

Role and Responsibilities

The risk management role of the management can be broadly classified into risk management roles and responsibilities of the CEO, CRO, CIO, CXOs and the fund manager.

The overall role of the management shall be as below:

- Overseeing the risk management function.
- Keeping the Board of AMC and Trustees informed on new or emerging risks.
- Putting in place a mechanism for risk reporting 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.
- Establishing an organization-wide risk-conscious culture.
- Inclusion of 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.
- 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.

A. Chief Executive Officer (CEO)

- The CEO shall be responsible for all the risks at both AMC and Scheme level.
- The CEO shall:
 - Ensure that the outcomes of risk management function are reported to him on a monthly basis.
 - Define specific responsibility of CIO and CXO regarding risk management.
 - Define a risk appetite framework for schemes and AMC.
 - Define appropriate risk metric for respective CXO, CIO, fund manager, etc.
 - 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.
- 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.

B. Chief Risk Officer (CRO)

- The CRO shall be responsible for ensuring that there is an effective governance framework and reporting framework of risk management in line with the regulatory requirements.
- The risk management roles of the CRO are as under:
 - Implementation of Risk management framework across the organization.
 - Review specific responsibility of management, including CEO, CIO, CXOs, and Fund Managers.
 - 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.
 - Independent assessment of reporting of risk to various committees and CEO, etc.
 - Put in place mechanism for reporting to CEO - Including outcomes for risk management function on monthly basis.
 - The reporting of risk as above is independent from the CIO and verified by the risk

- There is a Delegation of Power (DoP) approved by the Board of AMC for risk management by CRO / Risk function representative (In absence of CRO) covering the following:
 - Daily risk management
 - Daily risk reporting
 - Corrective actions at the level of Fund manager, CIO and CEO.
- The CRO 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.

C. Chief Investment Officer (CIO)

- 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.) lies on the CIO.
- In respect of all schemes CIO 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, if any.
 - Defining specific responsibility of Fund Managers
 - Adherence to risk appetite framework - maintain risk level for schemes
- CIO will 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.
- The CIO shall escalate the corrective actions taken, if any, to the CEO and the CRO.

D. CXOs – All Functional Head (FHs)/ Department Head (HODs)

- All Functional Head (FHs) / Department Head (HODs) are designated as a CXO for their respective function(s) / Department(s). The CXOs shall be responsible for the governance of the respective risk types.
- Each CXO level officer shall take ownership of risks and manage risk level for those risks as are applicable to their area of operation.
- In respect of their respective risk type(s), CXO 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.
 - Defining specific responsibility regarding risk management of key personnel reporting to them.
 - Maintaining risk level as per the risk metric.
- The CXOs shall take immediate corrective action for non-compliance or major finding post approval from CEO as per DoP and shall report to CRO regarding the risk reports.
- The CXO shall escalate to CEO and the CRO any major findings reported by respective risk management function.

E. Risk Management - Role of Fund Manager (FM)

- 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 and appropriate risk reporting of any risk related event to CIO.
- In respect of schemes managed by them, FMs should ensure:
 - Adherence to relevant SEBI guidelines in respect of RMF and relevant principles thereunder including risk identification, risk management, reporting and corrective actions etc.
 - Adherence to risk appetite framework to maintain appropriate risk level for schemes.
 - If there is any need of change in the risk appetite of the scheme within the PRC of that particular scheme(s), the same is to be with the approval of the CIO / Head of Department.
- The FM shall take corrective action, if required, as per the approved DoP and escalate major risk related event to CIO.