

RISK MANAGEMENT FRAMEWORK– ROLES AND RESPONSIBILITIES OF CXOs

1. Preamble

As per Chapter 4 of SEBI Master circular dated June 27, 2024, roles and responsibilities of CXOs shall be disclosed on AMC website. The roles & responsibilities of the management (including the CEO, the CRO, the CXOs, the Fund Manager, etc) along with the KRA is defined and part of risk management policy.

2. Roles, Responsibilities & KRAs of the Management

The roles & responsibilities of the management (including the CEO, the CRO, the CXOs, the Fund Manager, etc) along with the KRA have been listed below:

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 CXOs, as may be required.
- Define risk appetite at AMC and scheme level and place these at the risk committees for approvals.
- Define risk metric for CXO – Investment and Fund Managers, Compliance Officer, CXO – Operations, other CXOs, etc
- Review identified fraud incidents, loss and near miss incidents along with corrective action plans and report to the Risk Management Committees
- 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 Areas:

- Timely implementation of action plans.
- Ensure adherence to the risk management framework of SEBI.

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 Co. (“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 Management Committees and Board of AMC and Trustee
- Perform periodic review and update the RMF defined by the AMC and place the same to the Risk Management Committee (“RMC”) for approval.
- Periodically review the DoP (Delegation of Power) covering the following:

- Daily risk management
- Daily risk reporting
- Corrective actions at the level of Fund manager, CIO 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
 - 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 atleast on an annual basis;
 - Independently assess reporting of risks to various committees and CEO.
- Report outcomes of the risk management function to the management atleast once a month.
- 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

Key Result Areas:

- Adherence to the requirements of SEBI risk management circular.
- Implementation of RMF.
- Monitoring of RMF.
- Timely reporting of risk events to Risk Management Committees.

2.3. CXO – Investments

Roles & Responsibilities:

- Ensure adherence to risk management guidelines and risk appetite framework for schemes;
- Ensure daily management of risk and necessary reporting of exceptions 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 related policies and place it before the 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
 - Review portfolio concentration and take necessary actions
 - Monitoring risk appetite within the potential risk class of the respective schemes

- 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, as may be applicable.
- 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 limits and identify and implement corrective actions.
 - 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
- Ensure that fund managers and dealers comply with Code of Conduct as per Schedule V B of Mutual Fund Regulations.
- 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
- Compliance with investment limits
- Timely implementation of remediation actions plan relating to the investment function.
- Timey reporting of risk incidents to CEO / CRO

2.4. Fund Manager

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.
- 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 CXO – Investments.
- Recommend reduction/ change in the risk level of the schemes within the Potential Risk Class (PRC) to the CXO – Investments.
- Report identified risk, risk related events and corrective actions plans to the CXO – Investments

- Measure risks in accordance with the approved internal Policy and risk metric.
- Manage and monitor investments in schemes by conducting –
 - Quantitative risk analysis
 - analysis of concentration limits
- 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 Areas:

- Adherence to the SEBI risk Management circular relating to investment activities.
- Adherence with investment limits.
- Adherence to the investment risk tolerance levels for the schemes managed by the fund manager.
- Timely action upon downgrade of securities.
- Adequate documentation for debt and money market deals.

2.5. CXO – Operations

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, analyse 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 onboarding
- 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 are 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.

2.6. Compliance Officer

Roles & Responsibilities:

- Responsible for the governance of compliance risks.
- Formulate and implement compliance and other policies such as prevention of front running, 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 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.
- 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, analyse 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 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
- Implement process for prevention or detection of possible insider trading at the personnel or portfolio levels
- 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.

2.7. CXO – Finance & Accounts

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, if needed.
- Perform periodic review and suggest changes in the policies and obtain approval from Board of AMC, if needed.
- 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, analyse 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 are 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

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 implementation of corrective actions for the risks and deviations.

- Reporting of major gaps identified during Internal Financial Control (“IFC”) review.

2.8. CXO – HR

Roles & Responsibilities:

- Responsible for the governance of Human Resource risks
- 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, analyse 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 a well-defined succession planning process for KMP and other key positions in the AMC
- Adequate backup and succession plan for key positions and key people are present at all times to ensure that at no point of time the AMC is deprived of the services of any Key Managerial Person (KMP).
- 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

2.9. CXO Sales and distribution

Roles & Responsibilities:

- Responsible for the governance of department/ function specific risks
- Provide inputs to CRO to define risk threshold and risk appetite
- Provide relevant information to CRO regarding the risk reports
- For the relevant functional risks, identify, analyse 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
- Monitoring risk of mis-selling
- Ensure adherence to the SEBI risk management framework

Key Result Areas:

- Adherence to the requirements of SEBI risk management circular.
- Compliance with roles and responsibilities and DoP framework.
- Risks and inconsistencies identified and reporting to CEO / CRO.
- Timely reporting of identified risks and outliers to CEO / CRO.
- Timely implementation of corrective actions for the risks and deviations.
- Monitoring of the risk of miss-selling

2.10. CXO Technology

Roles & Responsibilities:

- Responsible for the governance of department/ function specific risks
- Provide inputs to CRO to define risk threshold and risk appetite
- Provide relevant information to CRO regarding the risk reports
- For the relevant functional risks, identify, analyse 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

Key Result Areas:

- Adherence to the requirements of SEBI risk management circular.
- Compliance with roles and responsibilities and DoP framework.
- Risks and inconsistencies identified and reporting to CEO / CRO.
- Timely reporting of identified risks and outliers to CEO / CRO.
- Timely implementation of corrective actions for the risks and deviations.

2.11. Other CXOs

Roles & Responsibilities:

- Responsible for the governance of department/ function specific risks
- Provide inputs to CRO to define risk threshold and risk appetite
- Provide relevant information to CRO regarding the risk reports
- For the relevant functional risks, identify, analyse 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

Key Result Areas:

- Adherence to the requirements of SEBI risk management circular.
- Compliance with roles and responsibilities and DoP framework.
- Risks and inconsistencies identified and reporting to CEO / CRO.
- Timely reporting of identified risks and outliers to CEO / CRO.
- Timely implementation of corrective actions for the risks and deviations.