

Roles and Responsibilities of CXO

The below disclosure of the roles and responsibilities assigned to the CXOs is provided in accordance with the SEBI vide circular SEBI/HO/IMD/IMD-1 DOF2/P/CIR/2021/630 September 27, 2021. The roles and responsibilities of the CXOs are aligned to meet the guidelines issued under the SEBI Risk Management Framework time to time.

Risk Management - Role of the Board of AMC and Trustees

1. Review and approve mandatory risk management policies and framework both at AMC and scheme level. Any modifications to the policies approved by the Risk Management Committee (“RMC”) shall be reviewed by the RMC of AMC and Trustee
2. Review and approve the risk appetite, risk metric and tolerance limits for AMC and schemes.
3. Periodically review the risk appetite, risk metrics against actual risk of the AMC and scheme.
4. Review breaches to risk appetite and thresholds for risk matrix and approve the action plan for remediation.
5. Define mechanism for risk reporting on a quarterly basis by RMC to the RMC of the AMC and Trustees and review outcome and submission on a quarterly basis.
6. Annually review and approve changes to the roles and responsibilities and Delegation of Power (“DoP”) as placed by the RMC.
7. Periodically review material breaches in the code of conduct.
8. Monitor and review the major findings, exceptions, deviations, resolution, strategies as recommended by the RMC or previous RMCs for the existing and emerging risks identified.
9. Review of the exceptions in:
 - Results of stress testing (investment, credit and liquidity risks);
 - Outliers identified during “Early Warning Signals” review;
 - Material alerts generated through the liquidity risks model at scheme level;
 - Material deviations, issues and corrective actions as a result of periodic RCSA review;
 - Material Incidents and Events reported.
10. Review reports on outsourced vendor highlighting risks emanating from them along with the remediation plans.
11. Review evaluation of the fraudulent incidents.

12. Formulate and approve a methodology for annual evaluation of the RMF, either through outsourced or by way of self-assessment.
13. Review the findings and action plan on the annual RMF compliance review prior to submission to SEBI in the half yearly SEBI report.
14. Recommend reduction/ change in the risk level of the schemes within the Potential Risk Class (PRC).
15. 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.

Risk Management - Role of the Management

1. The risk management role of the management can be broadly classified into risk management roles and responsibilities of the CEO, COO, RO, Heads of Equity & Fixed Income, other CXOs / HODs and the fund manager.
2. The management will oversee the risk management function.
3. The management will keep the Board of AMC and Trustees informed on new or emerging risks.
4. The management is required to report on risk on quarterly basis to the Board of AMC and trustees, covering all risks including risk metrics, escalation of material risk related incidents, if any, and timely and corrective actions taken in specific cases of risk escalation. This may be carried out with an objective to address the root cause in escalation of such risks and also to improve the measurement and control mechanism for prevention of reoccurrence of such risks.
5. Establishing an organization-wide risk-conscious culture.
6. Risk management as a parameter for performance appraisal (through KRAs or equivalent) of all the officials of the AMC at the level of CEO and up to two levels below CEO.
7. Establishing human resource practices pertaining to hiring, orientation and training in order to send messages to employees regarding the organization's expected standards on integrity, ethical behavior, competence and risk management.

Risk Management - Role of CEO

1. The CEO shall be responsible for monitoring and managing risks at both AMC and Scheme level.
2. The CEO shall ensure that the outcomes of risk management function are reported to him on a monthly basis.
3. The CEO shall define specific roles and responsibilities including KRAs of CXOs regarding risk Management.
4. The CEO shall define a risk appetite framework for schemes and AMC and place these at the risk committees for approval.
5. The CEO shall define appropriate risk metric for respective CXOs, fund manager, etc.
6. The CEO shall ensure adherence to the guidelines pertinent to SEBI in respect of RMF and relevant principles thereunder including risk identification, risk management, risk reporting (both periodic and escalation of material incident) and corrective actions taken, if any.

7. The CEO shall approve the corrective action on various findings and report to the board of AMC and trustee regarding the same and also escalate to board of AMCs and trustees, if required, any major findings being reported.
8. Review identified fraud incidents along with corrective action plans and report to the risk Committee.
9. Review risks events and operating events across different functions and approve corrective / recommended actions highlighted by the CIO and other CXOs

Risk Management - Role of RO

1. The RO shall be responsible for implementation and governance of Risk Management Framework ("RMF") across Asset Management Company ("AMC") and Mutual Fund Schemes.
2. The RO shall be responsible for ensuring all risk related policies are defined, reviewed, and updated periodically and placed at the relevant committee for approval.
3. Formulate and recommend changes to roles and responsibilities relating to risk management activities and place these at the RMCs for approval.
4. Put in place mechanism for risk reporting at least on a quarterly basis to the board of AMC, trustees and RMCs, covering all risks including risk metrics, escalation of material risk related incidents, timely and corrective actions taken, if any.
5. Put in place mechanism for reporting to CEO - Including outcomes for risk management function on monthly basis.
6. Perform periodic review and update the RMF defined by the AMC and place the same to the RMC for approval.
7. Review and suggest changes to the risk appetite and risk metrics for AMC and schemes as defined by the CEO and CXOs.
8. Periodically review the Delegation of Power (DoP) covering the following:
 - Daily risk management;
 - Daily risk reporting;
 - Corrective actions at the level of Fund manager, Heads of Investment Functions and CEO;
 - The RO shall inform to board of AMCs, trustee and risk committees regarding any major findings or corrective actions required and also update on closure or the status of various recommendations.
9. Define process to assess the control against each of the identified risk capturing following elements:
 - Measurement tool for each risk;
 - Monitoring and reporting frequency;
 - Reporting of breaches.
10. Identify, assess and estimate emerging risks and their possible impact on AMC and mutual fund schemes and escalate material emerging risk to RMC.

Risk Management - Role of Head of Equity / Head of Fixed Income / Chief Investment officer

1. Daily management of risk and reporting of any breaches as per DOP relating to Investment risk of all schemes(s) such as market Risk, liquidity Risk, credit risk etc. and other scheme specific risks (Compliance Risk, Fraud Risk, etc.).
2. Ensure defining specific responsibility of Fund Managers.
3. Ensure adherence to risk appetite framework and maintain risk levels for schemes.
4. Calculate the overall risk by taking in to account the weighted average of (i) the risk-o-meter and (ii) the events of defaults. Both (i) and (ii) are to be calculated in terms of a number taking into account the risk-o-meter and events of defaults or early mortality of investments which may inter alia include credit default, change in yield, change in NAV, external shock or unusual redemptions, etc. to quantify the overall risk.
5. Escalate the corrective actions taken, if any, to the CEO.
6. 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.
7. Recommend changes in the investment policies and ensuring they are aligned to the investment objectives as documented in the Scheme Information Document ("SID").
8. Formulate, review and implement a framework for -
 - Updation / modification in the equity or debt investment universe;
 - Updation in internal investment limits;
 - Provide relevant information 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 o 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.
9. Manage and monitor investment risks by reviewing published reports and taking corrective action basis the following –
 - Redemption analysis;
 - Investor concentration analysis ;
 - Distributor concentration analysis.
10. Ensure adherence to the "Stewardship Code" and other regulatory updates prescribed by SEBI for mutual funds

11. 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;
 - Investment risk for new products;
 - Implementation of controls around dealing room such as –non usage of mobile phones & handling of information;
 - Ensure adequate due diligence are conducted and documented during inter-scheme transfers.
12. Monitor exceptions identified on review of the regular risk management activities.
13. 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.
14. Ensure that fund managers and dealers comply with Code of Conduct as per Schedule V B of Mutual Fund Regulations.

Risk Management - Role of Fund Managers ('FM')

1. The FM shall be responsible for daily management of investment risk of managed scheme(s) such as market Risk, liquidity Risk, credit risk and other scheme specific risks within approved limits and appropriate risk reporting of any risk related event to respective CXO.
2. In respect of schemes managed by them, FMs should ensure adherence to risk appetite framework to maintain appropriate risk level for schemes.
3. Recommend reduction/ change in the risk level of the schemes within the Potential Risk Class (PRC) to the CIO / Head of Equity / Fixed Income
4. The FM shall take corrective action, if required, as per the approved DoP and escalate major risk related event to respective CXO / Head of the department
5. Suggest / provide inputs on changes required to risk appetite to the Head Investments.
6. Report identified risk, risk related events, other operating events and corrective actions plans to the CIO / Head of the Department.
7. Measure risks in accordance with the approved internal policy and risk metric.
8. Periodic analysis of bulk trades and block deals of large values.
9. Analysis and evaluation of ratings received from multiple credit rating agencies for securities across portfolios and take necessary actions.
10. 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.
11. Manage and monitor investments in schemes by reviewing published –

- 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).
12. Perform due diligence at the time of buying securities through inter-scheme transfers.
 13. Ensure maintenance of all relevant documents and disclosures with regard to debt and money market instruments before finalizing the deal.

Risk Management - Role of Head – Sales and Distribution

1. Responsible for the governance of sales and distribution risks.
2. Provide inputs to RO to define risk threshold and risk appetite.
3. Define and delegate roles to the key personnel within the distribution / sales function for identifying and reporting risks.
4. Provide relevant information to RO regarding the risk reports.
5. Identify, analyze and report the following to the RO 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 RO.
6. Review the risk level is in accordance with the approved risk threshold and risk metric.
7. Ensure adherence with the DoP framework.
8. Formulate, review and periodically provide inputs to update the RCSA for key risks and controls; and report outcomes of periodic testing of the RCSA.
9. Identify and report operating events and implement corrective actions / recommend action plans for deviations in the controls and present to RO and CEO.
10. 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.
11. Exceptions reported by sales and marketing teams, basis reviews done for distributors.

Risk Management - Role of Head –Compliance

1. Responsible for the governance of compliance risks.
2. 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.
3. Review and suggest changes in the policies and obtain approval from Board of AMC and Trustee.
4. Ensure identification and communication of regulatory updates to the respective functions and CXOs and monitor implementation.
5. Provide inputs to RO to define risk threshold and risk appetite of Compliance.
6. Define and delegate roles to the key personnel within the compliance function for identifying and reporting risks.
7. Provide relevant information to RO regarding monthly / quarterly risk reporting to the Committees.
8. For the relevant functional risks, identify, analyze and report the following to the RO and CEO along with recommended action plan for:
 - Early warning signals;
 - Emerging risks;
 - Major findings;
 - Near miss and loss events;
 - Fraud incident.Ensure escalation of such incidents as per the escalation matrix approved by RO.
9. Ensure timely and accurate filing of the regulatory returns / filings.
10. Review the risk level for the functional risk is in accordance with the approved risk threshold and risk metric.
11. Ensure adherence with the DoP framework.
12. Formulate, review and periodically provide inputs to update the RCSA for key risks and controls; and report outcomes of periodic testing of the RCSA.
13. Identify and report operating events and implement corrective actions / recommend action plans for deviations in the controls to RO and CEO.
14. Ensure timely submission of regulatory reports to the Regulator and Board of AMC and Trustee as prescribed by the SEBI Mutual Funds Regulations.
15. 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.
16. Implement process for prevention or detection of possible insider trading at the personnel or portfolio levels.
 17. 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.
 18. Ensure that roles and responsibilities as per the RMF is disclosed on the AMC website.

Risk Management - Role of Head – Fund Administration

1. Responsible for the governance of operational risks.
2. Provide inputs to RO to define risk threshold and risk appetite.
3. Define and delegate roles to the key personnel within the operations function for identifying and reporting risks.
4. Provide relevant information to RO regarding the risk reports.
5. For the relevant functional risks, identify, analyze and report the following to the RO 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 RO.

6. Perform adequate due diligence of outsourced vendors prior to onboarding.
7. Ensure periodic assessment of outsourced vendors and assess control function for critical processes in adherence to the laid down organisational outsourcing policy.
8. Ensure adequate segregation of duties within the finance function for accounting related activities for scheme and AMC.
9. Ensure risk level are in accordance with the approved risk threshold and risk metric.
10. Ensure adherence with the DoP framework.
11. Formulate, review and periodically provide inputs to update the RCSA for key risks and controls; and report outcomes of periodic testing of the RCSA.
12. Identify, report operating events and implement corrective actions / recommend action plans for deviations in the controls and present to RO/ CEO.
13. Formulate and implement policy for mutual fund accounting and obtain approval from the Board of AMC. Also perform periodic review and suggest changes wherever required.
14. Formulate procedure documents and implement process to perform periodic testing of internal controls over financial reporting of Mutual Fund schemes.

Risk Management - Role of Head – TA Operations and Client relationship

1. Responsible for the governance of operational risks.
2. Provide inputs to RO to define risk threshold and risk appetite.
3. Define and delegate roles to the key personnel within the operations function for identifying and reporting risks.
4. Provide relevant information to RO regarding the risk reports.
5. For the relevant functional risks, identify, analyze and report the following to the RO 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 RO.

6. Perform adequate due diligence of outsourced vendors prior to onboarding.
7. Ensure periodic assessment of outsourced vendors and assess control function for critical processes in adherence to the laid down organisational outsourcing policy.
8. Ensure risk level are in accordance with the approved risk threshold and risk metric.
9. Ensure adherence with the DoP framework.
10. Formulate, review and periodically provide inputs to update the RCSA for key risks and controls; and report outcomes of periodic testing of the RCSA.
11. Identify, report operating events and implement corrective actions / recommend action plans for deviations in the controls and present to RO/ CEO.

Risk Management - Role of Head – Human Resources

1. Responsible for the governance of Human Resource risks.
2. Formulate and implement Human Resources and remuneration policy and obtain approval from the Board of AMC.
3. Review and suggest changes in the policies and obtain approval from Board of AMC.
4. Provide inputs to RO to define risk threshold and risk appetite.
5. Define and delegate roles to the key personnel within the human resource function for identifying and reporting risks;
6. Provide relevant information to RO regarding the risk reports;

7. For the relevant functional risks, identify, analyze and report the following to the RO 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 RO.

8. Review the risk level for the functional risk is in accordance with the approved risk threshold and risk metric.
9. Ensure adherence with the DoP framework.
10. Formulate, review and periodically provide inputs to update the RCSA for key risks and controls; and report outcomes of periodic testing of the RCSA.
11. Identify, report operating events and implement corrective actions / recommend action plans for deviations in the controls and present to RO/ CEO.
12. Ensure a well-defined succession planning process for KMP and other key positions in the AMC.
13. Ensure that risk related KRAs are defined for all executives up to two levels below CEO.

Risk Management - Role of Chief Technology Officer / Head of IT

1. Responsible for the governance of Technology, Information Security and Cyber risks.
2. Provide inputs to RO to define risk threshold and risk appetite.
3. Provide relevant information to RO regarding the risk reports.
4. For the relevant functional risks, identify, analyze and report the following to the RO and CEO along with recommended action plan for:
 - Early warning signals;
 - Emerging risks;
 - Major findings;
 - loss events and business disruptions;
 - Fraud incidents.

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

5. Review the risk level for the functional risk is in accordance with the approved risk threshold and risk metric.
6. Ensure adherence with the DoP framework.

7. Formulate, review and periodically provide inputs to update the RCSA for key risks and controls; and report outcomes of periodic testing of the RCSA.
8. Identify, report operating events and implement corrective actions / recommend action plans for deviations in the controls and present to RO/ CEO.
9. Monitor fraud vulnerabilities in the business processes including outsourced process.
10. Ensure least system failures affecting business and deliverable of other functions.
11. Frame and ensure adherence to the Business Continuity Plans and the required systems are in place and updated periodically.
12. Frame a cyber-security and cyber resilience framework and audit framework encompassing systems and processes for Mutual Funds/AMCs and suggest timely changes to ensure effectiveness of the framework.
13. Ensure adherence to SEBI 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 and April 11, 2019, and all subsequent amendments.
14. Ensure implementation of an integrated investment management system across front office, mid office and back office.

Risk Management - Role of Other Function heads

1. The CXOs / Heads of the Departments shall be responsible for the governance of the respective risk types.
2. In respect of respective risk type, CXO / Heads of Departments should ensure adherence to the guidelines pertinent to SEBI in respect of RMF and relevant principles thereunder including risk identification, risk management, risk reporting (both periodic and escalation of material incident) and corrective actions taken.
3. In respect of respective risk type, CXO / HODs should ensure defining specific responsibility regarding risk management of key personnel reporting to them.
4. Maintaining risk level as per the risk metric.
5. The CXOs / HODs shall take immediate corrective action for non-compliance or major finding post approval from CEO as per DoP and shall report to RO regarding the risk reports.
6. The CXO shall escalate to CEO and the RO any major findings reported by respective risk management function.
7. Identify, report operating events and implement corrective actions / recommend action plans for deviations in the controls and present to RO/ CEO.