

# Risk Management Policy

## Shubham Stock Broking Services Private Limited

**Policy Owner:**

**Version:** V1.0

**Last Updated:** [26.04.25]

**Review Cycle:** Annual

**Classification:** Internal

**Status:** [Approved]

**Next Review Date:** 25.04.26

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## 1. Purpose

The Risk Management Policy of Shubham Stock Broking Services Private Limited establishes a structured and proactive framework to identify, assess, monitor, and mitigate risks associated with its operations. The primary objectives are:

- To ensure compliance with **SEBI regulations**, including SEBI (Stock Brokers) Regulations, 1992, and circulars such as CIR/MIRSD/1/2014.
- To safeguard the financial stability, operational integrity, and reputation of Shubham Stock Broking Services Private Limited.
- To protect the interests of clients, stakeholders, and the broader financial ecosystem by minimizing the impact of potential risks.
- To foster a risk-aware culture across the organization through governance, training, and continuous monitoring.

This policy aligns with best practices and regulatory expectations, ensuring Shubham Stock Broking Services Private Limited's resilience against internal and external risks.

## 2. Scope

This policy applies to all risk categories associated with Shubham Stock Broking Services Private Limited's business activities, including but not limited to:

- **Credit Risk:** Financial losses due to clients' or counterparties' failure to meet obligations.
- **Market Risk:** Losses from adverse movements in market variables (e.g., stock prices, interest rates).
- **Operational Risk:** Losses from inadequate processes, human errors, system failures, or external events.
- **Compliance Risk:** Legal or regulatory penalties due to non-compliance with laws or guidelines.
- **Reputational Risk:** Damage to Shubham Stock Broking Services Private Limited's brand or stakeholder trust due to operational or ethical failures.
- **Liquidity Risk:** Inability to meet financial obligations due to insufficient cash flow.
- **Cybersecurity Risk:** Threats to data security or system integrity from cyberattacks.

The policy covers all employees, directors, agents, business associates, and third-party vendors involved in Shubham Stock Broking Services Private Limited's operations, including securities trading, depository services.

## Risk Governance

Shubham Stock Broking Services Private Limited adopts a robust governance structure to ensure effective risk management:

- **Board of Directors:**
  - Holds ultimate responsibility for overseeing the risk management framework.
  - Approves the Risk Management Policy and major risk mitigation strategies.
  - Reviews periodic risk reports to ensure alignment with strategic objectives.
- **Risk Management Officer (RMO):**
  - A qualified senior employee appointed to coordinate risk management activities.
  - Monitors risk exposures and escalates significant issues to director or Board.
  - Liaises with internal teams and regulators to ensure compliance with risk-related requirements.
- **Departmental Heads:**
  - Identify and manage risks within their respective functions (e.g., trading, operations, compliance).
  - Implement risk mitigation measures and report to the Director

## 4. Risk Identification and Assessment

Shubham Stock Broking Services Private Limited employs a systematic approach to identify and assess risks:

- **Risk Identification:**
  - Conduct regular reviews of business activities, market conditions, regulatory changes, and operational processes to identify material risks.
  - Engage cross-functional teams (e.g., trading, operations, compliance) to ensure comprehensive coverage.
  - Assess risks in regard to their impact on business and also nature and seriousness of risk.
  - Categorize risks by severity (e.g., Low, Medium, High) to prioritize mitigation efforts.
  - Consider both internal factors (e.g., system failures, staff errors) and external factors (e.g., market volatility, regulatory changes).

## 5. Types of Risks

Shubham Stock Broking Services Private Limited recognizes the following key risk categories and their implications:

- **Credit Risk:**
  - Arises from clients' or counterparties' failure to meet financial obligations, such as margin payments or settlement dues.
  - Potential impact: Financial losses, liquidity constraints, or operational disruptions.
- **Market Risk:**
  - Stems from adverse movements in market prices (e.g., equities, commodities), interest rates, or foreign exchange rates.
  - Potential impact: Losses in trading portfolios or client investments.
- **Operational Risk:**
  - Results from failures in internal processes, human errors, system malfunctions, or external events (e.g., natural disasters, cyberattacks).
  - Potential impact: Service disruptions, financial losses, or regulatory penalties.
- **Compliance Risk:**
  - Arises from non-compliance with SEBI, PMLA, or other regulatory requirements.
  - Potential impact: Fines, sanctions, license revocation, or reputational damage.
- **Reputational Risk:**
  - Occurs due to operational failures, ethical lapses, or negative publicity.
  - Potential impact: Loss of client trust, reduced business opportunities, or stakeholder backlash.
- **Liquidity Risk:**
  - Inability to meet financial obligations due to insufficient cash or liquid assets.
  - Potential impact: Default on payments or operational constraints.
- **Cybersecurity Risk:**
  - Threats to data integrity, confidentiality, or system availability from cyberattacks or breaches.
  - Potential impact: Data loss, financial theft, or regulatory penalties.

## 6. Risk Mitigation Measures

Shubham Stock Broking Services Private Limited implements tailored measures to mitigate each risk category:

- **Credit Risk:**
  - Enforce strict **margin requirements** and **exposure limits** based on client risk profiles and SEBI guidelines.
  - Conduct regular credit assessments of clients and counterparties using financial statements and market feedback.
  - Implement collateral management systems to secure exposures (e.g., pledging securities).
- **Market Risk:**
  - Use **stop-loss limits** and **position limits** to cap losses in volatile markets.
  - Employ hedging strategies (e.g., derivatives) to offset market exposures.
  - Regularly monitoring the market movements and annual cumulative profit and loss of Shubham to provide checks and balances on their exposures to be taken from time to time.
- **Operational Risk:**
  - Develop robust **internal controls**, including segregation of duties, dual authorization, and reconciliation processes.
  - Invest in reliable IT systems with regular maintenance and cybersecurity protocols commensurate with the size of the company and its operations.
  - Provide ongoing staff training to minimize human errors and enhance process efficiency.
- **Compliance Risk:**
  - Maintain a compliance calendar to track regulatory deadlines and requirements.
  - Conduct regular **internal audits** and **compliance reviews** to ensure adherence to SEBI, PMLA, and other laws.
  - Appoint a dedicated Compliance Officer to oversee regulatory obligations.
- **Reputational Risk:**
  - Uphold transparent and ethical business practices, including clear client communications.
  - Implement **crisis management measures** to address negative publicity or operational failures.
  - Monitor social media and client feedback to detect early signs of reputational issues.
- **Liquidity Risk:**
  - Maintain adequate cash reserves and access to credit lines to meet short-term obligations.
  - Monitor cash flow projections and settlement cycles to ensure liquidity.
- **Cybersecurity Risk:**
  - Deploy firewalls, encryption, and multi-factor authentication to protect systems and data commensurate with the size of the company and its operations.
  - Conduct regular **penetration testing** and vulnerability assessments.
  - Develop an **incident response plan** to address cyber breaches promptly.

## 7. Monitoring and Reporting

Shubham Stock Broking Services Private Limited ensures continuous oversight of risks and controls:

- **Monitoring:**
  - Use automated tools to track risk exposures in real-time (e.g., margin breaches, market volatility).
  - Conduct periodic reviews of control effectiveness through process audits and key risk indicators (KRIs).
  - Monitor external factors, such as regulatory changes or economic trends, to anticipate emerging risks.
- **Reporting:**
  - To report the incidents which indicate or potential risk immediately to senior management.
  - To report the matter of high risks to the Board of Directors
  - Submit **compliance reports** to SEBI and other regulators as required (e.g., half-yearly risk management reports).
- **Escalation:**
  - Escalate significant risk issues (e.g., major breaches, regulatory violations) to the Directors, Compliance Officer and escalate it to Board . if risk is serious or there is high frequency of the same risk.
  - Document escalation procedures to ensure timely resolution.

## 8. Business Continuity Planning

Shubham Stock Broking Services Private Limited maintains a robust **Business Continuity Plan (BCP)** to ensure operational resilience:

- **BCP Components:**
  - Identify critical functions (e.g., trading platforms, settlement processes) and their dependencies.
  - Establish backup systems, latest data storage, and alternate work arrangements.
  - Define recovery time objectives (RTOs) and recovery point objectives (RPOs) for key processes.
- **Crisis Management:**
  - Form a Crisis Management Team to coordinate responses during disruptions (e.g., system outages, natural disasters).
  - Maintain contact lists and communication channels for stakeholders.

## 9. Training and Awareness

Shubham Stock Broking Services Private Limited fosters a risk-aware culture through education and engagement:

- **Training Programs:**
  - Conduct **annual risk management training** for all employees, covering risk types, mitigation strategies, and regulatory requirements.

- Provide specialized training for trading, operations, and compliance teams on tools like risk monitoring software and SEBI guidelines.
- **Regulatory Updates:**
  - Educate and regularly update staff on SEBI circulars, PMLA amendments, or market trends via internal memos.

## 10. Policy Review

The Risk Management Policy is a dynamic document that will be updated to reflect evolving risks and regulations:

- **Frequency:**
  - Review the policy at least **annually** or upon significant changes, such as new SEBI regulations, operational expansions, or major risk incidents.
- **Process:**
  - The RMO will initiate the review, incorporating feedback from the compliance officer, staff and audit teams.
  - Proposed changes will be submitted to the Board of Directors for approval.
- **Version Control:**
  - Assign a new version number for each revision (e.g., Version 1.1, 2.0).
  - Maintain a changelog to document updates for transparency.

## Approval and Effective Date

**Approved by:** Board of Directors,

**Effective Date:** 26.04.25

**Version:** 1.0