, reversals, broker/ distributor code changes, etc.</p>	<p>Quarterly audit to be done and misses highlighted and corrected with the RTA. Any escalations to be notified to the CRO and CEO</p>
<p>Incident reporting and escalation matrix for the same.</p>	<p>Escalation Matrix to be followed</p>
<p>Documented process to review human errors in transaction processing to identify training needs and corrective actions to prevent the errors in the future.</p>	<p>This is in place and is done through weekly calls with the team. Also, a proposed monthly meeting with RTA to address any issues faced in the previous month</p>
<p>The AMC should perform the following: 1. Analyze and classify frauds into internal (within the organization) and external (by persons outside the organization) frauds, identify root causes and incorporate monitoring mechanisms to address fraud scenarios. 2. Reporting of frauds and near miss incidents to the Board of AMC and Trustees on quarterly basis.</p>	<p>This will be implemented</p>

## 2. Technology / Information Security & cyber risk

Particulars from Risk Management Circular (Mandatory Element)	Remarks
Given the huge dependence on technology, any system failure could trigger a variety of risks e.g., operational risk, compliance risk etc. Technology Operations should support processing and storage of information, such that the required information is available in a timely, reliable, secure and resilient manner.	Covered in IT Policy & Procedure, CYBER SECURITY POLICY, IT Risk Management Policy, IT Risk Assessment, BCP Manual.
Increasing disclosure requirements on public portals by Amc's required a focus approach towards data management. Digitalization and online platforms have given rise to need for effectively mitigating information security and cyber risks. SEBI vide circulars, SEBI/HO/IMD/DF2/CIR/P/2019/12, SEBI/HO/IMD/DF2/CIR/P/2019/57, SEBI/HO/IMD/DF2/CIR/P/2019/58 dated January 10,2019, April 11,2019 and April 11,2019 respectively has provided indicative guidelines encompassing cyber security and cyber resilience framework and audit framework encompassing systems and processes for Mutual Funds/ Amcs. The systems and processes as elaborated in the aforementioned circulars must be in place and any future guidelines issued by SEBI in this regard may be suitably followed.	Covered in IT Policy & Procedure, CYBER SECURITY POLICY, IT Risk Management Policy, IT Risk Assessment, BCP Manual.

## 3. Compliance risk

Particulars from Risk Management Circular (Mandatory Element)	Remarks
Know Your Client (KYC), Anti-Money Laundering (AML) and combating the Financing of Terrorism (CFT) policies	Investor Service Department has maintained the required policies
Outsourcing	Outsourcing Agencies are R&T Agent, Fund Accountant, Custodian (rest to be checked with other departments)
Customer Complaints & Investor Grievance- Should include details of adherence to SEBI regulations with regard to investor servicing and complaint resolution, tracking complaint resolution, update of complaint log and forwarding of complaints and the Management Information Systems (MIS) to compliance officer, complaint resolution process being reviewed by compliance officer. The compliance officer shall review the complaints with an objective to catch early warning signs for fraud or any systematic issues.	Investor Service Department has maintained the required policies.
Related Party Transactions	It is placed before the board
Front running	Part of Insider trading Policy
Conflict of Interest	Part of Insider trading Policy
Employee Trading (Including issues related to insider trading)	Policy is in place

Code of Conducts	Policy is in place (with HR)
Commissions and other sales and marketing costs	Please check with Marketing Head
Commercial bribes or kickbacks	Covered in CoD for exchange of gifts and other considerations
Fraud Risk Management	We do not have any policy for Fraud, it is recommend to get this policy framed from the internal auditor.
Whistle Blowing	Policy is in place (with HR)
Information Security and Data Privacy	CISO
Gifts and Entertainment	Covered in CoD for exchange of gifts and other considerations
Record Retention	Being preserved for 8 years as per SEBI Regulations
Dealing Room Policy	Policy is in place
All disclosure requirements (include derivative transactions, off balance sheet items and contingent liabilities, etc.)	Being followed
Filing of timely and accurate regulatory reports to the Regulators and Board of AMC and Trustees as prescribed by the applicable laws and regulations.	Reports been submitted compliance department regularly to the board of TAMCO & TITCO
Pre-use review of AMC's marketing materials (collateral, brochures etc.), website uploads, digital advertising and performance advertising etc.	Being practiced
Monitoring that all investments and holdings are consistent with disclosure made to clients and applicable restrictions.	Concern of all departments
Mechanism for prevention or detection of possible insider trading at the personnel or portfolio levels.	Part of Insider trading Policy
Review for adequacy of disclosures made to the investors regarding significant risks such as liquidity, counterparty and credit (quality of investments made mainly debt based on the credit rating), investment, and other risk areas.	Disclosed in SID & KIM
Measures to prevent and detect trading violations involving short selling.	To be checked by Internal Auditor
Maintenance of all required licenses, registrations, approvals and permissions.	To be maintained by HR Department
AMCs should have an Anti-Money Laundering/ Combating/ Financing of Terrorism (AML/CFT) program with the following attributes: a) Employees understand obligations and contents of policies to effectively carry out their AML/CFT responsibilities. b) Transaction, monitoring is done to identify suspicious activities. c) Suspicious Transactions Reporting is done to the relevant authorities. d) Adequate training programs to ensure employees are constantly aware of money laundering/ financing of terrorism risks and measures (focus on their roles and responsibilities).	HR & Investor Service Department, policy already exists



AMCs should have systems in place to detect and prevent securities market violations including securities market frauds and malpractices at their end:

- a) A report containing details of the alerts generated and the subsequent actions taken in this regard should be submitted to trustees on a quarterly basis.
- b) Trustees may forward the results along with their comments and steps taken, if any, to SEBI in the half-yearly trustee reports.

To be checked by Internal Auditor. Will be reported in Quarterly Report and Half Yearly Trustee Report.

#### 4. Reputation & conduct risk

Particulars from Risk Management Circular	Comments
i. The management must look into reputation and conduct risks and inculcate their significance in the AMC culture by,	Covered under Reputation Risk Policy
a. Integrating reputation and conduct risk considerations into strategy- setting and business planning.	Covered under Reputation Risk Policy
b. Establishing a crisis management policy (to minimize or neutralize negative publicity in the event of any incident or bad conduct by an employee).	Covered under Reputation Risk Policy
c. Establishing monitoring tool(s) for social media grievances, etc.	Covered under Reputation Risk Policy
ii. The Board of AMC should approve and monitor the effectiveness of implementation of an enforceable code of ethics and business conduct; in the event of a material breach in conduct or a significant reputation risk event, the Board of AMC should be informed.	Covered in Code of Conduct
iii. The following practices must be adopted by the AMC:	Covered under Reputation Risk Policy
a. While designing or improving the products, the complexity of the product and consumer behaviors must be considered.	Covered under Reputation Risk Policy
b. Impact assessment should be undertaken for sales and promotion expenses (i.e. evaluation of value added v/s cost incurred) using appropriate techniques, e.g. analysis of complaints, compliance monitoring program, data analytics, mystery shopping, etc.	Covered under Reputation Risk Policy
c. Preventive measures and monitoring mechanism should be implemented to mitigate mis-selling risks.	Covered under Reputation Risk Policy

#### 5. Outsourcing Risk

Particulars from Risk Management Circular	Remarks
Risk Management with respect to any outsourced activity should be done in the manner as if the activities were being done in-house.	Policy is in-place.
There shall be a dedicated person in the AMC who would be responsible for the outsourced activities of each outsourced vendor.	Policy is in-place.

The AMC should have a Board approved Outsourcing Policy.	To be formulated.
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## 6. Sales & Distribution risk

Mandatory Elements	Comments
The KRA/performance appraisal at the relevant CXO level must capture the performance in managing the risk of mis-selling. The risk of mis-selling may incorporate the components like the number of mis-sellings, outcomes in the inspection report, analysis of the portfolio of investors, analysis based on assessment of appropriateness to the investors, etc. As an example, a parameter to gauge mis-selling may be the analysis of whether growth in the AUM of ascheme is on account of performance or mainly due to higher commission paid to distributor.	The brokerage structure is prepared and shared to distributors on quaterly basis pertaining to that there is no change in brokerage structure. Brokerage strucure is always within TER.The sales is purely done on the basis of scheme performance. Other important things pertaining to sales would be presenting of Factsheet, Details of Portfolio and Market commentary.
The AMC shall also be responsible for the mis-selling done by the persons associated with selling of mutual funds including distributors. The performance disclosure to investors, if any, by the distributors should be true and fair. It should not be misleading to the investor by representing any selective time period representing the favorable return.	We share the performance of the scheme in our Factsheet where it covers return of all our schemes from 1 year to 5 years time period and as well since inception when scheme is older than 5 years. No specific period returns are shared with investors.
Detailed analysis should be done at the AMC level to verify mis-sellings, if any.	On quarterly basis, we review AUM growth of distributors
All the sales staff and distributors must be NISM certified with the required qualifications prescribed by SEBI/AMFI.	It follows the part of our HR policy and being followed regularly
The AMC must implement the following procedures relating to distributor commissions:	
a. Analytical tools/ audit procedures used to review trends/errors in brokerage/ commission disbursements.	Tools and review process takes place by the end of registrar and the query are being handled by AMC operation Team

b. An approved methodology for determining commission structures applicable to distributors / products, together with an authorization matrix for approving deviations and reporting cost-benefit outcome.	Commission structure is proposed by Head of Sales, checked by Accounts Head for TER and Final approval by CEO
c. Ensuring that commissions and other payments made to distributors adhere to AMFI and regulatory requirements.	We follow the circulars of AMFI and SEBI for commission payments
Conducting regular performance reviews for distributors.	No
Conducting enhanced due diligence of distributors where appropriate (suitable policy to be incorporated)	We do not have a specific policy for the concerned purpose. We are willing to appoint a professional for making a suitable policy.

## 7. Chief Risk Officer

<b><u>Roles &amp; Responsibilities:</u></b>	<b>Comments</b>
<ul style="list-style-type: none"> <li>Ensure all risk related policies are defined, reviewed, and updated periodically and placed at the relevant risk management committee for approval.</li> </ul>	Would be done with the help of CEO and other department heads.
<ul style="list-style-type: none"> <li>Responsible for implementation and governance of Risk Management Framework (“RMF”) across Asset Management Company (“AMC”) and Mutual Fund Schemes</li> </ul>	Would be done with the help of CEO and other department heads.
<ul style="list-style-type: none"> <li>Responsible for overall risk management related activities of the AMC and Mutual Fund Schemes</li> </ul>	Would be done with the help of CEO and other department heads.
<ul style="list-style-type: none"> <li>Establishing an organization wide risk conscious culture.</li> </ul>	Would be done with the help of CEO and other department heads.
<ul style="list-style-type: none"> <li>Formulate and implement structured reporting process for risk monitoring and reporting to CEO, Risk Committees and Board of AMC and Trustee</li> </ul>	Each department head will prepare its reporting risk structure the same would be reviewed.
<ul style="list-style-type: none"> <li>Monitor and ensure adherence and compliance to RMF across AMC and Mutual Fund Operations.</li> </ul>	Would be done with the help of CEO and other department heads.
<ul style="list-style-type: none"> <li>Perform periodic review and update the RMF defined by the AMC and place the same to the Risk Management Committee (“RMC”) for approval.</li> </ul>	Would be done with the help of CEO and other department heads.
<ul style="list-style-type: none"> <li>Formulate and recommend changes to roles and responsibilities including KRAs relating to risk management activities and place these at the RMCs for approval.</li> </ul>	Would be done with the help of CEO and other department heads.
<ul style="list-style-type: none"> <li>Periodically review the DoP covering the following:</li> </ul>	Frequency should be done monthly.
<ul style="list-style-type: none"> <li>o Daily risk management</li> </ul>	Frequency should be done monthly.

o Daily risk reporting	Frequency should be done monthly.
o Corrective actions at the level of Fund manager, HOE and CEO	
• Review and suggest changes to the risk appetite and risk metrics for AMC and scheme as defined by the CEO	
• Ensure formulation and implementation of adequate mechanism for –	
o Generating early warning signals;	
o Conducting stress testing for investment, credit and liquidity risks basis approved parameters;	
o Define the tolerance limits for each of the risk parameters;	
o Measurement and review of AMC and scheme specific risks including RCSA and the person responsible to monitor the risks;	
o Assessment and review of credit risk policies	
o Assess liquidity risk at a scheme level	
o Alerts pertaining to asset liability mismatch	
o Formulation of Fraud Risk Registers and Frauds response plan / strategies	
o Escalation matrix for reporting and resolution of incidents (loss, near miss, fraud etc.)	All the concerned CXOS will prepare their escalation matrix for reporting.
o Ensure review of operations for material outsourced activities atleast on an annual basis;	
o Adequate framework to detect and prevent security market violation, frauds and malpractices by the AMC and reporting framework on the same to the ERM and board Trustee on half yearly basis.	
• Review and report the following to the ERM and Board Risk Committee of AMC and Trustee –	Monthly Frequency should be there.
o Risk reports and dashboards capturing deviations to risk thresholds, risk appetite across AMC and Scheme	
o Results of monitoring of early warning signals by respective functions	The same will be compiled after the receipt of relevant data from the concerned CXOS
o Result of stress testing based on defined parameters for investment, credit and liquidity risks, etc.	
o Internal and external fraud incidents reported / identified by CXOs including evaluation of fraud risk scenarios	The same will be compiled after the receipt of relevant data from the concerned CXOS
o Near miss and loss incidents identified and reported by the respective departments	The same will be compiled after the receipt of relevant data from the concerned CXOS

o Monitor liquidity risk including asset liability mismatch at a scheme and portfolio level vis-à-vis internally approved and defined liquidity model on a monthly basis	
o Major findings and corrective actions prepared by the CXOs	The same will be compiled after the receipt of relevant data from the concerned CXOS
o Monitor delays in implementation of corrective actions by CXOs	The same will be monitored after the receipt of relevant data from the concerned CXOS
o Monitor control breaches as a result of periodic RCSA review and mitigating actions put in place by the management and risk function.	
• Independently assess reporting of risks to various committees and CEO.	
• Ensure insurance cover is maintained based on AMC and Trustee approval for the MF operations and third party losses	The relevant insurance exists in the company.
• Report outcomes of the risk management function to the management atleast once a month.	will be done on monthly basis.
• Approve investment limit setup such as minimum number of stocks/securities, cash (net of derivatives), stocks/securities vis-a-vis benchmark and Beta range, regulatory limits	
• Define process to assess the control against each of the identified risk capturing following elements:	
o Measurement tool for each risk ( RCSA, Stress Testing etc)	
o Monitoring and reporting frequency	Monthly Frequency should be there.
o Reporting of breaches	Monthly Frequency should be there.
• Identify, assess and estimate emerging risks and their possible impact on AMC and mutual fund schemes	
• Report existing and emerging risks associated with the MF and AMC activities in a structured manner to the Board Risk Management Committee of the AMC and Trustee	Monthly Frequency should be there.
<u>Key Result Area:</u>	
• Adherence to the requirements of SEBI risk management circular	Would be done with the help of CEO and other department heads.
• Timely reporting of the results from monitoring of AMC and scheme specific risks such as:	
o RCSA testing;	
o Stress testing;	
o Monitoring of risk thresholds and risk appetite	
o Monitoring of investment and liquidity risks	

o Monitoring of EWS by functions;	
• Monitor and timely report implementation status of the actions plan committed by the respective functions/ CXOs and reporting of delays, if any	Monthly Frequency should be there.
• Timely reporting of risk events to the ERM and Board Risk Committees	Monthly Frequency should be there.
• Adherence to the defined roles and responsibilities and Delegation of Power (DoP)	
• Availability of adequate insurance coverage for MF operations and third-party losses.	The relevant insurance exists in the company.

## 8. Financial reporting risk

Particulars from Risk Management Circular	Comments
The AMC should have detailed accounting policies and procedures for Mutual Fund accounting	Mutual Fund accounting has been outsourced to SBISG
Adequate segregation of duties must be created within the Finance (or relevant) function for Mutual Fund accounting	Mutual Fund accounting has been outsourced to SBISG
There should be documentation and regular testing of internal controls over financial reporting of Mutual Fund schemes	The financials prepared by the Fund accountant is checked by the Head of Operations and CFO

## 9. Legal & Tax risk

	Particulars from Risk Management Circular	Comments
1	The AMC should have documented processes and defined responsibilities for:	
	a. Calculation & deposit statutory levies applicable to Mutual Funds	The process is covered in Operations manual
	b. Acceptance of applications from permitted jurisdictions	To be checked with COO
	c. Monitoring of risks emanating from tax related aspects and their redressal	Covered under operations manual
	d. Implementation of new and amended statutory and regulatory requirements	Operations manual is updated accordingly
2	To mitigate legal risks, the AMC should have documented processes and defined responsibilities for:	
	a. Review of material agreements	In place. Owner CCO & CRO
	b. Authorized personnel for execution and deregistration of legal agreements and documents	In place. Owner CCO & CRO
	c. Centralized register of all legal agreements	In place. Owner CCO & CRO
	d. Archival of physical and electronic versions of all legal agreements and documents	In place. Owner CCO & CRO

## 10. Talent Risk

Particulars from Risk Management Circular	Comments
Recruiting staff with appropriate experience, skill levels, and degree of expertise to undertake specialized business operations., in particular, those relating to risk management	As a policy during the screening process, the candidate is evaluated on the basis of his/her knowledge as per the job description. Also we ensure that we choose the candidate who has relevant experience.
Employing screening procedures, including background checks, for job applicants, particularly for key positions.	In house background checks are done for the candidate who have been offered the job.
Creation of policies for recruiting, retaining and remunerating staff, especially for key personnel.	Policy in place - HR Manual (approved Feb 27, 2019). The remuneration of the KMP is sent for approval to the Nomination & Remuneration committee for their approval.
Evaluation of the candidate's capability and experience to manage the risks associated with the concerned role is should be a key element of the recruitment process.	We have a process where the relevant person and the HoD evaluates the candidates in interview and they submit the interview assessment sheet along with their comments to the HR.
Adequate back-ups for key people are present.	Being a small organisation and having financial constraints it is practically not possible to have a succession planning for the KMPs. However we have a backup plan where in the sub-ordinate is handed over the role and responsibility for a interim period till we find a suitable candidate.

## V) Risk Appetite Parameters - Scheme Level

### Objective:

- To provide a clear articulation by the way of specific parameters of the amount of risk the AMC is willing to accept or retain to achieve its business and strategic objectives., taking into account the regulatory requirements
- Risk appetite parameters act as inputs in development of policy that will describe the organization's attitude towards risk taking and establish risk tolerance levels describing the level of risk taking acceptable to achieve a specific objective or manage a category of risk
- Risk appetite parameters at scheme level are also representative of the most important risk metrics that are required to be monitored by the AMC for that specific scheme at its executive management level, as well as across the Board of AMC and Trustees

### Scheme Level - Individual Risk Tolerance Limits

## 1. Investment Risk:

### a. Risk-o-meter

Item		Description
<b>Parameter Name</b>		Adverse movement in Risk-o-meter from last month
<b>Definition</b>		Risk-o-meter is a dynamic measure of the risk level of the scheme at a point-in-time across one of the 6 categories (Low to Very High). Needs to be assessed monthly for all schemes in line with the guidance provide in the SEBI Circular - SEBI/HO/IMD/DF3/CIR/P/2020/197
<b>Tolerance Limit</b>	<b>Red Zone</b>	Adverse movement by 1 or more levels
	<b>Green Zone</b>	Same or better
<b>Owner</b>		Fund Manager with oversight from CIO
<b>Justification</b>		To track risk level of a scheme on an on-going basis

### b. Volatility

Item		Description
<b>Parameter Name</b>		Key risk ratios - Volatility - Beta - Standard deviation
<b>Definition</b>		AMCs are recommended to use Industry Accepted Ratios mentioned above to track scheme level volatility. Link to definition of key ratios
<b>Tolerance Limit</b>	<b>Red Zone</b>	To be determined by the Fund manager based on comparison with category averages
	<b>Amber Zone</b>	(Either heuristically or Standard Deviation based)
	<b>Green Zone</b>	
<b>Owner</b>		Fund Manager with oversight from CIO
<b>Justification</b>		To track investment volatility

### c. Returns

Item		Description
<b>Parameter Name</b>		Key risk ratios - Risk-adjusted returns - Sharpe's ratio - Treynor's ratio
<b>Definition</b>		AMCs are recommended to use some of the Industry Accepted Ratios mentioned above to track scheme level returns. Link to definition of key ratios
<b>Tolerance Limit</b>	<b>Red Zone</b>	Sharpe: below 0.5 Treynor: Last quartile
	<b>Amber Zone</b>	Sharpe: 0.5-1.3 Treynor: Last 2 quartiles
	<b>Green Zone</b>	Sharpe: 1.3 and above Treynor: Top 2 quartiles
<b>Owner</b>		Fund Manager with oversight from CIO
<b>Justification</b>		To track investment performance



#### d. Mutual Fund Ranking

Item		Description
<b>Parameter Name</b>		Adverse change in mutual fund ranking (by providers like Accord Fintech)
<b>Definition</b>		Composite fund ranking provided based on parameters like returns, volatility, company/ industry concentration and liquidity – usually used as a reference by market participants
<b>Tolerance Limit</b>	<b>Red Zone</b>	Last quartile
	<b>Amber Zone</b>	Last 2 quartiles
	<b>Green Zone</b>	Top 2 quartiles
<b>Owner</b>		Fund Manager with oversight from CIO
<b>Justification</b>		To track composite fund performance

## 2. Credit Risk:

### a. Limit management – Equity

Item		Description
<b>Parameter Name</b>		Breach in limits for equity and hybrid schemes
<b>Definition</b>		Compliance with limit requirements based on:
		• Regulatory requirements like
		• Exposure type
		• Single stock (listed, unlisted), group
		• Additional prudential limits either followed internally or mentioned in SID
<b>Tolerance Limit</b>	<b>Red Zone</b>	Breached
	<b>Amber Zone</b>	Soft breach (within 2% of the hard breach level defined)
	<b>Green Zone</b>	Not Breached
<b>Owner</b>		Head – Credit (with Fund Manager)
<b>Justification</b>		To manage concentration risk in equity schemes

## 3. Liquidity Risk:

### a. Investor Concentration

Item		Description
<b>Parameter Name</b>		Investor concentration
<b>Definition</b>		Identifies the investments of Top 1, 5 and 10 investor groups as a % of total scheme AUM
<b>Tolerance Limit</b>	<b>Red Zone</b>	<ul style="list-style-type: none"> <li>• Top 1 &gt;25%</li> <li>• Top 5 &gt;50%</li> <li>• Top 10 &gt;70%</li> </ul>
	<b>Amber Zone</b>	<ul style="list-style-type: none"> <li>• Top 1 between 10%-25%</li> <li>• Top 5 between 25%-50%</li> <li>• Top 10 between 50%-70%</li> </ul>
	<b>Green Zone</b>	<ul style="list-style-type: none"> <li>• Top 1 &lt;= 15%</li> <li>• Top 5 &lt;= 25%</li> <li>• Top 10 &lt;= 50%</li> </ul>
<b>Owner</b>		Fund Manager with oversight from Head of Equity/ Head of Customer Service/ Head of Operations
<b>Justification</b>		To track concentration risk arising from investors, which may lead to redemption pressures

#### b. Distributor Concentration

Item		Description
<b>Parameter Name</b>		Distributor concentration
<b>Definition</b>		To identify and monitor the contributions by Top 5, 10 and 20 distributors as a % of total scheme AUM
<b>Tolerance Limit</b>	<b>Red Zone</b>	• Top 5 >30%
		• Top 10 >50%
		• Top 20 >70%
	<b>Amber Zone</b>	• Top 5 between 10%-30%
		• Top 10 between 25%-50%
		• Top 20 between 50%-70%
<b>Green Zone</b>	• Top 5 <= 15%	
	• Top 10 <= 25%	
	• Top 20 <= 50%	
<b>Owner</b>		Fund Manager with oversight from Head of Equity/ Head of Customer Service/ Head of Operations

<b>Justification</b>	To track concentration risk arising from distributors, which may lead to redemption pressures
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c. Weighted Average Impact cost of portfolio

Item		Description
<b>Parameter Name</b>		Weighted average impact cost of portfolio
<b>Definition</b>		Impact cost represents the cost of executing a transaction in a given stock, for a specific predefined order size, at a given point of time. It represents the true cost of execution faced by a trader in comparison to the bid-ask spread.
		Based on the weighted average of impact cost values of each security (weights being AUM of the security) during a period, impact cost value of a portfolio shall be assigned
<b>Tolerance Limit</b>	<b>Red Zone</b>	>2%
	<b>Amber Zone</b>	1-2%
	<b>Green Zone</b>	<1%
<b>Owner</b>		Fund Manager with oversight from CIO
<b>Justification</b>		To track liquidity risk trends in equity schemes

4. **Governance Risk:**

a. Compliance with stewardship code

Item		Description
<b>Parameter Name</b>		Deficiencies in discharge of stewardship responsibilities (disclosure and reporting)
<b>Definition</b>		Deficiencies observed in efficient discharge of all applicable principles of stewardship responsibilities including but not limited to – adherence to policies/ procedures, monitoring and interventions, voting and disclosure, and timely and accurate reporting.
		In line with the guidance provided in the SEBI Circular - CIR/CFD/CMD1/ 168 /2019
<b>Tolerance Limit</b>	<b>Red Zone</b>	1 or more
	<b>Green Zone</b>	None
<b>Owner</b>		Fund Manager with oversight from Head of Equity and CCO
<b>Justification</b>		To ensure effective management and mitigation of governance risk at scheme level

## 5. Compliance Risk

### a. Non-compliance instances

Item		Description
<b>Parameter Name</b>		Non-compliance instances
<b>Definition</b>		Instances of non-compliance observed with respect to
		<ul style="list-style-type: none"> <li>Terms and conditions mentioned in key documents, viz. KIM, SID and SAI</li> <li>Regulatory requirements, including reporting and disclosures</li> </ul>
<b>Tolerance Limit</b>	<b>Red Zone</b>	1 or more
	<b>Green Zone</b>	None
<b>Owner</b>		Fund Manager with oversight from CIO and CCO
<b>Justification</b>		To ensure compliance in investment management activity of the scheme

### b. Suspicious transaction reported

Item		Description
<b>Parameter Name</b>		Suspicious transactions reported to FIU
<b>Definition</b>		No. of suspicious transactions identified and reported to the FIU (Financial Intelligence Unit)
<b>Tolerance Limit</b>	<b>Red Zone</b>	Tolerance Limits to be derived heuristically for the scheme based on its size
	<b>Amber Zone</b>	
	<b>Green Zone</b>	
<b>Owner</b>		Fund Manager with oversight from Head of Equity and Principal Officer
<b>Justification</b>		To prevent money laundering

## VI) Risk Appetite Parameters - AMC Level

### Objective:

- To provide a clear articulation by the way of specific parameters of the amount of risk the AMC is willing to accept or retain to achieve its business and strategic objectives., taking into account the regulatory requirements
- Risk appetite parameters act as inputs in development of policy that will describe the organization's attitude towards risk taking and establish risk tolerance levels describing the level of risk taking acceptable to achieve a specific objective or manage a category of risk
- Risk appetite parameters are also representative of the most important risk metrics that are required to be monitored by the AMC at its executive management level, as well as across the Board of AMC and Trustees.

## AMC Level - Individual Risk Tolerance Limits

### 1. Operational Risk:

#### a. High risk operational risk events

Item		Description
<b>Parameter Name</b>		High risk operational events* in the quarter
<b>Definition</b>		A high-risk operational risk event (OREs) is an incident/ experience resulting from inadequate or failed processes, people and systems or from external events that has caused material loss to the AMC either directly or indirectly. <i>Please click the link for illustrative examples.</i>
		OREs should be categorized as high/ medium/ low based on probability and severity thresholds set by the respective AMC
<b>Tolerance Limit</b>	<b>Red Zone</b>	Tolerance Limits to be derived heuristically by each AMC, based on its size and complexity
	<b>Amber Zone</b>	
	<b>Green Zone</b>	
<b>Owner</b>		Relevant CXO responsible for the function causing the ORE, with oversight from CRO
<b>Justification</b>		To aid in tracking people, process, system and external event related issues of the organization

#### b. Operational losses

Item		Description
<b>Parameter Name</b>		Operational losses and near miss events in the quarter ( <i>amount in INR</i> )
<b>Definition</b>		An Operational loss event (ORE) is an incident/ experience that has caused loss to the AMC.
		A near miss refers to one of those unplanned events that has the potential to cause losses, but does not actually result in any damage, loss or an interruption to normal operations.
<b>Tolerance Limit</b>	<b>Red Zone</b>	Tolerance Limits to be derived heuristically by each AMC, typically as a % age of its income or profits (before tax)
	<b>Amber Zone</b>	
	<b>Green Zone</b>	
<b>Owner</b>		Relevant CXO responsible for the function causing the ORE, with oversight from CRO
<b>Justification</b>		Tracks unplanned events or potential losses

#### c. Fraud Risk Events

Item	Description
<b>Parameter Name</b>	Number of fraud risk events identified in the quarter

<b>Definition</b>	Fraud Risk events refer to intentionally deceptive actions designed to provide the perpetrator with an unlawful gain or to deny a right to a victim. These events may result in unexpected financial, material or reputational loss as the result of fraudulent action of person(s) internal or external to the organization.	
<b>Tolerance Limit</b>	<b>Red Zone</b>	Tolerance Limits to be derived heuristically by each AMC, based on its size and complexity
	<b>Amber Zone</b>	
	<b>Green Zone</b>	
<b>Owner</b>	Relevant CXO responsible for the function wherein fraud has occurred, with oversight from CRO	
<b>Justification</b>	To aid in tracking trends related to frauds in an AMC	

## 2. Technology, Information Security and Cyber Risk

### a. Critical Vulnerabilities

<b>Item</b>		<b>Description</b>
<b>Parameter Name</b>	Number of critical vulnerabilities* in the quarter	
<b>Definition</b>	A vulnerability is defined as a hole/ weakness in the application, which can be a design flaw or an implementation bug, that allows an attacker to cause harm to the stakeholders including the application owner, application users, and other entities that rely on the application.	
	Critical vulnerabilities include the most important vulnerabilities as identified by the AMC (or based on references like OWASP Top 10)	
<b>Tolerance Limit</b>	<b>Red Zone</b>	Tolerance Limits to be derived heuristically by each AMC, based on its size and complexity and level of digitization
	<b>Amber Zone</b>	
	<b>Green Zone</b>	
<b>Owner</b>	Chief Information Security Officer	
<b>Justification</b>	To determine the likelihood of an adverse event and potential threats to an application or its stakeholders	

### b. Cyber security events triggering BCP

<b>Item</b>		<b>Description</b>
<b>Parameter Name</b>	Number of cyber security events that triggered BCP	
<b>Definition</b>	High risk cyber security incidents (including but not limited to malware, ransomware, DDOS, etc.) are defined as occurrence that can materially jeopardize the confidentiality, integrity, or availability of an information system or the information the system processes, stores, or transmits or that constitutes a violation or imminent threat of violation of security policies, security procedures, or acceptable use policies.	
<b>Tolerance Limit</b>	<b>Red Zone</b>	1 or more incidents/ events
	<b>Green Zone</b>	Zero Incidents/ events
<b>Owner</b>	Chief Information Security Officer	
<b>Justification</b>	To assess the potential for business disruption and losses caused because of technology failures due to cyber security incidents	

c. Unplanned downtime

Item		Description
<b>Parameter Name</b>		Cumulative unplanned downtime for all information assets in the last quarter
<b>Definition</b>		Downtime is defined as the time when an IT service or other configuration item is not available during its agreed service time. The availability of an IT service is often calculated from agreed service time and downtime. It also includes service disruptions when the services levels were far below acceptable threshold (i.e., extremely slow, etc.)
		Cumulative unplanned downtime is typically measured either in % or in minutes
<b>Tolerance Limit</b>	<b>Red Zone</b>	Tolerance Limits to be derived heuristically by each AMC, based on its size and complexity and level of digitization
	<b>Amber Zone</b>	
	<b>Green Zone</b>	
<b>Owner</b>		Chief Information Security Officer
<b>Justification</b>		To assess IT service unavailability trends and effectiveness of mitigation mechanisms

d. Invocation of BCP/ DRP

Item		Description
<b>Parameter Name</b>		Number of incidents leading to invocation of BCP and/ or DRP in the last quarter
<b>Definition</b>		It refers to the incidents (including but not limited to cyber, IT operational, etc.) that led to the activation of Business Continuity Plan (BCP)/ Disaster recovery plan (DRP) in the preceding quarter
<b>Tolerance Limit</b>	<b>Red Zone</b>	1 or more incidents
	<b>Green Zone</b>	Zero Incidents
<b>Owner</b>		Chief Information Security Officer
<b>Justification</b>		To assess trends of unplanned disruption in IT services and effectiveness of mitigation mechanisms

3. Reputation & Conduct Risk

Item		Description
<b>Parameter Name</b>		Number of high reputation risk events* in the quarter
<b>Definition</b>		High reputation risk events refer to any changes, circumstances or events that materially and/ or adversely reflect the reputation or value of the Organization.
		These events could result in negative publicity, costly litigation, and/ or a decline in the customer base or the exit of key employees.
<b>Tolerance Limit</b>	<b>Red Zone</b>	1 or more high reputation risk events
	<b>Green Zone</b>	No high reputation risk events
<b>Owner</b>		Relevant CXO as decided by the AMC
<b>Justification</b>		To result in assessing negative market perception which may ultimately reflecting in financial loss or revenue shrinkage for the AMC

4. Outsourcing Risk

a. High risk material outsourced activities

Item	Description
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<b>Parameter Name</b>	Material outsourced activities for which either risk assessment not conducted, or are open 'high' risks	
<b>Definition</b>	Core activities outsourced by the AMCs to third parties including Custodians, Fund Administrators, R&T agents, and other service providers to perform operational, accounting, recordkeeping, NAV calculations and other types of services.	
	The objective of the parameter is to assess the material outsourced activities for which either	
	<ul style="list-style-type: none"> <li>➤ Risk assessment has not been conducted in the last 12 months, or</li> <li>➤ Having open risks of 'high' severity</li> </ul>	
<b>Tolerance Limit</b>	<b>Red Zone</b>	1 or more materially outsourced activities
	<b>Green Zone</b>	Nil (no materially outsourced activities)
<b>Owner</b>	COO/ Relevant CXO based on the activity	
<b>Justification</b>	To determine the nature of risk in the ongoing operations which includes outsourcing of certain activities to 3 <sup>rd</sup> parties	

## b. SLA breaches

Item		Description
<b>Parameter Name</b>	% of SLA breaches for material outsourced contracts/ activities	
<b>Definition</b>	For each outsourced activities, clear definition of the performance expectation in terms of KPIs as well as tolerance limit in case of errors/ delays etc.	
	The parameter intends to measure the proportion of material outsourced activities with SLA breaches beyond the acceptable tolerance limits as defined by each AMC in contract/ agreement with the respective 3 <sup>rd</sup> party	
<b>Tolerance Limit</b>	<b>Red Zone</b>	Tolerance Limits to be derived heuristically by each AMC, based on its size and complexity; as well as the nature of contractual arrangement with the 3 <sup>rd</sup> party
	<b>Amber Zone</b>	
	<b>Green Zone</b>	
<b>Owner</b>	COO/ Relevant CXO based on the activity	
<b>Justification</b>	To determine the reliability of the material activities, outsource to 3 <sup>rd</sup> parties	

## 5. Sales and Distribution Risk

### a. Mis-selling incidents

Item		Description
<b>Parameter Name</b>	Number of mis-selling incidents identified in the quarter	
<b>Definition</b>	Mis-selling is a sales practice in which persons associated with selling of mutual funds including distributors have deliberately misrepresented or misled customer(s) about the appropriateness of a product/ mutual fund	
<b>Tolerance Limit</b>	<b>Red Zone</b>	Tolerance Limits to be derived heuristically by each AMC, based on its size and number of schemes
	<b>Amber Zone</b>	
	<b>Green Zone</b>	
<b>Owner</b>	Chief Business Officer	
<b>Justification</b>	To track the extent of failure in delivering fair business outcomes for consumers and the effectiveness of control procedures	



## **VIII) Other policies as prescribed to be part of RMF**

Other policies as prescribed by SEBI (Operational Risk Policy, Crisis Management Policy, Stress Testing Policy, Reputation Risk Policy & Media Interaction Policy) are included in Annexures

## **IX) Key Risk Identification across departments and Delegation of Power:**

**Objective:** To provide a framework for the Delegation of Power for risk management activities for mutual funds (“MFs”) and Asset Management Companies (“AMCs”) in accordance with SEBI risk management circular dated 27th September 2021.

**Scope:** These delegations shall comprise three key activities for each function:

- Daily Risk Management : Activities conducted by the authorized personnel for monitoring and controlling risks such as investment risk, liquidity risk, compliance risk etc.

- Daily Risk Reporting: Comprises preparation and review of the reports and dashboard for analysis, risk identification and impact of corrective actions.

- Corrective Actions for all deviations and outliers at the functional level shall be formulated, reviewed and approved by Chief Executive Officer (“CEO”), Chief Risk Officer (CRO) and respective CXOs such as Chief Investment Officer (“CIO”)/ HOE/FM, Chief Compliance Officer (“CCO”) etc.

The detailed DOP matrix along with legend is included in Annexure 6.

## **X) Risk Incident reporting and data capture:**

Template is included in annexure 7 Annexure 8

## **Annexures:**

1. Operational Risk Policy
2. Crisis Management Policy
3. Stress Testing Policy
4. Reputation Risk Policy
5. Media Interaction Policy
6. Delegation of Power
7. Risk Incident Data Capture Template
8. Risk incident reporting to RMC