



# **360 ONE PRIME LIMITED**

## **RISK MANAGEMENT POLICY**

The document aims to define the broad risk guidelines for 360 ONE Prime Limited. This document is applicable to all business activities undertaken by 360 ONE Prime Limited.

# Risk Management Policy

## Introduction:

360 ONE Prime Limited (formerly known as IIFL Wealth Prime Limited). is a Non-Banking Financial Company – Non-Deposit Taking Systemically Important (NBFC-ND-SI) registered with the Reserve Bank of India (hereinafter referred to as “360 ONE Prime”). The product range of the company includes Mortgage (Loan against Property), & Capital Market related products (Loan against Shares, Margin Funding, etc.).

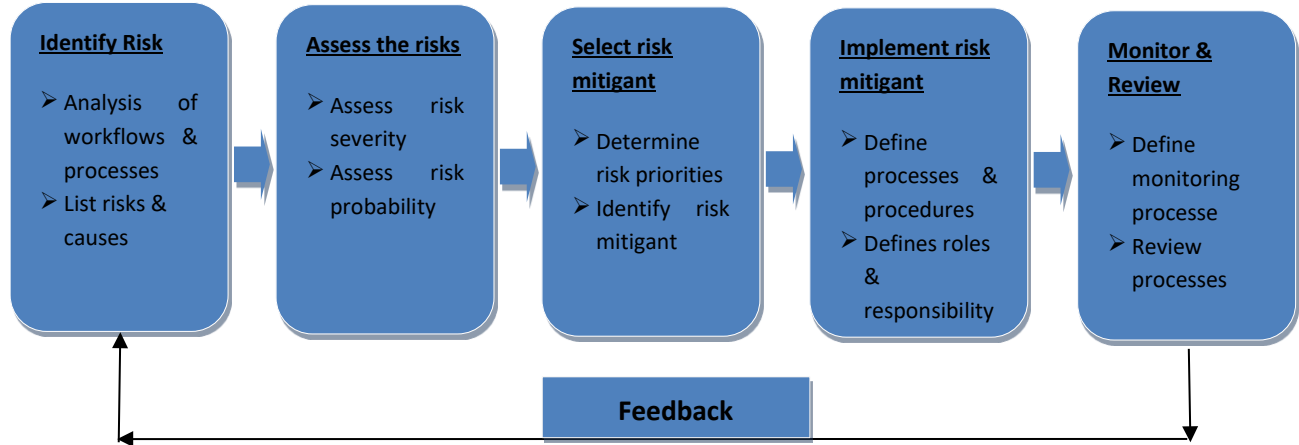
## Abbreviations and Definitions:

AE	Aggregate Exposure
CAN	Credit Appraisal Note
CAP	Corrective Action Plan
CIBIL	Credit Information Bureau (India) Limited
CRILC	Central Repository of Large Credits. Reporting is to be done to CRILC as per regulatory norms
GBL	Group Borrower Limit as per regulatory norms, 25% of net owned funds
360 ONE Prime	360 ONE Prime Limited
IPO	Initial Public Offer
IRDA	Insurance Regulatory and Development Authority
JLF	Joint Lenders Forum
KYC	Know Your Customer/ Client
LAS	Loan Against Shares/ Securities
NBFC-ND-SI	Non Deposit Accepting Systemically Important Non-Banking Financial Company
NPA	Non-performing Assets, loans or receivables which are overdue and classified as NPA as per RBI Prudential norms
PMLA	Prevention of Money Laundering Act
RBI	Reserve Bank of India
RMU	Record Management Unit
SBL	Single Borrower Limit, 15% of net owned funds as per RBI Prudential norms
SEBI	Securities and Exchange Board of India
SMA	Special Mention Accounts – to be reported to the RBI as per the RBI Master Circular on Miscellaneous Instructions to Non-Banking Financial Companies dated 1st July 2015
SOPs	Standard Operating procedures
The Policy	360 ONE Prime Risk Management Policy

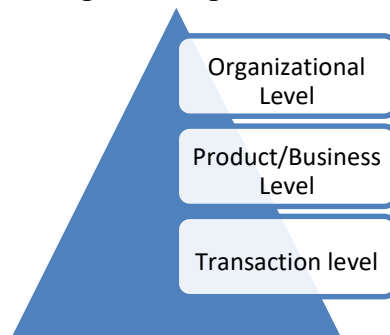
# Risk Management Policy

## Risk Assessment & Controls:

360 ONE Prime has in place a robust and well defined risk assessment and control policy that drives all its core businesses. 360 ONE Prime has strong risk management framework where every employee of 360 ONE Prime is actively responsible for risk management. The risk management process is self-evolving:



This Policy caters to both product/business specific guidelines and works within the overall risk framework for the organization. The risk framework has been implemented at various levels in the organization that govern the functioning of the organization both at macro and micro levels.



The risk controls in place at each of the above stated levels are described in detail in the following section:

### **(A) ORGANIZATIONAL LEVEL:**

Important key risk controls put in place for the overall business are as follows:

1. As per the policy mandated, secured loans are provided – the product bouquet comprising of Mortgage Loans and Capital market funding are all backed by strong and valid collateral.
2. Unsecured loans, including unsecured Retail Loans can be extended with a cap of 15% of overall portfolio.
3. The multiple/diversified product lines ensure risk mitigation.
4. Commercial Real Estate Loans book including for land acquisition is restricted to 5% of the portfolio .
5. Capital Market exposure is up to 100% of the portfolio

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6. All products are governed by product level policies and / or Standard Operating procedures (SOPs) that are duly approved by the Board.
7. Further, there is strict adherence to the Single Borrower Limit (SBL) & Group Exposure norms for loans as stipulated by RBI i.e. 25% & 40% of Tier I capital.
8. Regulatory Compliance is ensured with a strict “no tolerance” policy for any kind of intentional regulatory breaches.
9. 360 ONE Prime also aims to ensure fair dealings devoid of any fear or favour with all stakeholders including customers, vendors and employees.

## **(B) PRODUCT/BUSINESS LEVEL:**

Further, various controls and measures have been put in place at product level that help control product level exposures:

1. There are Board approved Product level policies for Loan against Shares, Loan Against Property and Unsecured loans.
2. Exposures against various segments are tracked to ensure that risk is not concentrated in a single segment. These segments include variables like the borrower’s industry, profile, collateral, etc.
3. Unsecured exposure cannot exceed 15% of overall portfolio.
4. The business is sourced from geographically well spread out distribution channels.
5. All credit authorities are centrally managed and granted as part of Board approved Product polices, based on experience and performance, .
6. All loan files, as well as other critical documents like Property Papers, Invoices, Registration Certificate (RC), etc. are stored in a Record Management Unit (RMU). The RMU is equipped with storage and security facilities that ensure that the documents are stored in clean, safe and hygienic conditions and they remain protected from any kind of damage, mutilation etc. The compound is equipped with CCTV cameras, restricted access, fire resistant vaults etc.
7. Collateral that is acceptable is defined in the product policies, including the haircut that is applicable to various collateral
8. Collateral insurance is done on best effort basis for all Mortgage lending products. This ensures that the collateral being so financed is protected and safe guarded against fire, earthquake etc. as per prevailing IRDA guidelines (for Mortgage).

## **(C) TRANSACTION LEVEL:**

1. Strict adherence to RBI stipulated guidelines on Know Your Customer (KYC), Prevention of Money Laundering Act (PMLA) etc. whereby all our customers pass through the KYC requirements as well as all clear all negative databases as circulated by the various government bodies.
2. All 360 ONE Prime customers are involved in a face-to-face interaction with an authorized 360 ONE Prime employee, thereby ruling out risks of funding any suspicious individual etc.
3. The credit approval process is multi-tiered based on the quantum and type of approval sought. The credit approval matrices form part of the board approved product policies.
4. All credit proposals are backed by Credit Appraisal Notes (CANs) which provide the rationale behind the lending decision. The CANs also covers the key risks with mitigation and the exceptions to the Product policy, if any. For IPO Financing, approvals provide an annual upper limit funding per borrower.
5. CIBIL score, Willful defaulters list, World Check, SEBI Debarred list and Watchout Investor are checked for each borrower to evaluate credit history.

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6. The collateral in all cases passes through verifications and due diligence to ascertain validity of ownership and true & fair value to ensure creation of a valid mortgage/ hypothecation/ pledge/ charge against the collateral.
7. Collateral provided in the form of securities (LAS transactions) are regularly monitored and margin calls are made where there is a shortfall
8. Receivables are tracked and reminders for outstanding dues are sent to clients. Senior Managers may take a decision to invoke the collateral put on lien to 360 ONE Prime and recover the dues by liquidation. Reporting of Special Mention Accounts (SMA) and Non-performing assets (NPA) would be done to the board of directors / Central Repository of Large Credit (CRILC) / RBI as per RBI Directions/ Guidelines.

**Risk associated with outsourcing of activities:**

The following are the key risks associated with outsourcing and their mitigations.

Sr. No.	Type of Risk	Risk Mitigation
1	Strategic Risk – Where the service provider conducts business on its own behalf, inconsistent with the overall strategic goals of the NBFC.	No function critical to the strategy or reputation of the NBFC has been outsourced.
2	Reputation Risk – Where the service provided is poor and customer interaction is not consistent with the overall standards expected of the NBFC.	
3	Compliance Risk – Where privacy, consumer and prudential laws are not adequately complied with by the service provider.	
4	Operational Risk- Arising out of technology failure, fraud, error, inadequate financial capacity to fulfil obligations and/ or to provide remedies.	The Company rely on 360 ONE Wealth for BCP / DR plans. Internal auditors look at the efficacy of process controls in different areas on a quarterly basis and report to the management.

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5	Legal Risk – Where the NBFC is subjected to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements due to omissions and commissions of the service provider.	It is will be ensured that outsourcing arrangements, if any, are backed up by proper legal agreements that clearly set out the expectations from the service provider and its obligations if it fails to deliver. Should there be outsourcing of important activities to external parties in the future, we will ensure that the operations of these service providers, as relevant to 360 ONE Prime, are covered by Internal auditors also. IIFLWP also has an in-house customer service team that handles customer queries on their borrowing transactions and margin positions
6	Exit Strategy Risk – Where the NBFC is over-reliant on one firm, the loss of relevant skills in the NBFC itself preventing it from bringing the activity back in house and where NBFC has entered into contracts that make speedy exits prohibitively expensive.	Not Applicable for 360 ONE Prime Limited at present since there is no reliance on outside entities for carrying out day to day activities.
7	Counter party Risk – Where there is inappropriate underwriting or credit assessments.	The company has an in-house Credit Risk Management Team, which does due diligence before granting a loan to any person. That apart, large credits are taken to a Credit Committee consisting of senior executives, and beyond a certain threshold to a Board level Committee.
8	Contractual Risk – Where the NBFC may not have the ability to enforce the contract.	We will ensure that outsourcing arrangements, if any, are covered by proper agreements that lay out deliverables and consequences of failure.
9	Country Risk – Due to the political, social or legal climate creating added risk.	Not Applicable, the company is not investing or deploying loan in overseas jurisdictions.
10	Technology Risk-Technology risk is any risk of technology failures to disrupt the business such as information security incidents or service outages. It is the threat of technology failure that could compromise cyber security and business intelligence. This cyber risk can come in many forms, including inefficiencies, theft, and malware.	360 ONE Prime has several IT systems and infrastructure in place which are prone to threats and thus lead to technology risk events including cyber security related breaches. Taking this into account, the Risk Appetite Statement (RAS) has been updated to reflect risks arising out of technology outsourcing, cybersecurity, business continuity, disaster recovery, IT governance, system downtime, technology obsolescence and risks highlighted by the Reserve Bank of India (RBI) in the Master Direction on IT Governance, Risk, Controls and Assurance Practices
11	Technology Obsolescence Risk Continued usage of obsolete technology and / or applications, which impair our ability to keep pace with agile competitors and customer preferences	Business teams, the Technology team and the IS function regularly review the systems in use and suggest changes that are required both from the functionality perspective and from the security perspective. We also benchmark against what our competitors are using.

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12	<p>Business Continuity and Disaster Recovery</p> <p>Inadequate business continuity and disaster recovery plans may result in business interruptions, which further may result in financial and reputation loss</p>	<ul style="list-style-type: none"> <li>• BCP / DR policy exists at the 360 ONE WAM Group level covering all the subsidiaries at</li> <li>• Multi-functional BCCMT (Business Continuity Crisis Management Team) looks at implementation of business continuity planning</li> </ul> <p>DR testing is carried out for major applications as per the regulatory mandates</p>
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As required by RBI Notification No. DNBR.PD.CC.No.090/03.10.001/2017-18 dated November 09, 2017, 360 ONE Prime has drafted an Outsourcing Policy (referred to as ‘the Policy’ in the following paragraphs), that facilitates sound and responsive risk management practices while outsourcing.

Section 5 of the Policy states that the departments of the Company availing outsourcing activity shall look into the above broadly classified risks and also look into any other incidental risks attributable to it along with risk mitigation views and submit the same to Risk Management Committee for their necessary evaluation and clearance before final award of contract.

Section 7 of the Outsourcing Policy lays down the due diligence process that needs to be undertaken to assess the capability of the service provider to conduct the activities proposed to be outsourced.

Sections 11 and 12 of the Policy specify the matters that must be covered in the outsourcing agreement.

Section 14 of the Policy deals with monitoring and control of outsourcing arrangements, It envisages a central repository of outsourcing arrangements, and at the least an annual review of the financial and operational condition of the service provider to assess its ability to continue to meet its outsourcing obligations. Such due diligence reviews should highlight any deterioration or breach in performance standards, confidentiality and security, and in business continuity preparedness.

Outsourced processes / operations will also be subject to internal audit by internal auditors of 360 ONE Prime and this will be incorporated into the outsourcing agreement.

**Risk Governance:**

At 360 ONE Prime; we believe “Effective Risk Management begins with Effective Risk Governance”.

360 ONE Prime has a well-defined and evolved risk governance structure, with an active and engaged Board of Directors supported by a veteran Senior Management Team. Decision making is centralized through a number of senior and executive committees. Decision making levels are based on the Company’s objectives and risk tolerance limits. Strategies, policies and limits are designed to ensure that risks are prudently diversified. Risk mitigating activities are reviewed periodically by senior management and further at the Board. This policy will be reviewed annually.