Roles and responsibilities

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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 27th 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")
- Chief Investment Officer ("CIO")
- Fund Manager ("FM")
- Chief Compliance Officer ("CCO"),
- Chief Operations Officer ("COO")
- Chief Client Officer ("CcO")
- Head - Human Resources
- Chief Information Security Officer ("CISO"), and
- Other Function Heads

2. Roles and responsibilities

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 Chief Investment Officer ("CIO") and other CXO like Chief Compliance Officer ("CCO"), Chief Operations Officer ("COO"), Head - Human Resources, Chief Client Officer ("CcO"), 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 roles and responsibilities for
    - CIO and Fund Managers
    - CCO, COO, CcO, Head - HRs
- Review risks events across different functions and approve corrective / recommended actions highlighted by the CIO 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

2.2. Chief Investment Officer (CIO)

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
    - 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
    - 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

- 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 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
        - dedicated recorded lines
        - restricted internet access
        - handling of information
- Ensure adequate due diligence in accordance with Inter-scheme Transfer Policy are conducted and documented during inter-scheme transfers

- Review adequacy of disclosures made to the investors regarding significant risks such as liquidity, counterparty and credit, investment, and other risk areas across all schemes
- Ensure disclosures made to clients are consistent with investments and holdings
- 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 as may be deemed necessary
- Report the key risk identified and corrective actions taken to the CEO and CRO
- Define the responsibilities of the Fund Managers

2.3. 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 CIO
- Recommend reduction/ change in the risk level of the schemes within the Potential Risk Class (PRC) to the CIO
- Report identified risk, risk related events and corrective actions plans to the CIO
- Measure risks in accordance with the approved internal policies and risk metrics
- Analysis and evaluation of ratings received from multiple credit rating agencies for debt securities across portfolios and take necessary actions
- Ensure disclosures made to clients are consistent with investments and holdings
- Manage and monitor investments in schemes
- 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)

2.4. 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, 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
    - Assess liquidity risk at a scheme level
    - Alerts pertaining to asset liability mismatch
    - Formulation of Frauds response plan / strategies
    - Escalation matrix for reporting and resolution of incidents (loss, near miss, fraud etc.)
    - Adequate framework to detect and prevent security market violation, frauds and malpractices by the AMC and reporting framework on the same to the ERMC and board Trustee on half yearly basis
- Review and report the following to the ERMC 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 o 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 o 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 and report outcomes of the risk management function to the CEO atleast once a month
- Approve investment limit setup
- 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
- Report risks associated with the MF and AMC activities in a structured manner to the Board Risk Management Committee of the AMC and Trustee

2.5. Chief Client Officer (CcO)

Roles & Responsibilities

- Responsible for the governance of business risks
- Provide inputs to CRO to define risk threshold and risk appetite
- Define and delegate roles to the key personnel within the 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 risks associated with his/her function in accordance with the approved risk thresholds and risk metrics
- 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 – o Number of mis-selling incidents
  - Negative comments in the inspection report relating to sales process
  - Analysis of the portfolio of investors e.g. nature of investments vis-à-vis risk appetite of the investor

2.6. Chief Compliance Officer ('CCO') & Company Secretary

Roles & Responsibilities

- Responsible for the governance of compliance risks and secretarial 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 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

- Define and delegate roles to the key personnel within the compliance function for identifying and reporting risks
- Provide inputs to CRO to define risk threshold and risk appetite of Compliance. Further, 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:
    - 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 risks associated with his/her function in accordance with the approved risk thresholds and risk metrics
- Ensure adherence with the DoP framework
- 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 scheme related disclosures including website
- 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.), digital advertising, and performance advertising etc. before its usage
- Ensure that roles and responsibilities as per the RMF is disclosed on the AMC website

2.7. Chief Operating Officer ('COO')

Roles & Responsibilities

- Responsible for the governance of operational risks
- Provide inputs to CRO to define risk thresholds 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.
- Ensure 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
- Responsible for the governance of financial accounting and reporting risks
- Formulate and implement policy for mutual fund accounting
- Perform periodic review and suggest changes in the policies and obtain approval from Board of AMC
- Provide inputs to CRO to define risk thresholds 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 approved escalation matrix

- Review the risk level are in accordance with the approved risk thresholds and risk metrics
- 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

2.8. Head - Human Resources

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, 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 risks associated with his/her function in accordance with the approved risk thresholds and risk metrics
- 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
- 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

2.9. Chief Information Security Officer (CISO)

- Responsible for the governance of IT risks and reporting risks
- Formulate and implement policy for IT risk (including information, cyber and data security risks) and obtain approval from the Board of AMC
- Perform periodic reviews and suggest changes in the policies and obtain approval from Board of AMC
- Provide inputs to CRO to define risk threshold and risk appetite
- Ensure periodic risk assessment of inhouse and vendors systems from IT risk perspective, considering following elements:
- Review of inhouse developed and vendors systems and processes,
- Documentation and communication of error, tolerance and monitoring breaches,
- Monitor fraud vulnerabilities in the system and processes,
- Monitor outlier findings, identified during assessment of systems and recommend and monitor implementation,
- Provide relevant information to CRO regarding the risk reports
- Review the risk level are in accordance with the approved risk thresholds and risk metrics.
- 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
- Formulate procedure documents and implement process to perform periodic testing of internal controls over financial reporting of Mutual Fund schemes

2.10. Other CXOs

Roles & Responsibilities

- The CXOs shall be responsible for the governance of the respective risk types

- In respect of respective risk type, 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
- In respect of respective risk type, CXO should ensure 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 findings 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
- Identify, report operating events and implement corrective actions / recommend action plans for deviations in the controls and present to CRO/ CEO