

# **RISK MANAGEMENT FRAMEWORK**

## **WHITE LABELS E-SYSTEMS PVT. LTD.**

## **RISK MANAGEMENT POLICY**

### **1. Introduction:**

This Policy is in compliance with SEBI (Listing Obligations & Disclosure Requirements), Regulations, 2015 and provisions of Companies Act, 2013 read with Rules made thereunder which requires the Company to lay down procedures about the risk assessment and risk minimization.

White Labels E-Systems Pvt. Ltd. (the “Company”) recognizes that enterprise risk management is an integral part of good management practice. Risk management is an essential element in achieving business goals and deriving benefits from market opportunities.

### **2. Policy Overview:**

The Company’s risk management policy relates to identification, assessment, monitoring and mitigation of various risks to our business. The policy seeks to minimize adverse impact on our business objectives. Further, our risk management practices seek to sustain and enhance long-term competitive advantage of the Company.

### **3. Risk Management Framework:**

#### **3.1 Risk Management Structure:**

The Audit Committee of Directors shall periodically review the risk management policy of the Company and evaluate the risk management systems so that management controls the risk through a properly defined network. Head of Departments shall be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning.

#### **3.2 Risk Management Program:**

The Company’s risk management program comprises a series of processes, structures and guidelines which assist the Company to identify, assess, monitor and manage its business risk including any material changes to its risk profile. To achieve this, the Company has clearly defined the responsibility and authority of its Board of Directors to oversee and manage the risk management program, while conferring responsibility and authority on the Company’s senior management to develop and maintain the risk management program in the light of the day-to-day needs of the Company. Regular communication and review of the risk management practice provides the Company with important checks and balances to ensure the efficacy of its risk management program.

### 3.3 Risk categories & Mitigation Measures:

The following broad categories of risks have been considered in the risk management framework:

- **Fat Finger Mistake Risk:** A fat-finger error risk is wherein there is a keyboard input error or mouse mis click in the financial markets such as foreign exchange market whereby an order to buy or sell is placed of far greater size than was intended, for the wrong ticker symbol or contract, at the wrong price, or with any number of other input errors.

**Mitigation:** Participant shall be allowed to input maximum quantity for each order, in case the order exceeds the specified amount the system will reject the same.

- **Cyber threats:** As our products are used to protect transactions and sensitive customer data, the associated risks due to evolving cyber threats will always be a concern.

**Mitigation:** The risks of cyber threats is mitigated by constantly reengineering the products in response to such threats and use globally acclaimed firewall to safe guard the data.

- **Failure of the Production site:** In case there is a failure in production site due to any reason.

**Mitigation:** The Company has set up Disaster Recovery (DR) systems which will be maintained at near-zero RTO/RPO, thus in case the production site fails for any reason, the DR site shall take over the operations seamlessly without delay and data loss.

- **Unauthorized login:** In case there is any unauthorised login in the Software provided by the Company:

**Mitigation:** The system shall bind to the IP address of the participant. Hence any login attempt made by anyone from beside the IP address mapped with us shall not get entry into our system.

- **Stale pricing:** Many times, the data throttled by Liquidity Provider can slow down due to third party network issues, which leads to stale prices reaching the User.

**Mitigation:** The system provides latency data at each point of contact; thus a LP is immediately notified in case the price feed reaching the user carries stale prices and can be rectified immediately or the feed can be disabled.

- **Legal Risks associated with Contracts:** The Company enters into agreements with its customers for licensing its products, performing maintenance services etc. In the course of business, it may be exposed to legal risks arising out of non-performance of contractual obligations, infringement of IP rights, and exposure to sensitive data of the customers and maintaining confidentiality of such data.

**Mitigation:** The Company has assigned roles and responsibilities to employees in relation to information assets and security. Accesses to applications, programmes and source codes are restricted to authorized personnel on a need Risk Management to know basis only. Employees are obligated to maintain confidentiality for working on sensitive projects and for safeguarding data received from customers. The Company has a systematic approach towards vetting agreements and limits its obligations to the extent minimally necessary under each contract.

#### **4. Oversight and Key Risk Management Practices:**

##### **A. Board**

The Board is responsible for framing, implementing and monitoring the risk management plan for the Company. The audit committee or management may also refer particular risk management issues to the Board for final consideration and direction.

##### **B. Audit Committee**

The audit committee is responsible for ensuring that the Company maintains effective risk management and internal control systems and processes, and provides regular reports to the Board on the effectiveness of the risk management program in identifying and addressing material business risks. To achieve this, the audit committee is responsible for:

- managing and monitoring the implementation of action plans developed to address material business risks within the Company and its business units, and regularly reviewing the progress of action plans;
- setting up internal processes and systems to control the implementation of action plans;
- regularly monitoring and evaluating the performance of management in managing risk;
- providing management and employees with the necessary tools and resources to identify and manage risks;
- regularly reviewing and updating the current list of material business risks;
- regularly reporting to the Board on the status of material business risks; and
- ensuring compliance with regulatory requirements and best practices with respect to risk management.

##### **C. Senior management and Compliance Officer**

The Company's senior management and Compliance officer are responsible for designing and implementing risk management and internal control systems which identify material risks for the Company and aim to provide the Company with warnings of risks before they escalate. Senior management must implement the action plans developed to address material business risks across the Company. Senior management should regularly monitor and evaluate the effectiveness of the action plans and the performance of employees in implementing the action plans, as appropriate. In addition, senior management should promote and monitor the culture of risk management within the Company and compliance with the internal risk control systems

and processes by employees. Senior management should report regularly to the Board regarding the status and effectiveness of the risk management program.

#### **D. Employees**

All employees are responsible for implementing, managing and monitoring action plans with respect to material business risks, as appropriate.

### **5. Review of risk management program**

The Company regularly evaluates the effectiveness of its risk management program to ensure that its internal control systems and processes are monitored and updated on an ongoing basis. The division of responsibility between the Board, audit committee and senior management aims to ensure that specific responsibilities for risk management are clearly communicated and understood. The reporting obligations of senior management and audit committee ensures that the Board is regularly informed of material risk management issues and actions. This is supplemented by the evaluation of the performance of the risk management program and audit committee, senior management and employees responsible for its implementation.

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