

2016

**IIFL Wealth
Finance Limited**

[RISK MANAGEMENT POLICY]

The document aims to define the broad risk guidelines for IIFL Wealth Finance Limited. Document is applicable to all business activities undertaken by IIFL Wealth Finance Limited.

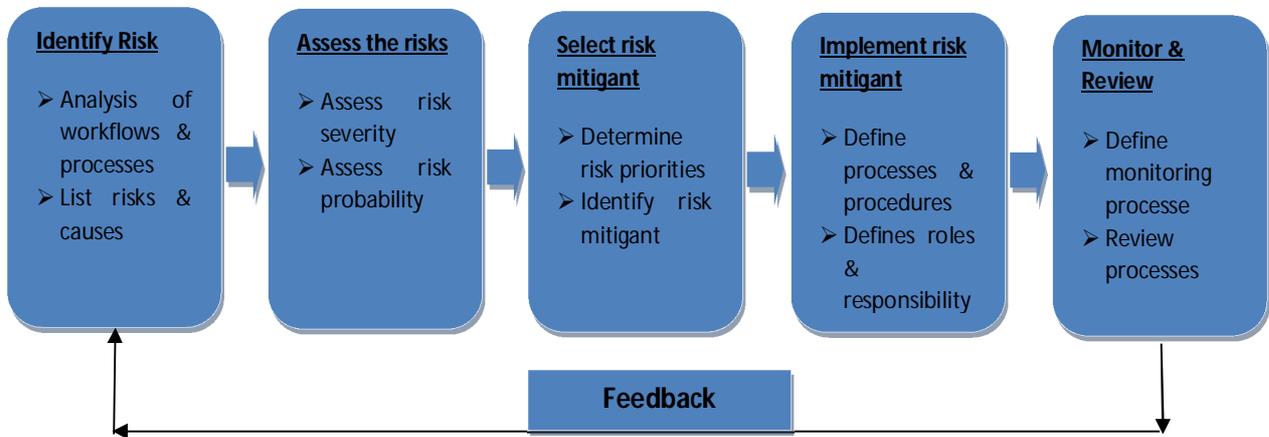
Risk Management Policy

Introduction

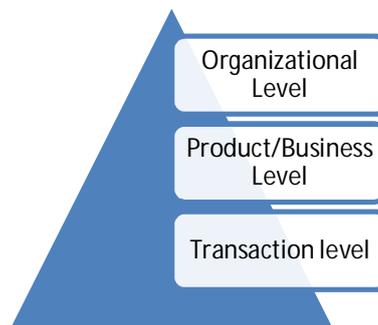
IIFL Wealth Finance Ltd. is a Non Deposit Accepting Systemically Important Non Banking Financial Company (NBFC-ND-SI) registered with RBI as a NBFC (hereinafter referred to as “**IIFLW Finance**”). The product range of company includes Mortgage (Loan against Property), & Capital Market related products (Loan against Shares, Margin Funding, etc.).

Risk Assessment & Controls

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



The Risk Policy for the company is so structured that it 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.



Risk Management Policy

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 and are all backed by a strong and valid collateral. Unsecured loans can be extended with a cap of 10% of overall portfolio.
2. The multiple/diversified product lines ensure risk mitigation.
3. Large Mortgage Loans book is restricted to 25% of the overall assets, thereby leading to control over client concentration & ensuring retail focus
4. All products are governed by product level policies and / or Standard Operating procedures (SOPs) that are duly approved by the Board.
5. Further, there is strict adherence to the Single Borrower Limit (SBL) & Group Exposure norms for loans as stipulated by RBI i.e. 15% & 25% of owned funds respectively.
6. Regulatory Compliance is ensured with a strict “no tolerance” policy for any kind of intentional regulatory breaches.
7. IIFLW Finance 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. 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.
2. Unsecured exposure can not exceed 10% of over all portfolio.
3. The business is sourced from a geographically well spread out distribution channels.
4. All credit authorities for transaction level approvals are centrally managed and granted based on experience, performance, training & tests.
5. 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.

Risk Management Policy

6. Collateral insurance is done on best effort basis for all Mortgage lending products, (*can be covered as part of the comprehensive insurance policy*). 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 IIFLW Finance customers are involved in a face-to-face interaction with an authorized IIFLW Finance employee, thereby ruling out risks of funding any suspicious individual etc.
3. The collateral in all cases passes through verifications to ascertain validity of ownership and true and fair value to ensure creation of a valid mortgage/ hypothecation/ pledge/ charge against the collateral. All collaterals are physically visited and verified by IIFLW Finance employees additionally.

Risk Governance

At IIFLW Finance; we believe **“Effective risk management begins with effective risk governance”**. IIFLW Finance has a well-defined and evolved risk governance structure, with an active and engaged Board of Directors supported by 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.