Western Capital Advisors Private Limited
Risk Management Policy

1. SCOPE

1.1 Applicability

This "Risk Management Policy" (**the Policy**) will apply to **Western Capital Advisors Private Limited** ("the Company"), its employees and its agents or representatives.

1.2 Effective Date

This Policy shall be effective from the date of approval of the Policy.

1.3 Review of Policy

The Policy shall be reviewed as and when required by the applicable rules and regulations or otherwise.

1.4 Implementation & Monitoring of Policy

The Risk Management Committee (RMC) will monitor and supervise implementation of the Policy.

1.5 Policy Approval

The Policy and any significant changes therein shall be approved by the Board of Directors of the Company or the Risk Management Committee of the Company.

2. BACKGROUND AND OBJECTIVES

2.1 As a financial intermediary, Western Capital Advisors Private Limited is exposed to various types of risks including the following:

a) Credit Risk;
b) Market & Liquidity Risk;
c) Operational Risk;
d) Money Laundering Risk;
e) Legal, Compliance and Reputation Risk.

The objective of the Risk Management Policy is to ensure that various risks are understood, monitored and managed properly.

Key principles underlying the Risk Management framework of the Company will be as under:

2.2 The Board of Directors will have oversight on all the risks assumed by the Company. The Risk Management Committee or specific committees constituted by the Board, as delegated by it, will facilitate focused oversight of various risks.

2.3 Various policies approved by the Board of Directors or the Committees constituted by it, from time to time, will form the governing framework for each type of risk. The business activities will be undertaken within such policy framework.

2.4 Various committees will be constituted across the Company to facilitate independent evaluation, monitoring and reporting of various risks.

3. TYPES OF RISK

Approaches followed for management of various risks are outlined below:

3.1 Credit Risk

All credit risk relating to any product/ exposure will be governed by the respective Credit Policy. The Credit Policy will outline types of products, customer categories, target customer profile, credit approval process, exposure limits etc. The Credit Policy shall be approved by the Board of Directors or by any committee or by any official(s) to whom the Board of Directors may delegate such authority.

Similarly, the authority matrix for approval of credit limits will be approved by the Board of Directors or by any committee or by any official(s) to whom the Board of Directors may delegate such authority.

The Company (or its service agents), through a Centralized Operations Team, will manage operating risks in various back-office processes of the Company's business except for a few operational activities, which may be decentralized to improve turnaround time for customers. The decentralized operations will be managed by the Branch Operations team.

In due course, the Company (or through its service agents) will have Collections and Recovery unit structured along various segments and geographical locations, to manage delinquency levels. The collections unit shall operate under the guidelines of a standardized recovery process.

An independent audit will ensure adequate checks and balances.

3.2 Market and Liquidity Risk

The management of interest rate and liquidity risks will be covered in the Asset Liability Management (ALM) Policy. The ALM policy should cover the functioning of Asset Liability Management Committee (ALCO), the ALM process and the limits pertaining to interest rate and liquidity risks.

The Investment Policy will address issues related to treasury investments as well as long-term investments. The Investment Policy should cover the authorization, product guidelines, limits, classification, valuation norms, audit control and reporting.

Further, the Company may also have a Resource Planning Policy which should cover the following aspects relating to the resource/ liability planning:

a) Liability products proposed to be used to manage asset liability mismatches;

b) Limits for issuance / borrowing for each of the liability products;

c) Monitoring of liquidity metrics for the Company.

The above policies will need approval of the Board of Directors; the authority of approval may be delegated as deemed fit by the Board. However, after approval by the delegated authority, all amendments will be subsequently placed before the Board in their next meeting for their noting.

3.3 Operational Risk

Operational risk arises due to gaps in the processes, frauds, natural calamities or other unforeseen events. Though the occurrence of such instances could be less, the impact in value terms could be significant.

Operational risk will be managed through sound operational processes, robust IT systems, Disaster Recovery & Business Continuity Plans and standardized Policy & Process framework that help minimize errors & fraud occurrence.

The Risk/Credit function will ensure proper mitigation of the fraud related risk. It will lay-down the systems and processes for prevention of frauds and recovery of fraud losses. It will also be required to evaluate various external agencies involved for facilitating the business.

3.4 Money Laundering Risk

The Board or a Committee designated by the Board will have supervise and monitor Anti-Money Laundering (AML) framework of the Company. The Know Your Customer (KYC) and AML Policy and related process will be put in place in accordance with the statutory/ regulatory requirements.

Adequate Know Your Customer (KYC) procedures shall be framed for identification and verification of customers of different business groups and for monitoring/ reporting of suspicious transactions. The Company shall appoint the 'Designated Director' and the "Principal Officer" (PO) as per the statutory requirements. The PO will have executive responsibility for monitoring day-to-day implementation of the AML Policy and Procedures.

3.5 Regulatory Compliance

The designated Compliance Officer shall ensure that all regulatory guidelines are disseminated across the Company and are complied with in letter & spirit. The Compliance Officer will also have the responsibility of co-ordinating the regulatory audits and correspondence with the regulatory authorities.

3.6 Credit Concentration Risk

The Company will endeavor to spread the business and exposures across different customer profiles, products, industries, geographies etc. Broadly, distribution of exposures would be governed by the Credit Policy which would be reviewed periodically.

The Company shall ensure adherence with the credit concentration norms prescribed by the Reserve Bank of India.

3.7 Legal Risk

To contain any kind of legal risk in its documentation, the Company will have standardized documentations for various business purposes which shall be approved by the internal legal team or any external legal counsel.

To manage any major litigation risk which may emanate, external legal counsels may be engaged and periodical review of major litigation risks at the Board or some Committee should happen.

3.8 Reputational Risk

Reputational risk could be defined as the risk of potential damage to any entity owing to deterioration of its reputation and/or standing because of negative perceptions of the entity's image among its different stakeholders; *viz.* its customers, employees, shareholders, suppliers and regulatory authorities.

It may arise when some incident leads to reputation damage due to various factors including mis-selling, adverse media campaign, unfair trade practices, regulatory action, liquidity issue etc.

To contain and manage any such risk, the Company will, *inter alia*, ensure the following:

a) All media communications would be handled by a designated official/ function.

b) Timely response to statutory/ regulatory queries/ requirements.

c) Training of employees, especially employees facing the customers,

d) Respond to the customers' queries, requests and grievances within committed turn-around time.

e) Be vigilant to customer's/ stakeholder's/ media feedback (including social media) and take quick remedial actions.

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