

Risk Management Policy

1. Purpose

The purpose of this Risk Management Policy is to establish a structured framework to identify, assess, monitor, and mitigate risks arising from CapitalSquare Financial Services Pvt. Ltd.'s operations in financial markets and related services. This policy aims to ensure business continuity, regulatory compliance, and protection of client and organizational interests.

2. Scope

This policy applies to:

- All business units and departments of CapitalSquare Financial Services Pvt. Ltd.
- Employees, directors, consultants, and authorised persons
- Third-party vendors and service providers engaged in financial operations

3. Objectives

- Ensure timely identification and management of risks
- Maintain regulatory compliance with SEBI and stock exchange requirements
- Safeguard client assets and company resources
- Minimise operational disruptions and financial losses
- Promote a strong risk-aware culture across the organisation

4. Risk Categories

The company recognises the following key categories of risk:

4.1 Market Risk

Risk of losses due to adverse movements in market prices, including equities, derivatives, commodities, or currency exposures.

4.2 Credit Risk

Risk arising from client defaults, counterparty failures, or settlement obligations.

4.3 Operational Risk

Risk due to internal process failures, system breakdowns, human error, fraud, or external events.

4.4 Compliance & Regulatory Risk

Risk of non-compliance with applicable laws, regulations, circulars, and exchange rules issued by authorities such as National Stock Exchange of India, BSE Limited, and SEBI.

4.5 Liquidity Risk



Risk of inability to meet financial obligations due to inadequate cash flow or market liquidity constraints.

4.6 Technology & Cyber Risk

Risk arising from system failures, cybersecurity breaches, data theft, or IT infrastructure issues.

4.7 Reputational Risk

Risk of negative public perception due to misconduct, service failure, or regulatory action.

5. Risk Governance Structure

The risk management framework is overseen by:

- **Board of Directors** – Overall responsibility for risk governance
- **Risk Management Committee (RMC)** – Reviews risk exposure and mitigation strategies
- **Compliance Officer** – Ensures adherence to regulatory requirements
- **Risk Manager / Designated Risk Officer** – Day-to-day risk monitoring and reporting

6. Risk Management Process

6.1 Risk Identification

Risks are identified through:

- Internal audits
- Compliance reviews
- Incident reports
- Market surveillance systems
- Regulatory updates

6.2 Risk Assessment

Each risk is evaluated based on:

- Probability of occurrence
- Potential financial and operational impact
- Existing control effectiveness

6.3 Risk Mitigation

Mitigation measures include:

- Internal controls and segregation of duties
- System-based checks and validations
- Employee training and awareness programs



- Insurance coverage (where applicable)
- Cybersecurity safeguards

6.4 Risk Monitoring

- Continuous monitoring through dashboards and MIS reports
- Periodic internal audits
- Exception reporting and escalation mechanisms

6.5 Risk Reporting

- Monthly risk reports to senior management
- Quarterly review by Risk Management Committee
- Immediate escalation of critical risk events

7. Internal Controls

The company shall maintain robust internal controls including:

- Segregation of front office, middle office, and back office functions
- Access control and authentication systems
- Trade verification and reconciliation processes
- Client fund and securities segregation as per regulatory requirements

8. Technology & Cybersecurity Controls

- Firewalls, intrusion detection systems, and encryption protocols
- Regular vulnerability assessments and penetration testing
- Secure backup and disaster recovery systems
- Restricted access to sensitive data

9. Business Continuity & Disaster Recovery

CapitalSquare shall maintain a Business Continuity Plan (BCP) to ensure:

- Continuity of trading and client services during disruptions
- Backup systems and alternate trading locations
- Data recovery mechanisms
- Periodic mock drills and testing

10. Compliance & Regulatory Adherence



The company shall comply with all applicable laws, regulations, and guidelines issued by:

- SEBI
- NSE, BSE, and other exchanges
- Depositories and other market infrastructure institutions

Non-compliance shall be reported and rectified promptly with corrective action plans.

11. Training & Awareness

- Mandatory risk and compliance training for employees
- Periodic workshops on regulatory updates
- Awareness programs for authorised persons and partners

12. Incident Management

All risk incidents must be:

- Reported immediately to the Risk & Compliance Department
- Investigated to determine root cause
- Documented with corrective and preventive actions (CAPA)
- Escalated where regulatory reporting is required

13. Review of Policy

This policy shall be reviewed at least annually or whenever there are significant regulatory or operational changes.

For CapitalSquare Financial Services Pvt. Ltd.


Authorised Signatory

