RISK MANAGEMENT & INTERNAL CONTROLS POLICY OF MONEYSUKH ADVISORS IFSC LLP

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1. Introduction

Moneysukh Advisors IFSC LLP (hereinafter referred to as "the LLP or Investment Manager or FME"), is a Fund Management Entity incorporated under LLP Act, 2008 and regulated by International Financial Services Centres Authority which as a Registered FME (Non-Retail) having registration No. ACB-8040 and authorized to pool money from investors investing above a specified threshold by way of private placement for investing in securities, financial products and such other permitted asset classes through one or more restricted schemes and act as Investment Manager to such Funds and Schemes that engage the service of the Fund Management Entity from time to time. This policy is drafted in compliance of the IFSCA Fund Management Regulations, 2022 read with IFSCA (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022 (collectively the, "IFSCA (AML/CFT and KYC) Guidelines").

This Risk Management Policy ("Policy") is designed to identify, assess, manage and mitigate the full spectrum of risks associated with or inherent in the operations of the Fund Management Entity (FME) and taking informed actions to help it achieve its strategic objectives, reduce the likelihood of failure, and decrease the uncertainty of overall business performance in compliance with the IFSCA Fund Management Regulations, 2022 read with IFSCA (AML/CFT and KYC) Guidelines. This Policy Statement must be read in conjunction with the LLP's AML/CTF Policy.

2. Culture and Values

We define culture as the shared attitudes, beliefs, values, and norms that shape our behavior and values. We value difference; we succeed together; we take responsibility, and we get it done. We believe that behavior is one of the clearest expressions of culture. As new challenges and opportunities emerge, our culture has to adapt to help us achieve our strategic outcomes. We assess culture through employee sentiment, observed behavior and business outcomes. We do not consider risk culture as something separate to LLP's overall culture; rather, it is simply a way of looking at how our culture either supports or inhibits our ability to manage risk. Our culture creates an environment that either enables or inhibits us in delivering the right conduct outcomes. Conduct impacts can arise across all risk types and are sometimes referred to as "conduct risk". Each of us has a role in supporting the delivery of good conduct outcomes for customers and maintaining the orderly and transparent operation of financial markets and market integrity. The effectiveness of the Risk Management Framework depends on our staff living the values, behaviors, and principles contained within the framework.

3. Objective of the policy

The purpose of this risk management policy is to establish a structured framework for the systematic identification, assessment, evaluation, mitigation, and periodic review of risk categories. This framework aims to integrate informed business decision-making with risk considerations to minimize adverse impacts on business objectives. Additionally, the policy seeks to ensure the establishment of a robust risk management system and internal procedures aligned with International Financial Services Centres Authority (IFSCA) guidelines on Anti Money Laundering (AML), Counter-Terrorist Financing (CTF), and Know Your Customer (KYC). Its overarching goal is to safeguard investor interests, optimize fund performance, and uphold regulatory compliance while effectively managing and monitoring risks associated with fund management activities.

4. Scope

This policy applies to all the fiduciaries, key managerial personnel, employees, fund managers, portfolio managers, and stakeholders involved in the operations and management of the FME and its investment funds and their internal control processes within the jurisdiction governed by IFSCA regulations. It encompasses risks related to investment decisions, market fluctuations, operational processes, regulatory changes, and other related matters as per regulation 123 of IFSC (Fund Management) Regulations, 2022 read with IFSCA (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022. This Policy provides FME and Fund level risk guidelines encompassing key risk areas including market risk, investment risk, portfolio risk, and compliance risk. It also involves monitoring the risks to which each investment being made by the FME is subject to, and continuously monitoring such risk.

5. Governance and responsibilities

The Board of Designated Partners ("Board") is FME's key decision-making body, and it makes all financing and policy decisions in matters involving operative and administrative questions and is responsible for the financial statements of FME. The Board shall have the responsibility to assure itself of the effectiveness of the Risk Management Policy and its alignment with the Strategy and other relevant internal and external circumstances.

The Principal Officer shall be responsible for overall activities of the FME including but not limited to fund management, risk management and compliance.

The Key Managerial Personnel of the FME is designated as Compliance and Risk Manager and shall be responsible for compliance with these regulations and ensure suitable risk management policies and practices at the FME.

The Chief Executive Officer (whatever be the designation) of the FME shall ensure that the FME complies with all the provisions of these regulations and the guidelines or circulars issued in relation thereto from time to time and that the investments made by the FME are in the interest of the unit holders and shall also be responsible for the overall risk management function of the FME.

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7. Obligation/Role of Principal Officer or Chief Executive Officer

The Principal Officer is responsible for managing the funds of the schemes in a manner that aligns with the objectives of the scheme and prioritizes the interests of the investors.

The Principal Officer of the FME shall ensure that all activities of the FME adhere to the provisions of the relevant regulations, circulars, and guidelines issued by the regulatory authority.

Any violations or non-compliance shall be promptly addressed, and necessary remedial steps shall be taken, with immediate notification to the Authority.

Obtain internal audit reports from independent auditors as and when deemed appropriate.

Communicate in writing to the FME of the deficiencies and checking on the rectification of deficiencies.

8. Range of Activities

The business undertaken by the LLP may broadly be classified as under:

A) Private Placement Fundraising:

The registered FMEs are authorized to pool funds from accredited investors or investors exceeding a specified threshold through private placements. These funds are utilized for investments in securities, financial products, and other permitted asset classes through restricted schemes.

B) Portfolio Management Services:

The registered FMEs are allowed to provide Portfolio Management Services, catering to the investment needs of their clients. These services may include the management of investment portfolios, asset allocation, investment strategy development, and risk management.

C) Multi-Family Office Services:

The registered FMEs may offer multi-family office services, catering to the comprehensive wealth management needs of high-net-worth families.

The risk management framework and internal controls of the registered FMEs shall consider the risks associated with these activities and establish appropriate measures to mitigate and manage them effectively. Compliance with regulations, risk assessment, and ongoing monitoring shall be integral parts of the risk management process.

9. Risk Management Framework

The FME has adopted the framework based on the provisions of IFSCA (Fund Management) Regulations, 2022 read with IFSCA (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022 for its risk management and internal control policy.

The FME's risk management framework sets the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management capability. Undertaking a periodic review to assess the effectiveness of the LLP's risk management framework is necessary to ensure that the framework continues to evolve and meet the needs of the entity.

The objective of the risk management framework is to ensure that any funds launched by the Investment Manager (in relation to its performance of obligations under the Fund Documents), operate within their agreed risk tolerance and risk limits. The framework ensures that LLP have sufficient control in place to ensure we only take the right type and amount of risk to grow our business safely and within our appetite this is expected to be achieved by:

(a) Effective and efficient continuity of operations;
(b) Safeguarding of assets of the FME and Fund;
(c) Preservation and enhancement of the FME's and Funds' reputation;
(d) Reliability of internal and external reporting; and
(e) Compliance with applicable laws and regulations

10. Risk Management Process

Risk Management is a continuous process that is accomplished throughout the life cycle of the organisation. Effective Risk Management covers risk management planning, early identification and analyses of risks, implementation of corrective actions, continuous monitoring and reassessment, and communication, documentation and coordination. The risk management process of the LLP is divided into following 4 parts supported by certain operational tools:

S.no.	Process Step	Purpose
A	Risk identification	Identification of risks, resulting from uncertainty threatening the achievement of the FME's and Fund's strategic or operational objectives.
B	Risk assessment	Evaluation of the severity of risks, on the basis of their likelihood and impact
C	Risk Response and Management	Identification and selection of relevant risk treatment options, and its translation into an action plan
D	Risk Control and Monitoring	Monitoring of the evolution of risks and of the progress of their related action plans

A) Risk Identification

In the current business model of the FME, the market risks of the portfolio are "pass through" to the subscribers. Net Asset Value (NAVs) is determined based on mark-to-market/as per valuation of securities, and any market value loss is borne by the subscriber. However, reputation risk is absorbed by the LLP. As a FME, the LLP aims to maximize returns for subscribers and is therefore required to identify, measure, control, and mitigate these risks. Considering the inter-relationships between risks, the following key risks have been identified:

Operational Risk: This includes the risk of disruptions or failures in operational processes, systems, or controls, which may result in financial losses, non-compliance with regulations, or damage to the LLP's reputation.

Reputation Risk: This risk arises from negative perceptions or a loss of confidence in the LLP's services, potentially impacting its ability to attract and retain subscribers and affecting its market standing.

Market Risk: This refers to the risk of losses resulting from adverse movements in market prices, such as interest rates, exchange rates, equity prices, or commodity prices, which can affect the portfolio's value and ultimately impact subscriber returns.

Credit Risk & Investment Risk: This encompasses the risk associated with creditworthiness and the potential default of counterparties, as well as the risk of investments not performing as expected, both of which can impact the portfolio's value and returns to subscribers.

Other Risks (Compliance/Contagion/Strategic): This category includes risks related to non-compliance with regulatory requirements, contagion risks arising from interconnectedness with other entities, and strategic risks associated with the LLP's business decisions and direction.
The LLP has also adopted Risk Identification techniques such as Internal Audit report observations if any, Whistle Blower mechanism, SWOT Analysis and Scenario Analysis to identify and highlight emerging risks or add new risks to the risk register on an ongoing basis.

B) Risk Assessment

Each of the identified risk is assessed for an inherent risk rating on the twin factors of probability/ frequency and impact/ severity and has, accordingly been classified into the following ratings:
a. High
b. Medium, and
c. Low

Based on the impact assessment of the risk and considering the control environment, a formalized risk appetite statement with a rationale for the same is documented for each of the key functions/risk types, incorporating key risk scenarios that might create, enhance, prevent, degrade, accelerate or delay the achievement of objectives, sources of risks and areas impacted due to the event. The risk appetite statement aims to provide an objective articulation of the aggregate level and types of risk that FME is willing to accept, or to avoid achieving its business objectives within the regulatory requirements. It includes qualitative statements as well as quantitative measures.

For each fund/scheme managed by FME, a risk appetite has been defined. The risk appetite considers the asset class and investment strategy adopted by the fund/scheme.

Risk Appetite Framework:

FME has developed a 4-point risk rating scale to quantify impact that an occurrence of each of the risks would have on FME's ability to achieve its strategic priorities after considering existing controls / risk management activities. The impact assessment considers financial, reputational, operational, and legal risk and investor impact of the occurrence of the risk. The probability of the happening of each of the above risks considers the environment control and automation, external factors or dependencies such as market infrastructure, outsourced activities, etc. and available historical risk data. Based on the impact assessment of the risk and considering the control environment, a formalized risk appetite statement with a rationale for the same is documented for each of the key functions/risk types, incorporating key risk scenarios that might create, enhance, prevent, degrade, accelerate or delay the achievement of objectives, sources of risks and areas impacted due to the event. The risk appetite statement aims to provide an objective articulation of the aggregate level and types of risk that FME is willing to accept, or to avoid achieving its business objectives within the regulatory requirements. It includes qualitative statements as well as quantitative measures.

Scale	Risk Appetite	Definition
1	**Very Low**	FME has Very limited appetite for the risk and so takes every reasonable action to avoid unfavorable outcomes. The Registered FME operates under the principle of no trade-off between business returns and cost considerations. It acknowledges that risk avoidance is paramount and therefore prioritizes the design of business processes and controls to mitigate risks. The focus is on creating robust and effective systems that minimize potential risks and promote the overall safety and stability of the operations. By adopting this approach, the Registered FME aims to safeguard investor interests and maintain a sustainable and resilient business environment.

2	**Low**	FME has Limited appetite for the risk, but accepts that there may be some (very limited) unfavorable outcomes Some deliberate trade-offs between business returns / cost to take on some risk We may differentiate between the types of unfavourable outcomes, e.g., we risk accept some activities but focus our efforts and the design of controls to avoid or mitigate the more material
3.	**Medium**	FME has Greater appetite for the risk and either accepts and/or expects some more frequent, or more severe, unfavourable outcomes. Deliberate trade-offs between business returns vs. cost considerations to assume some risk. Accept activities not because we want to but because we have to, since the risk is intrinsic to asset management or to the environment in which we operate, so we can influence but ultimately not completely control the risk
4.	**High**	Significant appetite for the risk and routinely expects and accept potentially severe unfavorable outcomes Trade-offs between business strategy / cost considerations to take on riskier activities Accept many activities, including those with higher residual risk for reasons such as expedited execution Embark on activities before introducing risk mitigants, substantive or tested controls, and introduce risk mitigants or controls at a later date May wait to see the impact of unfavorable outcomes and remediation costs before introducing risk mitigants or substantive controls

For each risk type, in addition to the key risk scenarios, FME may also document the emerging or new risks due to new business lines, new products, statutory changes, changes in external environment or market infrastructure, etc.

Risk Matrix:

a) Monitoring risk involves analysis of existing and possible risks.
b) Investment Manager will monitor the risk matrix and submit report to the Designated Partner and same will be forwarded to the senior management for their approval in case of High-Risk Client.
c) The Investment Manager will report the risks based on the risk matrix as defined by the LLP.

C) Risk Response and Management

Response to each of the identified risks is assessed in the context of FME's strategic direction and gets suitably categorized into one of the following based on their linkage to the key strategic objectives of the FME:

a. Transfer
b. Avoid
c. Accept and absorb impact
d. Manage actively

FME has defined risk metrics for measurement of various fund/scheme specific risks, including investment risk, credit risk, and liquidity risk.

Apart from the scheme risk metrics, risk metrics have also been defined for each of the key AMC specific risks.

Risk metrics are measurable with defined risk thresholds. The risk thresholds are based on the risk appetite and consider control environment as well as other aspects such as historical experience, peer benchmarking, regulatory requirements/ guidelines etc. Each metric has a determined frequency of monitoring and an escalation process in the event of a breach of the threshold. Appropriate remedial or mitigating actions will be taken in the event a risk metric exceeds the defined threshold.

Delegation of Power:

FME has defined a Delegation of Power framework covering risk management, risk reporting and corrective actions at various levels of management, with the following roles:

- Responsible: Always the first step and indicates the beginning (initiation) of activity
- Accountable: Provides authority for taking appropriate action or decision on the outcome of the activities
- Approval / Corrective action in case of breach beyond the threshold approved under Risk Management framework:
- Provides input to authority relating to identified risks and deviations and approves Corrective action or breaches beyond the threshold approved under Risk Management framework.
- Informed: Presentation of Information to the authority for their attention and action

Risk Escalation:

If the residual risk level is outside the risk appetite of the organization, and there are not sufficient controls (or mitigation actions) within the approval level of the office to reduce the risk to within acceptable levels, the risk must be escalated to the next authority level as mentioned below in one of the examples:

1. After assessment of risk, if an investor falls into high-risk category the concerned team shall report to Principal Officer
2. Principal Officer shall report to Designated Partner

3. Designated Partners may take decision to proceed with the relation or shall present the issue before Management at its discretion.
4. Investor will be onboarded only upon written approval of senior management.

D) Risk Control and Monitoring

The FME has implemented a robust review and monitoring mechanism structure which provides a firm foundation for the risk governance. The three-tiered review mechanism is as follows:

a. **Review with the Risk Owners and Commercial Heads** – All the potential and identified risks registers are reviewed annually in detail along with formulation of revised mitigation plan wherever required. Maximum exposure and all expenses in each Fund have been capped as may be decided by the investment Manager.
b. **Review by the Designated Partners** – Strategic and significant operating risks identified are reviewed annually in detail by the Designated Partners responsible for the operational oversight on the Risk Management Unit concerned. The Investment Manager is required to take approval of the Board for proposals involving conflict of interest.
c. **Review by the Principal Officer and Compliance officer** – The Principal Officer and Compliance officer identifies every year, certain risks that are strategic from the corporate perspective which if not adequately addressed can have a major impact on the corporate performance. Such risks are reviewed by the principal officer and Compliance officer on a quarterly basis.

Key benefits from various monitoring and review processes are as follows:

a. Defined accountabilities, responsibilities, authorities and documentation protocol
b. Measurement of actual progress of mitigation action against milestones
c. Providing KRI performance metrics to measure performance of mitigation measures of individual risks
d. Industry benchmarking
e. Identification of new emerging risks
f. Ensure that the risk mitigation measures are effective, efficient and economical

11. Internal Control Policy

a. Objective:

Internal Financial Control comprises the policies, systems, and procedures that safeguard LLP's assets, ensure reliable financial reporting and disclosures, and comply with all relevant regulations. This framework extends beyond financial and non-financial accounting to encompass corporate culture and best practices in social, environmental, and governance areas. It is integral to the LLP's risk management strategy. Effective Internal Financial Control aims to:

- Identify and mitigate risks
- Provide assurance of operational efficiency and effectiveness
- Safeguard both tangible and intangible assets
- Ensure accurate and timely financial reporting

- Prudently manage the LLP's resources
- Establish robust internal controls and an effective internal audit system
- Design a framework for directing, monitoring, and measuring resources of the LLP
- Ensure compliance with all applicable laws, rules, and regulations
- Implement LLP's policies and procedures effectively

b. Elements of Internal Control Framework

The essential elements of an effective internal financial control framework are:

- Structure and culture of organization
- Delegations of authority
- Policies and procedures
- Trained and properly qualified staff
- Information technology controls
- Review process e.g. internal audit
- Liaison with auditors and legal advisors
- Senior management compliance assurance
- Risk identification and assessment

c. Internal Controls include reviews of the following areas:

- Senior management, to be responsible for establishment of overall policies and active oversight of parameters and controls.

- Internal audit, to ensure that independent assessments are made encompassing functioning of various compliances under various statues and Rules & Regulations framed there under, adequate systems and procedures are at place for physical verification of fixed assets and other assets, proper books of accounts, vouchers along with supports and other documents are maintained, confirmation of balances from debtors, creditors and other parties are obtained periodically/ at year end and proper systems and procedures are at place for internal control at various departments.

- Operational risks, including segregation of duties, checks and balances, protection of customer funds and securities, operating systems, management information systems, management reporting, front and back-office operations, contingency planning and disaster recovery.

d. For Effective Financial Control, the Board of Designated Partners and Senior Management shall ensure:

- Physical verification of inventories at reasonable intervals.

- Physical verification of all Fixed Assets at reasonable intervals.

- Adequate Internal Control procedures are at place for maintaining proper records in respect of sale/purchase of goods and services.

- All undisputed statutory dues including provident fund, Investor Education Protection Fund, Employee State Insurance, Taxes and other Statutory dues are paid within the prescribed time.

- Funds availed on short term basis are not used for long term investment.

- The funds raised through public issue, Right issue, Preferential/Private placement shall be used for the purposes as stated in Prospectus/Offer Letter.

- The LLP shall comply with all applicable Statutory Laws, Rules and Regulations.

12. Policy Review

The risk management and internal controls policy shall undergo periodic reviews to ensure its relevance, effectiveness, and compliance with regulatory requirements. These reviews will be conducted at least once a year or as deemed necessary by the board.

13. Responsibility

The Principal Officer and the Compliance Officer will be responsible for implementation of Policy.

14. Power to Remove Difficulties

The board of Designated Partners holds the power to address any difficulties or challenges encountered in the implementation or compliance with this policy. They have the authority to make necessary amendments, provide clarifications, or take any other actions required to overcome difficulties.

15. Effective Date

This policy shall be effective from the date of approval by the Board of Designated Partners.