PAHAL FINANCIAL SERVICES PRIVATE LIMITED

Risk Management Policy & Framework

The Risk Management Policy & Framework is adopted by the Board of Directors at the Board Meeting held on 6th May 2026 with no change.

Version Control:

Version	Board Approval Date
1.0	30th January 2020
1.1	14th February 2022
FY 23-24 / 1.2	5th May, 2023
FY 25-26 / 2.0	13th May , 2025

Changes to the Policy:

Policy Reference	New Version	Updated Area	Description of Change	Rationale
1.2 of Risk Management Policy	2.0	Policy Approval & Operational Risk Management	Defined Policy approval process, Integrated Business Continuity Planning and Testing linked to PFSPL's ORMF, Implementation of Information and Communication Technology (ICT) including Cyber Security, Adoption of Maturity Profiling as a standard tool	To strengthen the overall risk management framework and align with regulatory and operational best practices

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Risk Management Policy & Framework V2

1 Introduction

Pahal Financial Services Private Limited (hereinafter referred to as "PFSPL") aims to operate within an effective risk management framework to actively manage all the risks faced by the company, in a manner consistent with the risk profile. This document aims to establish a risk culture and risk governance framework to enable the identification, measurement, mitigation, and reporting of risks within PFSPL.

2 Objectives

The objectives of this document are as follows:

- To establish PFSPL's Integrated Risk Management Framework for identifying, assessing, mitigating, monitoring, evaluating, and reporting major risks.
- To provide a clear and strong basis for informed decision-making.
- To define, elaborate and categorize the current risks faced by PFSPL and define the risk appetite and limit structure for those risks.
- To put in place systems for effective implementation for the achievement of policy objectives through systematic monitoring and effecting course corrections from time to time.
- To ensure growth with profitability within the limits of risk absorption capacity.

3 Scope of the Policy

The policy is applicable to:

- all departments of PFSPL across all offices and locations.
- all events, both external and internal, that will have an impact on the business objectives of the organization.

4 Policy Approval and Periodic Review

Policy Approval Process: The Policy will be initially reviewed by the Risk Management Committee (RMC) of the Board and then approved by the Board of PFSPL. Any subsequent changes including enhancement of limits will require approval from the MD and it will be placed before the RMC for review.

Frequency of Revision: The Risk Management Policy will undergo a review process once every year by the RMC. Every such review will require approval of the policy by the Board of Directors of PFSPL. Reviews and modifications during the year are permitted if there is a specific need for the same. Certain situations that necessitate a review of the Policy intermittently are:

- Changes in regulatory requirements.
- Change in the processes or control environment.
- Change in the risk management systems.
- Changes in the Business Plan.

5 Risk Governance Structure at PFSPL

The Board has the ultimate responsibility for the PFSPL's risk management framework. The Board is principally responsible for approving risk appetite, risk tolerance, and related strategies and policies.

The risk governance framework of the PFSPL will comprise the following structure:

5.1 Risk Management Committee of the Board ("RMCB")

5.1.1 Composition

The RMCB is the body responsible for the management of Risks in the Organization and it manages the same through oversight of the risk management function of the Company, and through approval of the various policies and processes of the Company.

5.1.2 Meetings

- The Chief Audit & Risk Officer will be a permanent invitee along with CFO.
- RMCB will always be chaired by an independent director of the Board.
- The Chairman and members of the RMCB will be approved by the Board of Directors.
- The quorum for a meeting of the Risk Management Committee will be either two members or one third of the members of the committee, whichever is higher, including at least one member of the board of directors in attendance.
- The RMCB will meet at least once in a quarter - and at least 4 times in a financial year.

5.1.3 Roles and responsibilities

The key responsibilities of the Risk Management Committee of the Board (RMCB) include:

- Approve / recommend to the Board for its approval / review of the policies, strategies and associated frameworks for the management of risk

- Approve the risk appetite and any revisions to it
- Review reports from management concerning PFSPL's risk management framework (i.e. principles, policies, strategies, process and controls) and discretions conferred on executive management, in order to oversee the effectiveness of them.
- Review reports from management concerning changes in the factors relevant to PFSPL's projected strategy, business performance or capital adequacy
- Review reports from management concerning implications of new and emerging risks, legislative or regulatory initiatives and changes, organizational change and major initiatives, in order to monitor them
- Review appointment, removal and terms of remuneration for Chief Audit & Risk Officer and ensure s/he has unfettered access to the Board.
- Oversee statutory / regulatory reporting requirements related to risk management
- Ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company.
- Monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems.
- Keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken.

5.2 Management Risk Management Committee (MRMC)

At the Management level a Management Risk Management Committee (MRMC) of senior managers will be constituted. The committee will comprise of the following

- MD/CEO
- Business Heads
- Chief Finance Officer
- Head-IT
- Chief Audit & Risk Officer
- Chief Compliance Officer

5.2.1 Terms of Reference

- Review of business growth and portfolio quality
- Discuss and review the reported details of PAR, Key Risk Threshold breaches (KRIs), consequent responses and operational loss events.
- Breach of process compliances leading to enhanced risk
- HR management, training and employee attrition
- Impact of new product/policy/process changes
- Performance of IT systems and their integration with existing IT structures, including extant IT Policy
- Escalation of risks which have substantial impact to the business and meet determined escalation threshold levels to the relevant Department.
- Review the status of risks and treatment actions with key staff in their respective areas. Any new or changed risks will be identified and escalated, if deemed necessary. Particular emphasis is to be given to risks with high ratings and their corrective actions

5.3 Role and Responsibilities of the Risk Management Department (RMD)

The broad responsibilities of the RMD are:

- Implementing the Risk Management Policy as approved by the Board of Directors. Reviewing the provisions of the policy periodically and recommending to the Board of Directors appropriate modifications or improvements if required.
- Identifying the various risk points in the organization and assessing or measuring their impact on the business.
- Devising proactive and reactive strategies for controls and mitigation of risks.
- Designing or assisting in the designing of work processes or activities having risk implications, getting them approved, assisting in implementation of the processes and engaging in periodical review of the effectiveness of such processes.
- Development of 'models' for assessment of loss in projected circumstances.
- Preparing reports to Top Management, Risk Management Committee and Board of Directors on risk management.
- Appraising uncovered / residual risks to the Management

5.4 Roles and responsibilities of Chief Audit & Risk Officer

- Identification of risk points in the organization and assessing or measuring their impact on the business.
- Formulation of Risk Management Policies.
- Devising strategies for controls and mitigation of risks.
- Reports to Top Management, Risk Management Committee and Board of Directors on risk matters.
- Vetting of product and credit policies.
- Assisting Credit units to develop Credit Assessment Models.
- Conduct portfolio analysis to measure migration in risk.

5.5 Risk Reporting

Risk Management at PFSPL shall include a structured process for reporting risk related information, to all its stakeholders. stakeholders are primarily:

- Board of Directors
- Committees of the Board
- Top Management Team
- Functional Management Teams

5.6 Independent risk function

Chief Audit & Risk Officer and Risk Management Function will not be assigned any business targets, nor will they be engaged in regular business functions of PFSPL.

5.7 Inter – relationship among authorities exercising control functions

The risk management function, compliance function, vigilance function and internal audit function together form a coherent structure of control functions between which coordination is required. These control functions will be harmonized and ensure sufficient sharing of relevant information among them.

6 Credit Risk

Credit risk is the risk of loss from non-repayment of loans by borrowers. The borrower's late or non-repayment of loan obligation affects the earnings on assets. It includes both the loss of income resulting from the inability to collect anticipated interest earnings as well as the loss of principal resulting from loan defaults. Credit risk does not exist in isolation from other risks but is closely interrelated with other risks.

PFSPL's credit risk management process covers the identification, assessment, measurement, monitoring, controlling, and reporting of credit risk exposures. Credit Risk Management at PFSPL is done to ensure that the credit risk is within acceptable limits and tolerance levels.

PFSPL manages credit risk inherent in the entire portfolio as well as the risk in individual credits and transactions. PFSPL's approach to credit appraisal facilitates the assessment of credit risks inherent in various portfolios. All credit proposals are subject to a rigorous appraisal process to support credit approvals and decision-making as well as to enhance risk management capabilities for portfolio management.

6.1 Credit Risk Management Objective

The Policy will always address to achieve the following key objectives:

- Establish a governance framework to ensure an effective oversight, segregation of duties, monitoring and management of credit risk in the PFSPL.
- Lay down guiding principles for setting up & monitoring of the credit risk appetite & limits.
- Establish standards for internal credit scoring framework
- Establish standards for effective measurement and monitoring of credit risk
- Enable monitoring of credit risk by way of Early Warning Signals (EWS).
- Adhere to the guidelines/policies related to credit risk management, as issued by the Reserve Bank of India (RBI) from time to time.

6.2 Credit Risk Identification and Assessment

Credit risk identification refers to the identification of possible sources of credit risk. This is achieved through conducting adequate due diligence on the borrower at the time of sanction as well over the course of the relationship.

PFSPL has defined the process to identify the risk factors, collect the necessary information, perform borrower assessment, and find a way to make this information available for decision-making employees.

Detailed guideline on the credit appraisal process is provided in the Operations Manuals of the business verticals.

6.3 Credit Risk Monitoring

Credit monitoring involves follow-up and supervision of PFSPL's exposures with a view to maintaining the asset quality at the desirable level, through proactive and corrective actions, aimed at controlling and mitigating the credit risk to PFSPL. The main objectives of credit monitoring are:

- To ensure that there is timely recovery of principal and interest from the Borrower

- To ensure compliance with the terms and conditions of the credit sanctioned, monitoring
- To ensure the end-use of funds by the borrower is as per the approved purposes and prevent the diversion of the funds for unauthorized purposes
- To identify the early warning signals, if any, and initiate effective steps to mitigate the risk
- Ensuring compliance with all internal and external reporting requirements for credit discipline
- To periodically review the loan portfolio of PFSPL or of its specified segment to assess the overall asset quality/risk and compliance with the prudential norms - regulatory and internal - and take necessary corrective steps.

The Risk Management Function along with Business Verticals would perform portfolio monitoring on a regular basis with a specific focus on the following key aspects.

- Portfolio asset quality – Delinquencies in various buckets

6.4 Portfolio at Risk

The entire portfolio will be continuously reviewed to assess the nature of the portfolio's delinquency, looking for geographic trends and concentrations. By monitoring the overall delinquency in the portfolio, management can assure that PFSPL has adequate reserves to cover potential loan losses.

Effective approaches taken by PFSPL to manage credit risk include:

- Well-designed borrower screening, careful loan structuring, close monitoring, clear collection procedures, and active oversight by senior management.
- Delinquency is understood and addressed promptly to avoid its rapid spread and potential for significant loss.
- Good portfolio reporting that accurately reflects the status and daily/monthly trends in delinquency.

7 Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. It includes legal risk but excludes strategic and reputational risk and it is inherent in all banking/ financial products, activities, processes and systems

Operational Risk Management refers to the entire gamut of activities right from risk identification, measurement and assessment, monitoring and control, mitigation, reporting to senior management and the Board of Directors on the risk exposures, Business Continuity Management, and learning through feedback for improvement.

An operational disruption can threaten the PFSPL's viability and financial stability. It can result from man-made causes, Information Technology (IT) threats (e.g., cyber-attacks, changes in technology, technology failures, etc), geopolitical conflicts, business disruptions, internal/external frauds, execution/ delivery errors, third party dependencies, or natural causes (e.g., climate change, pandemic, etc.).

Operational Risk is a complex risk category, when it comes to identification, quantification and mitigation of risk. It is impacted by numerous factors such as internal business processes, regulatory landscape, business growth, customer preferences, and even factors external to the organization. It is highly dynamic in nature where new and emerging forces such as breakthrough technologies, data

availability, new business models, interaction with third parties, etc., continuously create new demands on Operational Risk Management Framework (ORMF).

Operational risks are caused both by organizational factors as well as by the external factors.

Organizational factors

- Inadequate or unclear policies
- Weaknesses in implementation of processes and controls
- Frauds*
- Inadequate training and dissemination
- Failure of IT system
- Cyber attacks
- Errors in planning

External factors

- Regulatory actions
- Business disruptions
- Activity of competitors
- Natural disasters
- Frauds by external parties
- Administrative and political issues
- Third-party dependencies

*Frauds are covered under the Fraud Risk Management Policy of PFSPL.

7.1 Three lines of defense for management of Operational Risk

Sound internal governance forms the foundation of an effective ORMF. The Operational Risk governance function of PFSPL will be fully integrated into its overall risk management governance structure.

7.1.1 First Line of Defense

Business Unit Management typically forms the first line of defense. The responsibilities of an effective first line of defense in promoting a sound Operational Risk Management culture will include:

- Identifying and assessing the materiality of Operational Risks inherent in their respective business processes
- Establishing appropriate controls to mitigate inherent Operational Risks
- Monitoring and reporting the business units' Operational Risk profiles, and ensuring their adherence to the established Operational Risk appetite and tolerance statement;
- Reporting residual Operational Risks not mitigated by controls, including operational loss events, control deficiencies, process inadequacies, and noncompliance with Operational Risk tolerances.

7.1.2 Second Line of Defense

A functionally independent Organizational Operational Risk Management Function (OORF) forms the second line of defense. The responsibilities of an effective second line of defense will include:

- Developing and maintaining Operational Risk Management and measurement policies, standards and guidelines; providing tools and training for risk identification and assessment
- Independently monitor and report operational risk exposures and incidents
- Facilitate risk and control self-assessments (RCSA), scenario analysis and Key Risk Indicator(KRI) tracking

The second line of defense also includes the compliance function.

7.1.3 Third Line of Defense

The third line of defense, i.e the audit function provides independent assurance to the Board regarding the appropriateness of PFSPL's ORMF. The third line of defense reviews are generally carried out by PFSPL's internal and external audit but may also involve suitably qualified independent third parties.

7.2 Governance and Risk Culture

The Board of Directors will take the lead in establishing a strong risk management culture, implemented by Senior Management. Key principles include:

- **Board Leadership**: The Board of Directors should lead in establishing a strong risk management culture, with senior management implementing it. This includes setting standards and incentives for professional and responsible behaviour and ensuring staff receives appropriate risk management and ethics training.
- **Code of Conduct**: Establishing a code of conduct or ethics policy applicable to both staff and Board members to address conduct risk.

A strong culture of risk management and ethical business practices helps effectively deal with operational risk events and reduces the likelihood of damaging incidents.

These principles aim to foster a proactive approach to risk management, ensuring that all levels of the organization are aligned in identifying, assessing, and mitigating operational risks.

7.3 Responsibilities of Board of Directors and Senior Management

7.3.1 Board of Directors

The Board of Directors will approve and periodically review the ORMF and Operational Resilience approach, and ensure that Senior Management implements the policies, processes and systems of the ORMF and Operational Resilience approach effectively at all decision levels.

The Board of Directors will:

- Provide Strategic Direction & Oversight
    - Set the overall risk appetite, tolerance levels, and strategic direction for managing operational risk.
    - Provide effective oversight of the risk management function and operational resilience initiatives.
- Approval of Frameworks & Policies
    - Approve the Operational Risk Management Framework (ORMF), including Business Continuity and Incident Management Policies.

- Endorse key risk governance documents such as risk appetite statements and third-party risk guidelines.

- Culture & Ethics
  - Promote a sound risk culture across the organization.
  - Ensure ethical conduct through a code of conduct applicable to both directors and employees.
- Accountability & Monitoring
  - Ensure that roles, responsibilities, and accountability for risk management are clearly defined.
  - Review periodic risk reports and the effectiveness of controls in managing operational risk.
- Resource Oversight
  - Confirm that sufficient resources (financial, human, and technological) are allocated to support the risk management function.

7.3.2 Senior Management

Senior Management will develop for approval by the Board of Directors a clear, effective and robust governance structure with well-defined, transparent and consistent lines of responsibility. Senior Management is responsible for consistently implementing and maintaining throughout the organisation policies, processes and systems for managing Operational Risk in all of the PFSPL's material products, activities, processes and systems consistent with its risk appetite and tolerance statement. Key responsibilities are summarized below

- Policy Implementation
  - Develop and operationalize the risk management policies and procedures approved by the Board.
- Risk Ownership & Control
  - Assume ownership of risks within their respective functions.
  - Design and implement controls to mitigate identified operational risks.
- Framework Execution
  - Establish and maintain effective internal controls and monitoring systems.
  - Implement the Business Continuity Management (BCM) and Incident Response Plans (IRP).
- Reporting & Communication
  - Ensure timely, relevant, and accurate reporting of operational risk events to the Board and regulators.
  - Maintain open communication on risk issues across departments.
- Capacity Building
  - Promote awareness and training programs for employees on operational risk and resilience.
  - Ensure that staff are competent and capable of managing risks in their roles.
- Third-Party Risk Oversight

- Oversee third-party/vendor risk management, including risk assessments and resilience standards.

7.4 Operational Risk Identification and Assessment

Senior Management will ensure the comprehensive identification and assessment of the Operational Risk inherent in all material products, activities, processes and systems to make sure the inherent risks and incentives are well understood. Both internal and external threats and potential failures in people, processes and systems will be assessed promptly and on an ongoing basis. Assessment of vulnerabilities in critical operations will be done in a proactive and prompt manner. All the resulting risks will be managed in accordance with the operational resilience approach.

Below are the tools which will be used for identifying and assessing the Operational Risk

- **Risk Control Self-Assessment** - The assessments evaluate inherent risk (the risk before controls are considered), the effectiveness of the control environment, and residual risk (the risk exposure after controls are considered) and contain both quantitative (such as metrics, benchmarking, etc.) and qualitative (such as likelihood and consequence of the risk event in determination of inherent and residual risk ratings) elements.
- **Key Risk Indicators** - Using Operational Risk event data and risk and control assessments, PFSPL will develop metrics to assess and monitor their Operational Risk exposure.
- **Operational Risk Event data** – PFSPL will maintain a comprehensive Operational Risk event dataset that collects all material events experienced by PFSPL and serves as basis for Operational Risk assessments.
- **Event management** - It includes analysis of events to identify new Operational Risks, understanding the underlying causes and control weaknesses, and formulating an appropriate response to prevent recurrence of similar events.
- **Scenario Analysis**- Scenario analysis is a method to identify, measure and analyse a range of scenarios, including low probability and high severity events, some of which could result in severe Operational Risk losses.

7.5 Monitoring and Reporting

Senior Management will implement a process to regularly monitor Operational Risk profiles and material operational exposures. Appropriate reporting mechanisms will be placed on the Board of Directors, Senior Management, and business unit levels to support proactive management of Operational Risk.

7.6 Control and Mitigation

PFSPL will have a strong control environment that utilizes policies, processes and systems; appropriate internal controls; and appropriate risk mitigation and/or transfer strategies

- Internal controls will be designed to provide reasonable assurance that PFSPL will have efficient and effective operations; safeguard its assets; produce reliable financial reports; and comply with applicable laws and regulations. A sound internal control programme consists of four components that are integral to the risk management process: risk assessment, control activities, information and communication, and monitoring activities.
- Control processes and procedures will include a system for ensuring compliance with policies, regulations and laws.

7.7 Third-party dependency management

PFSPL will manage their dependencies on relationships, including those of, but not limited to, third parties for the delivery of critical operations.

- PFSPL will perform a risk assessment and due diligence before entering into arrangements including those of, but not limited to, third parties, consistent with its ORMF, third-party risk management policy, and operational resilience approach.
- The Board of Directors and Senior Management are responsible for understanding the Operational Risks associated with third-party arrangements and ensuring that effective risk management policies and practices are in place to manage the risk in such activities.

7.8 Business Continuity Planning and Testing

PFSPL will have business continuity plans in place to ensure their ability to operate on an ongoing basis and limit losses in the event of severe business disruption. Business continuity plans will be linked to PFSPL's ORMF. PFSPL will conduct business continuity exercises under a range of severe but plausible scenarios in order to test their ability to deliver critical operations through disruption.

7.9 Information and Communication Technology (ICT) including Cyber Security

PFSPL will implement a robust Information and Communication Technology (ICT) risk management programme in alignment with its ORMF and ensure a resilient ICT including cyber security that is subject to protection, detection, response, and recovery programmes that are regularly tested, incorporate appropriate situational awareness and convey relevant timely information for risk management and decision-making processes to fully support and facilitate the delivery of the PFSPL's critical operations.

PFSPL will have a documented ICT policy, including cyber security, which stipulates governance and oversight requirements, risk ownership and accountability, ICT security measures (e.g., access controls, critical information asset protection, identity management), periodic evaluation and monitoring of cyber security controls, and incident response, as well as business continuity and disaster recovery plans

To ensure data and systems' confidentiality, integrity and availability, the Board of Directors/ its committee will regularly oversee the effectiveness of PFSPL's ICT risk management and Senior Management will routinely evaluate the design, implementation and effectiveness of PFSPL's ICT risk management.

7.10 Risk Based Internal Audit (RBIA)

PFSPL will adopt the RBIA guidelines of RBI as a part of its Operational Risk Management Framework. RBIA is a methodology that links internal auditing to the organisation's overall risk management framework.

RBIA allows internal audit to provide assurance to the Board that risk management processes are managing risks effectively. The essentials of risk-based auditing are widening the coverage, focusing to help management achieve their objectives.

8 Liquidity & Market Risk

8.1 Liquidity Risk

Liquidity Risk is the risk of failing to honor the obligations towards clients, banks, investors, and others due to the lack of available funds. Liquidity risk is the most sensitive risk category as it has the most drastic consequences. Liquidity Risk Management is important so that the organization can:

- Honor all cash outflow commitments on a daily and ongoing basis,
- Minimize the cost of foregone earnings on idle liquidity,
- Satisfy minimum reserve requirements and other regulatory liquidity standards,
- Avoid the additional cost of emergency borrowing and forced liquidation of assets.

In order to ensure a sound and robust liquidity risk management system, the finance department ensures sufficient liquidity through ALM, including a cushion of unencumbered, and high-quality liquid assets to withstand a range of stress events, including those involving the loss or impairment of both unsecured and secured funding sources.

In the case of a normal scenario and with the revised criteria of qualified assets by RBI, PFSPL will keep a buffer of 1.25 months of liquidity and in the stress scenario it will be 2 months of liquidity. The negative gap in the normal course will not exceed 15% of cash outflows in different time buckets.

As per RBI guidelines on liquidity risk management framework, an NBFC will conduct stress tests on a regular basis for a variety of short-term and protracted NBFC-specific and market-wide stress scenarios (individually and in combination). Adhering to the guidelines Stress testing will form an integral part of the overall governance and liquidity risk management culture in PFSPL. In designing liquidity stress scenarios, the nature of the PFSPL's business, activities, and vulnerabilities will be taken into consideration so that the scenarios incorporate the major funding and market liquidity risks.

Board of Directors

The Board will have overall responsibility for management of liquidity risk. The Board will decide the strategy, policies and procedures of PFSPL to manage liquidity risk in accordance with the liquidity risk tolerance/limits decided by it.

Asset-Liability Management Committee (ALCO)

The ALCO consisting of the PFSPL's top management will be responsible for ensuring adherence to the risk tolerance/limits set by the Board as well as implementing the liquidity risk management strategy of the Company. The MD will head the Committee. The role of the ALCO with respect to liquidity risk will include, inter alia, decision on desired maturity profile and 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 branches.

Public disclosure

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

Funding Strategy- Diversified Funding

PFSPL will establish diversification in the sources and tenor of funding. It will maintain an ongoing presence in its chosen funding markets and strong relationships with fund providers to promote effective diversification of funding sources. PFSPL will regularly gauge its capacity to raise funds quickly from each source. There will not be over-reliance on a single source of funding.

Stress Testing

Stress testing will form an integral part of the overall governance and liquidity risk management. PFSPL conducts stress tests on a monthly basis for a variety of short-term and protracted company-specific and market-wide stress scenarios. In designing liquidity stress scenarios, the nature of the PFSPL's business, activities, and vulnerabilities will be taken into consideration so that the scenarios incorporate the major funding and market liquidity risks to which the company is exposed.

Internal Controls

PFSPL will have appropriate internal controls, systems and procedures to ensure adherence to liquidity risk management policies and procedure. Management will ensure that an independent party regularly reviews and evaluates the various components of the PFSPL's liquidity risk management process.

Maturity Profiling

For measuring and managing net funding requirements, the use of a maturity ladder and calculation of cumulative surplus or deficit of funds at selected maturity dates is adopted as a standard tool. The Maturity Profile will be used for measuring the future cash flows of PFSPLs in different time buckets. The Maturity Profile will be used for measuring the future cash flows of PFSPLs in different time buckets. The time buckets will be distributed as under:

(i) 1 day to 7 days
(ii) 8 days to 14 days
(iii) 15 days to 30/31 days (one month)
(iv) Over one month and upto 2 months
(v) Over two months and upto 3 months
(vi) Over 3 months and upto 6 months
(vii) Over 6 months and upto 1 year
(viii) Over 1 year and upto 3 years
(ix) Over 3 years and upto 5 years
(x) Over 5 years

8.2 Market Risk

Market risk is the risk of financial losses related to changes in the value of the assets and liabilities. These changes as determined by fluctuations in interest and foreign exchange rates in the market. Market risk is subdivided into interest rate risk and foreign exchange risk. For PFSPL, only Interest Rate Risk is applicable.