



ABANS FINANCE PRIVATE LIMITED

RISK MANAGEMENT POLICY

VERSION V

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1. BACKGROUND

- 1.1. Abans Finance Private Limited ("**Company**"/ "**Abans**") is registered as a non-deposit taking/accepting non-banking finance company ("**NBFC**") with the Reserve Bank of India ("**RBI**"), *vide* certificate of registration number B-13.02044 dated April 22, 2013 and is recognised as a middle-layer NBFC with effect from year ended March 2024.
- 1.2. Given the significant evolution in the Indian financial markets over the last few years and consistently growing business of the Company, the risks associated with its business operations have become more complex and require continuous monitoring and strategic management. The Company operates in a regulated environment and is required to continuously monitor its liquidity and borrowing profile on a dynamic basis in conjunction with its onward lending portfolio.
- 1.3. Risk management in today's competitive environment is attempting to identify and then manage threats that could severely impact or bring down the organization. Generally, this involves reviewing operations of the organization, identifying potential threats to the organization and the likelihood of their occurrence and then taking appropriate actions to address the most likely threats.
- 1.4. Intense competition in business and continuous development in regulatory framework is expected to put constant pressure on the Company to maintain a fine balance amongst spreads, profitability and long term viability. This calls for structured and comprehensive measures and a dynamic and integrated management information systems and robust processes driven by comprehensive strategy.
- 1.5. Owing to risks which may exist or arise, exposure to credit risk, interest rate risk, liquidity risk and operational risk, etc., which require comprehensive risk management system & process, the Company has adopted this risk management policy ("**Policy**") pursuant to the provisions as set out in Scale Based Regulations and other applicable provisions.

2. OBJECTIVES OF THE POLICY

This Policy is put in place to ensure prudent management of risk, assets and liabilities and to address management and reporting of capital, liquidity and interest rate risk.

The broad objective of the Policy is to:

- 1.1. familiarise the management with risk as an integral part of the business processes;
- 1.2. establish an effective system of risk identification, analysis and treatment;
- 1.3. establish structured and comprehensive measures to ensure informed decision making;
- 1.4. minimize exposure to significant reputational or financial loss and its impact;
- 1.5. assess the benefits and costs of implementation of available options and controls to manage risk;
- 1.6. increase preparedness and reduce uncertainty;
- 1.7. strengthen corporate governance procedure to inhibit a culture of continuous improvement; and

1.8. adequate reporting.

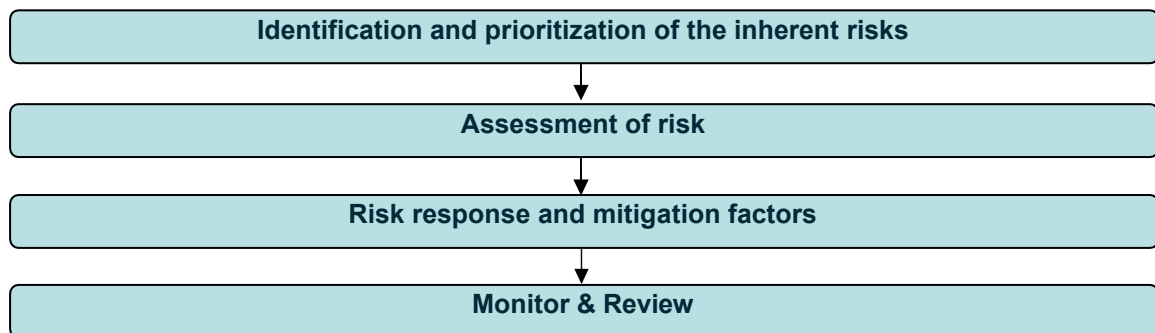
It is the responsibility of the Board, senior management and employees to identify, analyse, evaluate, respond, monitor and communicate risks associated with any activity, function or process within their relevant scope of responsibility and authority.

The Risk Management Committee (*as defined below*) constituted in this regard is entrusted with the responsibility to ensure adequate and timely implementation of this Policy.

3. RISK MANAGEMENT PROCESS

The risk management process in the Company is rightly guided by the steps outlined in this Policy. When these steps are taken in sequence, they support better decision making and enable greater insights into risks. However, the risk management process does not end with monitoring, it is an endless loop of on-going function.

Each of the aforementioned steps are detailed below:



1.1. Identification and prioritization of the inherent risks

Identifying risk associated to a business function and the potential risks that may have an impact on the same shall be the responsibility of various department and functional heads. Risk may arise at every function including but not limited to operations, information technology, human resource, accounts/finance, taxation, marketing, legal and secretarial department.

Towards mitigation of such risk, Company has adopted the ‘3 Lines of Defence’ for management of risks.

1.1.1. Three lines of Defences.

The Company shall ensure that each line of defence:

- (a) has clearly defined roles and responsibilities;
- (b) is adequately resourced in terms of budget, tools and staff;
- (c) is continuously and adequately trained;
- (d) promotes a sound risk management culture across the organisation; and
- (e) communicates with the other lines of defence to reinforce the Policy.

The seamless collaboration between these lines of defence forms a formidable shield, safeguarding both individual entities and the entire financial system against potential threats and vulnerabilities.

A. First Line of Defence

The heads of each department shall be responsible for locating and identifying risks associated with each of their business function. These departmental heads shall provide for the ‘*first line of defence*’ in the risk management process, responsible for identifying and managing risks inherent in their products, services, activities, process and systems. The key responsibilities of the heads include:

- (i) Identifying and assessing risks using risk management tools;
- (ii) Establishing and assessing controls to mitigate these risks;
- (iii) Reporting on the adequacy of resources, tools, and training for risk management;
- (iv) Monitoring and reporting risk profiles and adherence to risk appetite and tolerance; and
- (v) Reporting residual risks, including operational loss events and control deficiencies.

B. Second Line of Defence

The ‘*second line of defence*’ shall consist of the risk management committee duly constituted by the Board (“**Risk Management Committee**”). This forms the second line of defence and the responsibilities include:

- (i) Developing an independent view on risks, controls, and risk tolerance;
- (ii) Challenging the implementation of risk management tools and reporting systems;
- (iii) Developing and maintaining risk management policies and guidelines;
- (iv) Reviewing and contributing to risk profile monitoring; and
- (v) Providing risk training and promoting risk awareness.

C. Third Line of Defence

The ‘*third line of defence*’ i.e., audit function provides an independent assurance to the Board regarding the appropriateness of the Company’s risk management framework. The staff involved in this function should not be involved in the development, implementation, and operation of risk management processes, which are carried out by the other two lines of defence. The third line of defence reviews are generally conducted by the Company’s internal and/or external audit teams but may also involve suitably qualified independent third parties.

The responsibilities include:

- (i) Ensuring robust quantification systems;
- (ii) Reviewing the design and implementation of risk management systems;
- (iii) Ensuring independent validation processes;
- (iv) Ensuring prompt and adequate responses to issues by business units;
- (v) Identifying gaps in the Policy and reporting to the Board; and
- (vi) Providing opinions on the adequacy and appropriateness of the Policy.

1.2. Assessment of Risk

Assessment of risk shall mean a system to obtain estimates of the level of impact the risk may have on the operations of the Company. The responsibility to assess the risk shall lie with the members of the Risk Management Committee. The Risk Management Committee shall use quantitative as well as qualitative methods for descriptions of risks.

The Risk Management Committee shall identify key indicators and ratios that need to be tracked and analysed regularly to assess the Company's exposure to risk in each area. The Risk Management Committee may determine the frequency at which each indicator should be monitored and analysed.

The Risk Management Committee may adopt the following strategies to manage exposure to risk:

- 1.2.1. Risk avoidance
- 1.2.2. Risk acceptance
- 1.2.3. Risk transfer
- 1.2.4. Risk control

The output of risk assessment shall be the guide on how the Company may decide to respond to the given risk at any time.

Risk Management Committee shall monitor and adhere to the Board approved limits fixed in respect of various segments of consumer credit as more specifically provided for under the '*Credit Policy*' of the Company.

1.3. Risk response and mitigation factors

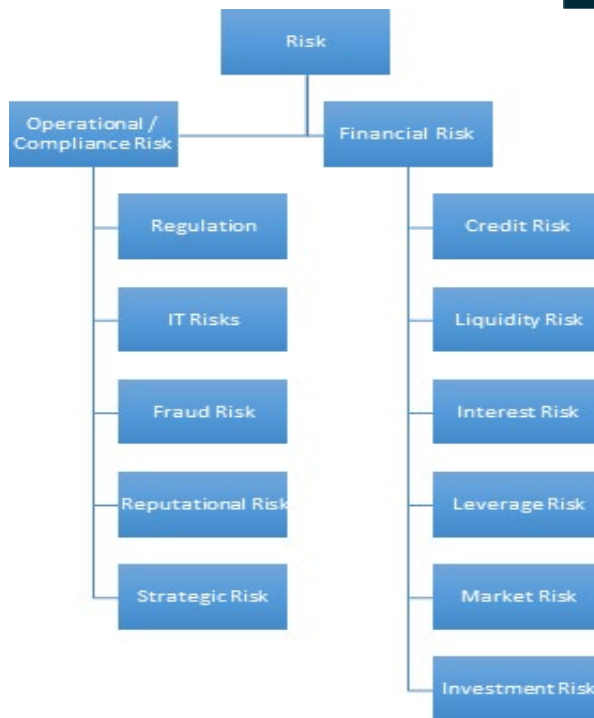
Response to risk shall mean selecting the best option form the range of options identified by the Risk Management Committee for treating risk, assessing those options, preparing risk treatment plans and implementing them.

At this stage of the risk management process, the Risk Management Committee, shall finalise the risk treatment option and assign the ownership and responsibility for each of those risk mitigation steps to concerned departmental heads and other personnel as may be deemed appropriate.

RISK

We have categorized the main heads of risks into two: (a) operational/compliance; and (b) financial risks.

The same have been elaborated upon hereinbelow:



1.4. Compliance/ Operational Risk

The Company's business operations are subject to risks across various domains, including but not limited to operational activities, information technology and physical security, human resources, and regulatory compliance as mandated by various statutory bodies. To effectively manage regulatory and compliance risks, the Company must adhere to all applicable statutes and regulations. To safeguard the Company's reputation, all operational and compliance risks have been identified to mitigate these risks.

1.4.1. Regulation and Compliance Risk

The Company faces risks associated with various statutes and regulations. Compliance with regulatory norms is essential to manage these risks effectively. An effective customer redressal mechanism and fair practices code will help control legal risk. Non-compliance can result in stringent actions and penalties from regulators or statutory authorities, posing a risk to the Company's reputation. These risks include non-compliance with RBI regulations, statutory regulations, and covenants laid down by lenders.

This encompasses operational risks inherent to business operations, such as those related to business support activities, information security, physical security, human resources, and business activity disruptions.

In order to mitigate such risks, reviews are conducted and the compliance is reported to the Board on a regular basis.

1.4.2. Information Technology (“IT”) Risks

The business risk associated with the use, ownership, operation, involvement, influence and adoption of IT within an enterprise. In this digital era, as organizations use automated IT systems to process their information; it is exposed to IT-related risks. Risk management plays a critical role in protecting an organization’s information assets from IT-related risks.

Some of the key risk areas are given below:

- (a) Infrastructure management poses considerable risk to business;
- (b) Cyber security is a major threat to any organization which conducts business over the internet;
- (c) Security threats and vulnerabilities;
- (d) Data management and protection risk;
- (e) Technology vendor and third-party risk; and
- (f) Ability to up skill or reskill existing individuals in fast changing technology landscape.

Mitigation of IT risks has been dealt with in detail in Company’s ‘*IT Policy*’.

1.4.3. Fraud Risk

Fraud risk management includes identification, assessment, mitigation and monitoring of risks associated with fraudulent activities. The Company’s ‘*Fraud Risk Management Policy*’ encompasses preventive and corrective measures.

1.4.4. Reputation Risk

Reputation risk refers to the potential loss incurred by the Company due to damage to its image or standing, resulting from specific incidents or actions arising from its business operations. Such incidents or actions may be attributable to the Company, its employees, or executives, whether committed consciously or otherwise. Reputation risk may lead to a reduction in revenues, diminished shareholder value, and potential fines imposed by relevant regulatory authorities. The Company acknowledges that its goodwill, cultivated over many years, is intrinsically linked to its reputation. Therefore, safeguarding its reputation is of paramount importance. To this end, the Company has established and implemented necessary policies to ensure that its customers and employees are treated fairly and transparently, while simultaneously achieving its business objectives. This approach aims to prevent any actions that could tarnish the Company's reputation.

1.4.5. Strategic Risk

It is the risk to earnings and capital arising from lack of responsiveness to changes in the business environment and/or adverse business decisions, besides adoption of wrong strategies and choices.

1.5. Financial Risks

1.5.1. Credit Risk

Credit risk arises from the potential failure of a borrower or counterparty to fulfil their contractual obligation of repaying the debt as agreed (“**Credit Risk**”). Any lending activity by Abans is exposed to this risk. Despite best efforts, repayment defaults may still occur, and failure to recover the expected value of collateral security could lead to potential losses, adversely affecting Aban's financial condition and results of operations.

Interest rate risk refers to the potential adverse impact on the Company's financial condition due to changes in market interest rates. This risk directly affects the Company's earnings by altering its ‘*Net Interest Income*’. As the Company primarily offers fixed- rate loans, it manages this risk by pricing its loan products to cover interest rate fluctuations.

Pursuant to the same, Abans ensures any credit to be in compliance with the following, in addition to adhering to the ‘*Credit Policy*’ of Abans:

(a) Lending Vertical Policy

Abans gives loans to both external as well as group companies. The loans given are working capital loan, but Abans can give secured and unsecured loans

The tenor of such loans usually is for 12 (twelve) months subject to renewals and above, with quarterly and/or monthly interest payouts.

A. Screening of counterparty – KYC Process

The know-your-customer (“**KYC**”) process is carried out before processing application for loans for both individuals and corporate clients. The screening stage commences once a customer has been identified, and the business team conducts an initial screening of the customer’s creditworthiness.

Such screening typically involves a personal discussion with the customer, credit history checks, reference checks, an analysis of the customer’s financial statements, know-your-customer verification and credit bureau checks for the borrowing entity and its directors.

Further, the screening shall be in compliance with the KYC Master Directions.

B. Evaluation of proposal

Upon the completion of this screening, the loan application process proceeds to the evaluation stage, where the team evaluates the prospective customer’s business and financing needs and investigates *inter alia* the following:

- (i) the prospective customer’s track record;
- (ii) market reputation;

- (iii) ability to repay any loans extended to it by undertaking and/ or scenario analysis;
- (iv) verifying whether names of directors of the prospective customer (wherein such customer is a body corporate incorporated under Companies Act, 2013) appears in the list of defaulters; and
- (v) recording end use of funds to prevent diversion and/or siphoning of funds by the prospective customer.

After the assessment is completed and the exposure to the prospective customer is determined to be acceptable, the business team shall then formulate a debt financing structure that protects Abans from any identified weaknesses of the borrower and prepare a credit memorandum, setting out the details of the proposed transaction.

The credit memorandum shall contain an analysis of the proposed facility and its impact on the overall portfolio of Abans, as well as explicitly address areas of concern detailed in this Policy.

Such credit memorandum is then presented to the members as per authority matrix presented in finance committee (*as defined below*) for approval.

C. Approval by Finance Committee

Proposed transactions as identified by the business team shall have to be approved by the members as per authority matrix presented in finance committee.

After a proposed transaction is approved by the Finance Committee, a final credit memorandum, taking into account the feedback received from the prior rounds of review, shall be prepared for presentation to and review by the Finance Committee for final approval.

The following are certain potential ratios which could be used, to evaluate the proposed transaction:

- (i) Loan to value for secured lending;
- (ii) Working capital ratio for unsecured;
- (iii) Debt to equity/ Debt to assets;
- (iv) Debt service coverage ratio; and/or
- (v) EBITDA.

These ratios, along with qualitative inputs including but not limited to from the [Finance Committee] shall form the basis of the decision to approve or reject the proposed transaction.

D. Disbursal and Monitoring Stage

Once approval from the [/ Finance Committee] is obtained, the legal team shall prepare the relevant loan documentation, including the loan agreement. The business team shall work with the customer to complete pre-disbursement documentation and to fulfil the covenants of the relevant loan agreement and other documentation. The financial details of the transaction shall be entered into the database for loan management system, which generates a transaction memorandum that tracks the compliance status of pre-

disbursement covenants. Once the pre-disbursement covenants and conditions are performed, and the Finance Committee approves the transaction closing memorandum, the relevant funds would be disbursed to the borrower. A tracker measuring outstanding and days past due is used internally for efficient monitoring.

The lending process is summarised hereinbelow in tabular format:

STAGE	PROCESS FLOW	PROCESS DESCRIPTION	BASIC REQUIREMENT
A	Customer Request	Customer provides basic KYC documents and a request for loan facility.	KYC documents are provided and maintained at operations level.
B	Screening & Evaluation Stage	Verification of all documents along with CIBIL and CKYC and preparation of the credit memorandum.	Employee login and further upload of documents
C	Approval Stage	The loan will be approved for sanction and disbursement by the Finance Committee.	Committee login and approval
D	Disbursement & Monitoring Stage	Execution of the transaction documents in relation to the loan along with the loan disbursement. Further enhancement / reduction / renewals may also be done at this stage	Issue of sanction letter, loan agreements etc., different field for customer master (category, loan amount, interest rate, industry type, etc.)

(b) Measuring of NBFC adequacy ratios

All loan applications before disbursement are measured for impact on regulatory ratios, including but not limited to the CRAR, which shall be maintained in the manner as more particularly described under the 'ICAAP Policy' of Abans.

Further, Abans shall maintain a minimum capital ratio consisting of Tier 1 Capital and Tier 2 Capital which shall not be less than 15% (fifteen per cent) of its aggregate risk weighted assets on balance sheet and of risk adjusted value of off-balance sheet items.

(c) Classification of NPAs

Abans shall recognise incipient stress in loan accounts, immediately on default, by classifying such assets as SMA as per the following categories, which classification of the borrower accounts are applicable to all loans, including retail loans, irrespective of the size of exposure of the lending institution, save and except revolving facilities:

Classification Status	Basis for classification – Principal or interest payment or any other amount wholly or partly overdue between
Standard	Not applicable
SMA 0	Up to 30 (thirty) days
SMA 1	More than 30 (thirty) days and up to 60 (sixty) days
SMA 2	More than 60 (sixty) days and up to 90 (ninety) days
NPA	90 (ninety) or more days

In the case of revolving facilities, like cash credit, the SMA sub-categories will be as follows:

Classification Status	Basis for classification – Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of:
SMA 1	31 (thirty-one) to 60 (sixty) days
SMA 2	61 (sixty-one) to 90 (ninety) days

(d) Provisioning for NPAs

Abans, in accordance with the extant RBI guidelines, shall make provisions for standard assets at 0.40% (Zero decimal point four zero percent) of the outstanding loan balance (including the interest accrued on the same) and as more particularly described in the ‘Credit Policy’ of Abans.

Further, Abans should provide for expected credit losses as required by applicable Indian Accounting Standards and as more particularly described in the ‘Expected Credit Losses Policy’ of Abans.

(e) Capital Raising by NBFC

Any form of capital raise by Abans shall be in accordance with paragraph 4.2.1(a) of this Policy and the Resource Planning Policy of Abans.

(f) Central Repository of Information on Large Credits

Abans shall ensure the credit information of all such borrowers having an aggregate fund based and non-fund-based exposure of 5,00,00,000 (Indian Rupees Five Crore Only) and above along with the SMA status of such borrowings, shall be reported to the Central Repository of Information on Large Credits (“CRILC”)

(g) Legal Entity Identifier

Abans shall ensure that the non-individual borrowers having an aggregate exposure of at least INR 5,00,00,000 (Indian Rupees Five Crore Only) shall have obtained the legal entity identifier code in accordance with the Scale Based Regulations, prior to providing any credit to such borrowers.

(h) Joint Lenders Forum and Corrective Action Plan

Abans shall undertake prompt formation of joint lenders forum (“JLF”) in the manner as prescribed under the extant Scale Based Regulations, as and when an account has been reported as SMA 2 to CRILC by any lender and Abans has an exposure to such account. Further, the JLF shall resolve the stress in such account by undertaking corrective action plan as prescribed under the Scale Based Regulations.

(i) End-use

In order to prevent any diversion and/or siphoning of funds by the borrower, Abans may engage independent auditors to certify the end use of such proceeds.

(j) Other tracking followed to measure loan book exposure

To prevent concentration of a single source of funds potentially exposing Abans to an inability to raise funds in a planned and timely manner and resort to high-cost emergency sources of funds, skewed maturity profile of liabilities and resultant asset-liability mismatch, reviews are conducted and the compliance is reported to the Board on a regular basis.

(k) Financial Statements

In accordance with Ind AS 109, the Company shall define default in a manner consistent with that used for internal credit risk management, which shall be adopted for accounting purposes. The audit committee of the Board should approve the classification of accounts that are past due beyond 90 (ninety) days but not treated as impaired, with the rationale for the same clearly documented. Further, the number of such accounts and the total amount outstanding and the overdue amounts should be disclosed in the notes to the financial statements.

1.5.2. Liquidity Risk Management

Liquidity risk in the context of NBFCs involved in the activity of lending is the risk of inadequate liquidity to further the business. Lack of adequate liquidity or non-availability of liquidity on time hampers the business prospects of NBFCs. Measuring and managing liquidity needs are vital for effective operations of NBFC. The importance of liquidity transcends individual institutions, as liquidity shortfall in one institution can have repercussions on the entire system.

Pursuant to the same, Abans carries out liquidity risk management in accordance with the framework as set herein:

(a) Liquidity Risk

A. Governance of Liquidity Risk Management

In order to integrate basic operations and strategic decision-making with the risk management of Abans, the following organisational set up shall be maintained at all times:

(i) Board of Directors

The overall responsibility for liquidity risk management lies with the Board and therein the Board shall make operational decisions including but not limited to setting up of any strategies, policies and procedures of Abans, in accordance with liquidity risk tolerance determined by the Board.

(ii) *Asset-Liability Management Committee*

To implement the liquidity risk management strategy of Abans, Abans has an asset liability management committee (“ALCO”) constituting of the following members, namely:

1. Mr. Mahesh Kumar Cheruveedu (Chairperson)
2. Mr. Bhavik Thakkar (Member)
3. Mr. Dhrumil Shah (Member)
4. Mr. Raghunath Mudaliar (Member)
5. Mr. Karan Heda (Member)

The role of ALCO with respect to liquidity risk should *inter alia* include the following:

- ensuring adherence to the risk tolerance/limits as set by the Board;
- making decisions on desired maturity profile;
- mix of incremental assets and liabilities;
- sale of assets as a source of funding;
- the structure, responsibilities and controls for managing liquidity risk; and
- overseeing the liquidity positions of all branch offices of Abans.

(iii) *Asset-Liability Management Support Group*

In order to analyse, monitor and report the liquidity risk profile of Abans to the ALCO, operating staff of Abans, form a part of the asset-liability management support group.

B. Liquidity Risk Tolerance

The Board shall define liquidity risk tolerance on several elements of liquidity as specified in this Policy. ALCO shall continuously identify, measure, monitor and control liquidity risk, by articulating risk tolerance that is appropriate for the business strategy of Abans and its role in the financial system. Further, ALCO shall develop the strategy to manage liquidity risk in accordance with such risk tolerance and ensure that Abans maintains sufficient liquidity.

C. Liquidity Costs, Benefits and Risks in the Internal Pricing

Abans shall undertake its internal product pricing, performance measurement and new product approval process for all its material business lines, products and activities while incorporating its liquidity costs and benefits, more specifically as follows:

(i) *Product Pricing*

The internal product pricing shall be undertaken in accordance with the pricing model formulated

(ii) *New Product Approval Process*

Any new product intended to be introduced by Abans shall, in addition to the approval of the Board, be deliberated upon by the Risk Management Committee to analyse the risks involved with such product and the Risk Management Committee therein shall ensure that Abans is equipped with the necessary infrastructure to support such new product.

D. Off-balance Sheet Exposures and Contingent Liabilities

ALCO shall identify, measure, monitor and control liquidity risk including comprehensively and periodically projecting cash flows arising from assets, liabilities and off-balance sheet items over [such time horizon as determined by ALCO]. The management of liquidity risks relating to certain off-balance sheet exposures including special purpose vehicles, financial derivatives, guarantees and commitments shall be given particular importance to mitigate any related liquidity risks that could materialize in times of stress.

E. Funding Strategy

Abans aims at a funding strategy that provides effective diversification in the sources and tenor of funding. Presently, Abans invests in Indian government issued bonds of different tenure with the view on interest rates in India and pledges with TREPS for secured borrowings.

The underlying trade is to capture the movement in bond prices along with yield differential between the borrowing rate and coupons on the bonds. This differential between yields allows Abans to leverage books while positioning for rise in bond prices. Further, Abans holds a diversified portfolio comprising of equity cash positions, as well as futures and options across various sectors. This multi-faceted approach allows Abans to leverage opportunities in different market segments while managing exposure across broader indices.

Additionally, Abans invests in such instruments and in such manner as more particularly provided for in the '*Resource Planning Policy*' and '*Investment Policy*'.

To regularly gauge its capacity to raise funds quickly from each source, Abans employs robust risk analysis and evaluation mechanism to stay ahead of the curve and proactively identify and mitigate risk to protect their investments. Pursuant to the same, Abans conducts exercises, as applicable to the relevant investments, daily and periodically including but not limited to (i) determining Value at Risk; (ii) Modified Duration; (iii) determining DV01; (iv) Leverage Ratio; (v) publishing Open Gap Report; (vi) undertaking Bid-Ask Spread Analysis; (vii) undertaking Traded Volume Risk Analysis; (viii) undertaking Implied Volatility Analysis; (ix) undertaking Event-Driven Sensitivity Analysis; (x) calculating Correlation Coefficients; and (xi)

determining the Options Greeks Risk. This has been further elaborated upon under paragraph 4.2.3 of this Policy.

F. Collateral Position Management

ALCO shall actively manage its collateral positions, differentiating between encumbered and unencumbered assets and share the report of such data with the Board periodically. Such report *inter alia* shall highlight the collateral held and describe in detail the way in which such collateral may be mobilised in a timely manner. Further, ALCO shall ensure the maintenance of sufficient collateral to meet expected and unexpected borrowing needs and potential increases in margin requirements over different timeframes.

While designing liquidity stress scenarios, the nature of business undertaken by Abans, activities and vulnerabilities should be taken into consideration by ALCO so that the scenarios incorporate the major funding and market liquidity risks to which Abans is exposed.

G. Contingency Funding Plan

Abans has a Contingency Funding Plan in place.

H. Public Disclosure

Abans shall publicly disclose information as provided for on a quarterly basis on its official website and in the annual financial statements as notes to account that enables market participants to make an informed judgment about the soundness of its liquidity risk management framework and liquidity position.

I. Intra-Group Transfers

Pursuant to the intra-group transfers undertaken between Abans and its group entities, the Group shall, if required, maintain liquidity management processes and funding programmes that are consistent with the complexity, risk profile and scope of operations of the entities within the group. The group liquidity risk management processes and funding programmes shall take into account the lending, investment, and other activities, and ensure that adequate liquidity is maintained at the head and each constituent entity within the group. Processes and programmes should fully incorporate real and potential constraints including legal and regulatory restrictions, on the transfer of funds among these entities and between these entities and the principal.

(b) Management Information System

Abans has in place a reliable management information system (“**MIS**”), designed to provide timely and forward-looking information on its liquidity position to its Board and ALCO, both under normal and stress situations, which captures all sources of risk, including contingent risks and those arising from new activities. The MIS capabilities to provide more granular and time sensitive information during stress events.

(c) Internal Controls

Abans has appropriate internal controls, systems and procedures to ensure adherence to liquidity risk management policies and procedure by the relevant parties.

(d) Maturity Profiling

ALCO will deliberate on the ability of Abans to meet its maturing liabilities as they become due and take decisions and actions as required to ensure that the net cumulative mismatch norms as mentioned below are not breached. ALCO will review periodically on the different situation as may merge under different assumptions and scenarios. For measuring and managing net funding requirements, ALCO will use the maturity ladder and calculation of cumulative mismatches at selected maturity dates as a standard tool.

- A. 1 (one) day to 7 (seven) days
- B. 8 (eight) to 14 (fourteen) days
- C. 15 (fifteen) days to 30 (thirty)/31 (thirty-one) days (1 month)
- D. Over 1 (one) month and up to 2 (two) months
- E. Over 2 (two) months and up to 3 (three) months
- F. Over 3 (three) months and up to 6 (six) months
- G. Over 6 (six) months and up to 1 (one) year
- H. Over 1 (one) year and up to 3 (three) years
- I. Over 3 (three) years and up to 5 (five) years
- J. Over 5 (five) years

(e) Structural Liquidity:

The statement of structural liquidity shall be prepared by placing all cash inflows and outflows in the maturity ladder according to expected timing of cash flows. A maturing liability shall be a cash outflow while a maturing asset shall be cash inflow.

There can be mismatches depending on cash inflows and outflows in each time bucket. The mismatches up to 1 (one) year shall be relevant since these provide early warning signals of impending liquidity problems.

The net cumulative negative mismatches in the statement of structural liquidity in the respective maturity buckets shall not exceed specified percentage of cumulative cash outflows in the respective time buckets, which is specified below:

Sr. No.	Time Buckets	Maximum net cumulative negative mismatches of the cumulative cash outflows
A.	1 (one) day to 7 (seven) days	10%
B.	8 (eight) to 14 (fourteen) days	10%
C.	15 (fifteen) days to 30 (thirty)/31 (thirty-one) days (1 (one) month)	20%
D.	Over 1 (one) month and upto 2 (two) months	20%
E.	Over 2 (two) months and upto 3 (three) months	20%
F.	Over 3 (three) months and upto 6	20%

Sr. No.	Time Buckets	Maximum net cumulative negative mismatches of the cumulative cash outflows
	(six) months	
G.	Over 6 (six) months and upto 1 (one) year	20%

(f) Dynamic Liquidity:

Abans shall monitor short term liquidity on a dynamic basis over a time horizon spanning from 1 (one) day to 6 (six) months by estimating its short-term liquidity profiles on the basis of business projections and other commitments for planning purposes.

(g) Currency Risk

Abans shall review and monitor its currency risk arising out of exchange rate volatility and its implications on the liquidity.

(h) Managing Interest Rate Risk

Interest rate risk (“**IRR**”) is the risk where changes in market interest rates might adversely affect Abans’ financial condition.

Interest rate risk management and reporting helps identify potential risks to earnings and capital resulting from adverse fluctuations in market interest rates. It also identifies asset and funding balance and re-pricing mismatches. Proper identification of potential risks and mismatches assists management in devising asset/liability strategies to minimize these potential risks.

The interest rate risk when viewed from these two perspectives is known as earning perspective and economic value perspective, respectively. The risk from earnings perspective can be measured as changes in the ‘Net Interest Income’ or ‘Net Interest Margin’.

1.5.3. Market Risk

It is the risk of losing value on financial instruments on the back of adverse price moments driven by changes in equities and interest rates due to volatility in the market.

(a) Bonds

Managing risk is crucial to keeping our investments safe and profitable. This Policy explains how we handle different types of risks that come with investing in bonds. Our aim is to protect our investments from extreme losses while also looking for opportunities to grow. We cover various risks, including sovereign risk, interest rate risk, liquidity risk, and more. By following these guidelines, we strive to keep our portfolio balanced and strong, matching our investment goals and risk tolerance. We regularly review and update our risk management practices to stay ahead of market

changes and regulatory requirements. This helps us navigate the bond market's complexities and consistently deliver profits.

A. Risk Framework

We have a 5 (five) step risk management process:

- (i) Identify risk: Recognizing potential events or conditions that could negatively impact our investment.
- (ii) Analyse risk: This involves assessing risks, determining their likelihood of occurring.
- (iii) Evaluate risk: Evaluating severity of risk and potential impact of risk on our investments.
- (iv) Treat risk: We use various strategies to treat the risk effectively.
- (v) Monitoring process: We continue to monitor our process even after we have dealt with risk.

B. Investment Strategy



Currently the desk is majorly in Indian government issued bonds of different tenure with the view on interest rates in India and pledging the same on TREPS. The underlying trade is to capture the movement in bond prices along with yield differential between the borrowing rate and coupons on the bonds.

This differential between yields allows us to leverage our books while positioning for rise in bond prices.

C. Risks associated with strategy

There are 2 (two) legs of risks here:

(i) Risks associated with bonds

- Sovereign risk:

Sovereign risk refers to the risk that a government might default on its debt obligations. Government securities, issued on behalf of the government, are considered to have sovereign credit. This means they are backed by the government's promise to pay interest and principal, implying no default risk. For domestic borrowers and lenders, the credit risk on such securities is nearly zero, earning them the label 'risk-free securities' or 'zero-risk securities'.

- Price-risk or Interest-rate risk:

In fixed income bearing securities, the coupon rate is determined at the time of investment and paid/received at the predetermined frequency.

These types of bonds (government securities, from our current perspective) run price-risk.

Generally, when interest rates rise, prices of fixed income securities fall and when interest rates drop, the prices increase.

The degree of fall or rise in the prices depends upon coupon, frequency of coupon, days to maturity and magnitude and direction of change in the level of interest rates.

The prices of government securities ("G-secs") (existing and new) will be influenced majorly by movement in interest rates in the financial system.

- Reinvestment Risk:

Investments in fixed income securities may carry reinvestment risk as yield prevailing on buying date may differ from interest rates on coupon receiving dates forcing us to reinvest coupons at lower rates.

- Liquidity Risk:

Longer maturity G-secs are relatively illiquid compared to shorter maturity G-secs. This illiquidity makes them difficult to sell, may require us to sell at discount.

(ii) Risks associated with TREPS

- Increase in borrowing costs:

Increasing borrowing costs will erode our spread, reducing overall returns from the strategy. If erosion of spread sustains beyond a particular level for an extended period of time, we may be exposed to the risk of unwinding the

strategy abruptly, incurring additional costs. This, combined with falling prices of G-secs, can significantly impact returns.

- Liquidity risk:

Due to liquidity issues, if we are unable to roll over our borrowing from TREPS, we will have to borrow at significantly higher costs until we can unwind our leveraged position.

D. Risk Analysis and Evaluation methods

We employ robust risk analysis and evaluation mechanisms to stay ahead of the curve, proactively identifying and mitigating risks to protect our portfolio. To support this, we conduct various exercises both daily and periodically.

Bond risk metrics are:

(i) Bond Value at Risk

The VaR of a bond portfolio represents the estimated maximum potential loss, at a specified level of confidence, over a given time horizon. It provides a quantitative measure of the portfolio's risk by assessing the range of potential losses based on market fluctuations and other relevant factors. Essentially, VaR helps investors and risk managers understand the potential downside risk associated with holding a particular bond portfolio, offering insights into the level of financial exposure within a specified confidence interval.

(ii) Bond VaR calculated at 95 (ninety-five) percentile level

A 95th (ninety-fifth) percentile bond VaR is a measure used to estimate the potential loss in the value of a bond portfolio at a 95% (ninety-five percent) confidence level over a specific time horizon. A 95th (ninety-fifth) percentile bond VaR gives an estimate of the potential downside risk in the bond portfolio, with the understanding that, in 5% (five percent) of cases, losses may exceed the calculated VaR.

(iii) Bond VaR calculated at 99 (ninety-nine) percentile level

A 99th (ninety-ninth) percentile bond VaR is a measure used to estimate the potential loss in the value of a bond portfolio at a 99% (ninety-nine percent) confidence level over a specific time horizon. A 99th (ninety-ninth) percentile bond VaR provides an estimate of the potential downside risk in the bond portfolio, with the understanding that, in 1% (one percent) of cases, losses may exceed the calculated VaR.

(iv) Modified Duration of Bond Portfolio

Modified duration is a measure used to estimate the sensitivity of a bond's price to changes in interest rates. It is expressed as a percentage and provides an approximation of the percentage change in the bond's price for a 1% (one percent) change in interest rates.

We derive yield from current market price of bond and the prices are shocked by 1% (one percent) increase and decrease in yield to reach the modified duration.

(v) DV01 of Bond Portfolio

DV01 is a measure used in finance to quantify the change in the market value of a bond (or a bond portfolio) for a 1 (one) basis point i.e., 0.01% (zero decimal point zero one percent) change in yield or interest rates. It represents the rupee amount by which the bond's value is expected to change for a 1 (one) basis point movement in yield.

(vi) Leverage ratio

We monitor leverage of our position constantly and adjust it actively according to risk metrics and our macro-economic views.

E. Stress testing and scenario analysis

We perform rigorous periodic stress testing across various parameters and various market scenarios to remain fully informed about potential risks if market conditions deteriorate.

F. Macroeconomic trends

Additionally, we monitor and analyse domestic and global macroeconomic trends to stay aware of potential risks to our portfolio and position ourselves according to situations.

G. Risk factors associated with Imperfect Hedging

Hedging is a valuable tool for managing risk, but it does come with its own set of challenges and complexities.

(i) Hedging Cost:

Hedging instruments act as an insurance for adverse moves in the markets with respect to our portfolio. The cost attached to buying this insurance will affect the profit and loss, if anticipated change does not occur.

(ii) Credit Risk:

There can be a default risk on the counterparty providing the hedge leg. However, in case of IRS the counterparty is the Company governed by RBI and in case of IRFs the counterparties are the national exchanges, thereby reducing the overall credit risk of the transaction.

(iii) Basis Risk:

Risk factors		Risk monitoring	Risk mitigation
Bond risks	Sovereign risk	Daily reporting of various risk measures like DV01 & VaR	Hedging with various derivatives as per the need and availability
	Interest rate risk		
	Reinvestment risk	Scenario analysis and stress testing	
	Liquidity risk		
TREPS risks	Increment in borrowing costs	Tracking macro economic changes	
	Liquidity risk		

This arises from the imperfect correlation between the securities in the portfolio and the IRF/IRS contracts. The movements in their prices might not match perfectly, leading to differences in the profit and loss from both the legs.

H. Summary

(b) Derivatives

Given the dynamic and often volatile nature of financial markets, it is crucial to understand the risks inherent in our current investment strategy. This equity, futures and options (“F&O”) risk section provides a comprehensive analysis of the risks associated with our company's trading activities in the equity derivatives market. As we actively engage in trading equity futures and options across various sectors and hold significant positions in index futures, understanding and managing these risks is crucial to safeguarding our financial performance. The report will outline key risks, including market risk, liquidity risk, and leverage risk, among others, and will provide actionable strategies for monitoring and mitigating these risks effectively. This analysis aims to enhance our risk management framework and support informed decision-making in our F&O trading activities.

A. Risk Management for Equity and F&O Trading

(i) Risk Identification:

We begin by identifying potential risks associated with our equity F&O trading, categorizing them into market risk, liquidity risk, leverage risk, counterparty risk, and sector-specific risk. Tools like historical data analysis and stress testing help us understand these risks and their potential impact.

(ii) Risk Assessment:

After identifying risks, we quantify their potential impact using metrics like VaR and sensitivity analysis. These tools help us gauge our exposure to various factors, such as price fluctuations and volatility, ensuring we understand the possible extent of losses.

(iii) Risk Monitoring:

Continuous monitoring of risks ensures they stay within acceptable limits. We track key metrics like trading volume and market correlations in real-time, using

automated systems that provide alerts if any risk thresholds are breached, allowing for prompt action.

Further, Abans, in accordance with the Scale Based Regulations, discloses in their financial statements both qualitative and quantitative disclosures in relation to risk exposures in the derivatives.

(iv) Risk Mitigation:

To reduce risks, we use strategies like diversification, hedging, and strict position sizing. Tools such as stop-loss orders and limit orders help manage our exposure, ensuring it aligns with our risk appetite and reduces the potential for significant losses.

(v) Risk Governance:

Effective governance is key to managing risks. We define clear roles within our team and regularly review our risk policies. A dedicated risk committee meets periodically to assess exposures and ensure our risk profile aligns with our strategic goals.

(vi) Risk Reporting:

We produce regular reports detailing key risk metrics and mitigation efforts. These reports are shared with senior management and other stakeholders, ensuring transparency and enabling informed decision-making about our risk exposures.

(vii) Risk Review and Improvement:

Our framework evolves with market conditions. We regularly review our processes, back test models, and incorporate lessons from past experiences to continuously improve and adapt our risk management strategies.

B. Investment strategy

Currently the desk holds a diversified portfolio comprising equity cash positions, as well as F&O across various sectors. In addition to these sector-specific investments, we maintain strategic positions in index futures and options. This multi-faceted approach allows us to leverage opportunities in different market segments while managing exposure across broader indices.

C. Risks associated with strategy

Below is a list of risks associated with our equity investments and trades, including positions in equity cash, F&O, and index F&O:

(i) Market Risk

- Price volatility: The value/price of equities, futures, and options can fluctuate significantly due to changes in market conditions, economic data, investor sentiment, and global events.
- Systematic risk: Broad market movements, driven by macroeconomic factors such as interest rates, inflation, and geopolitical events, can impact all investments, including indices.

(ii) Sector-Specific Risk

- Concentration risk: Exposure to specific sectors can lead to higher volatility if those sectors experience downturns due to regulatory changes, technological disruptions, or economic shifts.
- Sector cyclical: Some sectors are more cyclical and sensitive to economic cycles, which can lead to increased risk during economic downturns.

(iii) Leverage Risk

- Amplified losses: Futures and options can involve significant leverage, meaning small adverse price movements can result in large losses, potentially exceeding the initial investment.
- Margin calls: Leveraged positions may require additional capital if market conditions move against the position, leading to margin calls and forced liquidation.

(iv) Liquidity Risk

- Market liquidity: In times of market stress, the liquidity of certain equities or derivatives might dry up, making it difficult to enter or exit positions without significant price impact.
- Option liquidity: Certain options, especially those on less liquid stocks or indices, might have wide bid-ask spreads, leading to higher transaction costs.

(v) Counterparty Risk

- Default risk: In derivative transactions, counter party risk is negligible as transactions are settled by exchanges and clearing corporations.

(vi) Interest Rate Risk

- Impact on valuation: Rising interest rates can negatively impact the valuation of equities and increase the cost of financing leveraged positions.
- Derivative pricing: Interest rates also affect the pricing of futures and options, potentially altering the value of these positions.

(vii) Volatility Risk

- Implied volatility: The price of options is influenced by implied volatility, which can change rapidly, affecting the profitability of options strategies.
- Volatility spikes: Sudden spikes in market volatility can lead to sharp moves in prices, impacting both the underlying equities and the derivatives linked to them.

(viii) Time Decay Risk (“**Theta**”)

- Options Decay: The value of options contracts diminishes over time due to time decay, particularly affecting out-of-the-money options, which can lead to a loss if the underlying asset does not move in the anticipated direction.

(ix) Regulatory Risk

- Changes in regulation: New laws or regulations, particularly those affecting financial markets, trading practices, or specific sectors, can impact the performance and strategy of your investments.
- Taxation changes: Alterations in tax policies affecting capital gains, dividends, or trading profits could affect net returns and reduce the attractiveness of certain investments or trading strategies.

(x) Event Risk

- Earnings reports: Unexpected earnings results can lead to sharp price movements in individual stocks or sectors, affecting both equity and options positions.
- Corporate actions: Events such as mergers, acquisitions, or spin-offs can alter the risk profile of equity investments and impact related derivatives.

(xi) Correlation Risk

- Unexpected correlation: During market turmoil, assets that typically move independently may become highly correlated, increasing overall portfolio risk and reducing diversification benefits.

(xii) Political and Economic Risk

- Geopolitical events: Political instability, trade wars, or economic sanctions can have significant effects on market sentiment and the valuation of equities and indices.

- Currency risk: For investments with international exposure, fluctuations in exchange rates can impact returns when converting back to the base currency.

D. Risk Analysis & Evaluation Methods

We employ robust risk monitoring mechanisms to stay ahead of the curve, proactively identifying and mitigating risks to protect our portfolio. To support this, we conduct various exercises both daily and periodically.

(i) Market Risk

- Value at Risk: We publish daily VaR report to estimate the maximum potential loss over a given period with a specified confidence level. For example, a 1 (one) day VaR at 95% (ninety-five percent) confidence level might indicate the worst loss expected over one day with 95% (ninety-five percent) probability.
- Open Gap: We publish daily Open Gap Report to estimate a potential payment that may arise due to adverse movements in market indices leading to movements in current holdings exposure of the company.

(ii) Liquidity Risk

- Bid-Ask Spread Analysis: Measure the bid-ask spread as a percentage of the asset price to gauge liquidity. Larger spreads can indicate higher liquidity risk. For example, a spread of 2% (two percent) might suggest lower liquidity.
- Traded Volume Risk Analysis: We do volume analysis of our traded positions versus the 95% (ninety-five percent) worst positions that might be available for trade on a risky day and strive to keep our volume exposure less than the worst volume in the market.

(iii) Volatility Risk

Implied Volatility (“IV”) Analysis: Use IV from options pricing models (e.g., Black-Scholes) to gauge market expectations of future volatility. Compare IV with historical volatility to assess potential volatility risk. We run scenario analysis to check our exposure levels of different volatility.

(iv) Event Risk

Event-Driven Sensitivity Analysis: Use sensitivity analysis to estimate the potential impact of specific events (e.g., earnings reports) on asset prices. For example, estimate the price impact using historical price reactions to similar events.

(v) Correlation Risk

Correlation Coefficients: Calculate pairwise Correlation Coefficients between assets in the portfolio to assess diversification. Use a correlation matrix to visualize how asset returns move in relation to one another.

(vi) Options Greeks Risk

Options Greeks: We calculate Greeks of all options positions to check our ‘*Delta*’, ‘*Gamma*’, ‘*Theta*’, ‘*Rho*’, so that we can keep a tab on options’ exposure movements as per the movements in price, time, volatility and interest rate respectively.

E. Risk Mitigation

Reviews are conducted and the compliance is reported to the Board on a regular basis. Here are risk mitigation measures for the risks identified in our equity F&O trading activities:

(i) Market Risk

- Hedging: Use options, futures, or other derivatives to hedge against adverse price movements in underlying assets.
- Diversification: Spread investments across different sectors and asset classes to reduce exposure to market volatility in any single area.

(ii) Volatility Risk

- Options strategies: Use options strategies like straddles or strangles to benefit from or protect against high volatility periods.
- Volatility index tracking: Monitor volatility indices to anticipate market conditions and adjust positions accordingly.

(iii) Correlation Risk

- Portfolio diversification: Regularly assess and diversify the portfolio to manage correlations between different assets and sectors.
- Correlation analysis: Use correlation matrices to understand the relationships between assets and adjust the portfolio to reduce excessive correlations.
- Hedging with uncorrelated assets: Incorporate uncorrelated or negatively correlated assets into the portfolio to offset potential losses.

(iv) Time Decay Risk (“**Theta**”)

- Theta management: Monitor the Theta of options positions and adjust strategies to manage the impact of time decay.
- Rolling positions: Regularly roll options positions to later expirations to reduce the impact of Theta on near-term options.

- Use of spread strategies: Employ options spread strategies that are less sensitive to time decay to manage Theta risk.

(v) Event Risk

- Event hedging: Use options or futures to hedge against potential market-moving events, such as earnings reports or economic announcements.
- Event-driven analysis: Conduct thorough analysis of upcoming events and adjust positions in anticipation of potential impacts.
- Reduce exposure pre-event: Temporarily reduce exposure to assets likely to be impacted by known upcoming events to limit risk.

1.5.4. Investment and Treasury Risk

It is defined as the probability or uncertainty of losses rather than expected profit from investment due to a fall in the fair price of securities. The management mitigates this risk by relying on the '*Investment Policy*', '*Credit Policy*' and the '*Resource Planning Policy*' of the Company, diversifying its portfolio in various segments & industries and internal research. The management follows concentration norms prescribed under Scale Based Regulations for each party exposure limit.

4. MONITOR AND REVIEW

The Risk Management Committee shall monitor and review the effectiveness of the response. This will ensure that the any deviation from the estimates can be easily tracked and rectification measures can be promptly initiated.

Risks will be continuously monitored and reviewed; and the effectiveness of the controls in place and of the risk action plans is assessed to ensure changing circumstances do not alter risk priorities.

The Company shall ensure that the risk management strategies and their adequacy are reviewed by the Risk Management Committee at adequate intervals.

5. AUDIT AND REVIEW

As per Rule 3(1) of the Companies (Accounts) Rules, 2014, every Company which uses the accounting software for maintaining its books of account, shall use only such accounting software which has a feature of recording audit trail of each and every transaction, creating an edit log of each change made in the books of account along with the date when such changes were made and ensuring that the audit trail cannot be disabled.

Following are the prime responsibility of the management:

- 5.1. Use only such accounting software which has the following features which records an audit trail of each and every transaction, creating an edit log of each change made in the books of account along with the date when such changes were made;
- 5.2. Ensuring that audit trail is not disabled and there is no option to disabled; and
- 5.3. Effective implementation.

6. AMENDMENT

The Board reserves the power to review and amend this Policy from time to time, subject to revision / amendment in accordance with applicable laws as may be issued by relevant statutory, governmental and regulatory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant statutory, governmental and regulatory authorities which are not consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder.

GLOSSARY

In addition to the terms defined in Policy above, the following terms bear the meaning given to them herein:

“ALCO”	shall have the meaning ascribed to the term under paragraph 4.2.2(a)(A)(ii).
“Bid-Ask Spread Analysis”	shall refer to the bid-ask spread as a percentage of the asset price to gauge liquidity. Larger spreads can indicate higher liquidity risk.
“Board”	shall mean board of directors of Abans, which term shall be deemed to include any authorized committee thereof.
"Company" / “Abans”	shall mean Abans Finance Private Limited.
“CEO”	shall be a reference to the chief executive officer of Abans.
“CIBIL”	shall mean TransUnion CIBIL Limited.
“CKYC”	shall mean central know your customer.
“CRAR”	shall mean the capital to risk-weighted assets ratio.
“Credit Risk”	shall have the meaning ascribed to the term under paragraph 4.2.1 of this Policy.
“Credit Policy”	shall refer to the ‘ <i>Credit Policy</i> ’ issued by Abans dated January 29, 2025.
“CRILC”	shall have the meaning ascribed to the term under paragraph 4.2.1(f) of this Policy.
“Correlation Coefficients”	shall refer to the calculation of pairwise correlation coefficients between assets in the portfolio to assess diversification. Further, it shall involve the use of a correlation matrix to visualize how asset returns move in relation to one another and therein calculate ‘ <i>Beta</i> ’ with respect to both ‘ <i>Nifty</i> ’ and Abans’ ‘ <i>Nifty</i> ’ to keep a check on market exposure.
“DV01”	shall mean the measure used to quantify the change in the market value of a bond (or a bond portfolio) for a 1 basis point i.e., 0.01% (zero decimal point zero one percent) change in yield or interest rates.
“EBIDTA”	shall mean earnings before interest, taxes, depreciation and amortization.
“Event-Driven Sensitivity Analysis”	shall refer to the sensitivity analysis to estimate the potential impact of specific events (e.g., earnings reports) on asset prices.
“Expected Credit Losses Policy”	shall mean ‘ <i>Expected Credit Losses Policy</i> ’ issued by Abans dated August 05, 2025.
“F&O”	shall mean futures and option.
“Finance Committee”	shall have the meaning ascribed to the term under paragraph 4.2.1(a)(C)
“Fraud Risk Management Policy”	shall refer to the ‘ <i>Fraud Risk Management Policy</i> ’ issued by Abans dated January 29, 2025.
“Greeks”	shall refer for calculating and checking the ‘ <i>Delta</i> ’, ‘ <i>Gamma</i> ’, ‘ <i>Theta</i> ’ and ‘ <i>Rho</i> ’ i.e., the options exposure movements as per the movements in price, time,

	volatility and interest rate respectively.
“G-secs”	shall mean government securities.
“ICAAP Policy”	shall mean the ‘ICAAP Policy’ issued by Abans dated May 27, 2025.
“Implied Volatility Analysis”	shall refer to the use of implied volatility from options pricing models to gauge market expectations of future volatility and comparison of implied volatility with historical volatility to assess potential volatility risk.
“Indian Accounting Standards” / “Ind AS”	shall refer to the Indian Accounting Standards notified by the Ministry of Corporate Affairs vide notification G.S.R 111(E) dated February 16, 2015.
“Investment Policy”	shall mean the ‘Investment Policy’ issued by Abans dated January 29, 2025.
“IRF”	shall mean interest rate future.
“IRR”	shall have the meaning ascribed to the term under paragraph 4.2.2 (i).
“IRS”	shall mean interest rate swap.
“IT”	shall mean information technology.
“IT Policy”	shall refer to the ‘IT Policy’ issued by Abans dated January 29, 2025.
“IV”	shall mean implied volatility.
“JLF”	shall have the meaning ascribed to the term under paragraph 4.2.1(h).
“KYC”	shall mean know-your-customer process.
“KYC Master Direction”	shall refer to Master Direction - Know Your Customer (KYC) Direction, 2016, RBI/DBR/2015-16/18.
“Leverage Ratio”	shall mean it is adjusted according to risk metrics and macro-economic views of Abans.
“MD”	shall be a reference to a managing director of Abans.
“MIS”	shall have the meaning ascribed to the term under paragraph 4.2.2(b) of this Policy.
“MLDs”	shall mean market linked debentures.
“Modified Duration”	shall refer to the measure used to estimate the sensitivity of a bond’s price to changes in interest rates. It is expressed as a percentage and provides an approximation of the percentage change in the bond’s price for a 1% (one per cent) change in interest rates.
“NBFCs”	shall mean non-banking financial companies.
“NCDs”	shall mean non-convertible debentures.
“NPA”	shall mean non-performing assets.
“Open Gap Report”	shall refer to the daily report published by Abans to estimate a potential payment obligation that may arise due to adverse movements in market indices leading to movements in current holding exposure of Abans.
“Options Greeks Risk”	shall refer to the calculation of options’ exposure movements as per the movements in price, time, volatility and interest rate respectively.
“Policy”	shall mean this ‘Risk Management Policy’ as issued by Abans dated January 29, 2025.

“RBI”	shall mean the Reserve Bank of India.
“Resource Planning Policy”	shall mean ‘ <i>Resource Planning Policy</i> ’ issued by Abans dated January 29, 2025
“Risk Management Committee”	shall have the meaning ascribed to the term under paragraph 3.1.1(B).
“Scale Based Regulations”	shall refer to the Master Direction – Reserve Bank of India (Non-Banking Financial Company– Scale Based Regulation) Directions, 2023, RBI/DOR/2023-24/106.
“SMA”	shall mean special mention account, categorised in the manner as prescribed under the Scale Based Regulations and this Policy.
“Theta”	shall refer to time decay risk.
“Tier 1 Capital”	shall have the meaning ascribed to the term under the Scale Based Regulations.
“Tier 2 Capital”	shall have the meaning ascribed to the term under the Scale Based Regulations.
“Traded Volume Risk Analysis”	shall refer to the comparison carried out by Abans between their trade positions and the 95% (ninety-five percent) of the worst positions available for trade.
“TREPS”	shall mean treasury bills repurchase.
“Value at Risk”/ “VaR”	shall refer to the maximum potential loss, at a specified level of confidence, over a given time horizon.

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