Risk Management Manual



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Section 1: Approval, amendments and renewal

The Risk Management Manual (the RMM), and any amendment thereof, can only be approved by the CEO, one Board member and the Compliance Officer (CO).

The RMM must be reviewed and revised, if necessary, by 30 June 2027. It is the responsibility of the CO to ensure that the RMM is reviewed and amended, if necessary, within the specified time-period.

Section 2: Compliance

The CEO and the CO are responsible for ensuring that each and every aspect of the RMM is complied with by all employees. All officers should be encouraged to provide voluntary disclosure of any incidence of non-compliance.

Section 3: Actions / decisions requiring prior approval

The following actions / decisions require prior approval of at least one Board member:

1. Commencement of business in a new sector (i.e. high net-worth individuals vs. provident funds).
2. Soliciting client / s who is / are resident of a new country.
3. All approvals under Personal Trading Policy (CEO can also grant approvals). See Section 8.
4. Appointment of auditors or awarding consultancy work to current auditors.
5. Disbursement claims / payments to all executive shareholders.
6. Any advertisement or publicity in mass media.
7. Any donation or charity.
8. Any article, letter to the editor or contribution in any publication by employees of the Company.
9. Approval to any employee for part time or additional work with any other institution whether for money or on pro-bono basis.

Section 4: Approval for new business

Investment advisory is a highly-regulated business. The Board member granting approval must ensure that any new business initiative is approved only after the business executives have complied with the following:

1. Obtained a satisfactory legal opinion stating that the firm is authorized to conduct such business. In case of foreign clients, the legal opinion should be solicited from a law firm where the client is resident and the legal opinion should clearly state that offering the envisaged investment advisory services will not trigger a local (in the resident country of the client) registration / licensing requirement.
2. A template mandate letter (or contract) between the Company and the client has been approved and it properly captures any conflicts of interest (see below).
3. A thorough analysis of conflict of interest (with other client segments and Company's own investments) has been conducted.

Conducting current business with clients resident in a new country is deemed as starting a new business.

Section 5: Front running and alignment of interest

The financial interests of the investors / customers come first (before the interest of the Company and its officers in their personal capacity). All operational and trading procedures must comply with this principle.

It is recognized that the Company could be managing funds of some of the shareholders, directors and officers. The trade execution terms for investment advisory to this set of people should not be more preferential than the terms extended to the clients of Magnus. The other contractual terms should be identical to a typical mandate letter.

For domestic investments, the trading instruction (for both buy and sell) for accounts of shareholders, directors and officers should be given on the next day of receiving confirmation that desired quantity of securities have been bought or sold for all customers.

Any transaction executed for the Company's portfolio, shareholders, directors or officers that precedes the transactions for customers and / or is not carried out for customers (if required under the scope of the mandate letter), is legitimate ground for immediate termination of services of the responsible officer.

Section 6: Personal Trading Policy

The Personal Trading Policy (PTP) is applicable to all officers and secretarial staff. No such employee can do following trades without prior written consent of the CEO, CIO, and Compliance Head:

1. Buy (invest) or sell (divest) Closed-end mutual funds;
2. Buy or sell any type of listed securities ;
3. Buy or sell unlisted equity securities, unlisted equity interest or unlisted convertible securities;
4. Buy or sell futures or options; and
5. Sell or divest open-end mutual funds that have equity exposure. Under this policy a) sale or divestment of stock funds, balanced funds and capital protected funds require prior written approval b) Sale or divestment of foreign equity mutual fund requires prior written approval and b) sale or divestment on fixed income funds does not require prior written approval.

The CIO, CEO, and Compliance Head will have to obtain prior approval from the Executive Director for the above trades.

The words buy or sell above include transfer into or transfer out of any type of above financial assets from the accounts (legal or beneficial with effective control) of officers. For example, if an officer transfers equity mutual fund or any of the above securities subject to approval into the account of his brother, cousin or friend without prior written approval, then such an act would be deemed as sale (divestment) or purchase (investment) of that security or asset.

This policy, however, does not apply to investments / divestments in open-end mutual funds that do not have equity exposure. Annex A provides the template form (if applicable) for seeking such prior approval to buy or sell securities.

PTP is applicable on all accounts (as well as scrip securities held outside of accounts) of each employee where the employee has:

1. Beneficial interest in the account/s and / or scrip securities
2. Legal title but no beneficial interest in the account/s
3. Influence over investment decisions in the account/s

Any of the above features, either singly or jointly, would subject the accounts or scrip securities to prior written approval from the CEO, CIO, and Compliance Head.

Employees are strongly urged not to involve themselves in any buying or selling of securities unless and until both the legal title and beneficial interest rests in their name.

It should be clearly understood by each and every employee that the Company may not grant approval to either buy or sell securities no matter how compelling the circumstance for each employee.

Each employee must report the following details (as well as provide account statement/s), on a quarterly basis, of each account or scrip securities that trigger such prior approval:

1. Title and account number of the account
2. Name of the broker where account is maintained
3. Monthly statements of relevant closed-end mutual funds

Any violation of the letter and spirit of the PTP is legitimate ground for termination of services. A Board member has the authority to terminate services of any employee after conducting a thorough inquiry.

Section 7: Anti-Money Laundering (AML) and Know Your Client (KYC) policy

The AML and KYC policies have been put together in a separate document 'Anti-Money Laundering (AML) and Know Your Client (KYC) policy' in line with the AML and CFT Regulations, 2020 dated 28 September 2020.

Section 8: HR risks

Managing HR risk would be the responsibility of the HR Manager and the CFO. HR risk management should focus on three aspects.

The first aspect relates to having a backup for all officers from within current employees. It is the duty of the HR Manager to provide a backup for every officer job. Each officer should ensure that the back-up is aware about all important aspects of his / her job. The test of an effective back up is to be able to temporarily carry out the functions of the officer for whom he / she is the designated back up without serious disruption.

The second aspect relates to succession planning. Every officer should have an identified replacement. It is recognized that in a new and lean organization, most officer positions cannot be filled from within. Here the job of the HR Manager is to ensure that there is a list of outside candidates for all officer jobs which can be approached in case of a sudden vacancy. Where specific replacement candidates cannot be identified, the HR Manager should have professional head-hunter/s shortlisted for help. The HR Manager should also have job descriptions for all officers ready at all times that can be provided to head-hunter/s at short notice.

The third aspect relates to assessing the code of conduct and ethical behavior of employees. This is extremely critical for evaluating fitness of candidates for promotions, appointment to different Investment Committees and taking preventive actions to protect the reputation of the Company. The HR Manager should maintain a file containing a record of verbal and written warnings on ethical issues to each employee. It is expected that all officers, without exception, will immediately bring any transgressions by the staff to the attention of the CEO so that an appropriate action can be taken for protecting the Company.

Section 9: Internal audit

9.1: Responsibilities

The internal audit will be carried out by an external accounting / audit firm. The designated external accounting / audit firm is referred to as 'the Internal Auditor'. The Internal Auditor of Magnus will be selected from the 'big four' accounting firms.

9.2: Key matters to be covered in the internal audit

The internal audit of Magnus should cover the following aspects:

1. Adequate controls (commensurate with the size and nature of Company) exist to prevent or detect errors and fraud;
2. Designed controls are implemented and functioning properly;
3. All SECP guidelines are strictly complied with;
4. Formal accounting policies are in place;
5. Accounting system and record keeping is properly functioning;
6. Conflict of interest is specifically addressed in the accounting policies;
7. IT platform is being used solely for the purpose of the Company. The employees are periodically reminded that use of IT platform for any religious, political, charitable or any other ideological purpose is strictly prohibited; and
8. Robust back-up system is in place in case of physical damage to premises.

9.3: Scope and reporting

The scope of the internal audit (the audit plan) will be approved by the Audit Committee comprising of three Board members.

The internal audit report from the Internal Auditor along with the management comments will be circulated by the CO to all members of the Audit Committee for their response (if any).

Section 10: Use of electronic signatures

Use of electronic signatures requires two written approvals:

1. From the relevant officer whose signature has to be used. He must not be physically present in the city (including adjoining city of Hyderabad).
2. Head of Compliance.

Section 11: Miscellaneous

11.1: IC approvals – Internal record keeping

The CFO should be copied on all IC approvals. It would be his responsibility to maintain a master file of all IC approvals and make electronic copies.

The officer responsible for client coverage should file the relevant IC approval in each client file.

11.2: Restrictions

As required by Article 1 of the Company's Memorandum of Association, the Company shall not, either advise others to, or itself, undertake:

1. Short selling of stocks.
2. Writing (or issuing) uncovered call options.
3. Writing (or issuing) put options.

No investment is permitted if the investee company:

1. Falls in construction, airline or shipping sectors.
2. Is undergoing or about to undergo financial restructuring.
3. Has operational losses for two years in the five preceding years.

11.3: Communication

All written communications, emails and meetings with prospective / existing clients, service providers or vendors must involve at least two officers. The CEO has the discretion, in exceptional circumstances, to deviate from this policy so long as another officer is informed about the meeting and the relevant email is forwarded to him / her.

This policy also applies to all letters – they must also be signed by at least two officers.

11.4: Confidentiality of information:

We must be the most trusted advisor of our clients. We must also protect our intellectual capital. Both depend on the willingness and commitment of each officer to deal with confidential information carefully and protect it. Magnus defines "Confidential Information" as follows:

i. any and all information of whatsoever nature (whether written, oral or in any other form) and howsoever stored (including information stored electronically) relating directly or indirectly to the Company, its affiliates and its/their businesses, and its clients, made available to the Employee by the Company or its affiliates and their representatives or advisors or that may come in to the knowledge of the Employee in the course of employment with the Company directly or indirectly;

ii. any information of whatsoever nature (whether written, oral or in any other form) and howsoever stored (including information stored electronically) derived from or developed from the information described in (i) above;

iii. any information of whatever nature, analyses, compilations, studies and other material prepared by or on behalf of the Company, its affiliates or any of their representatives or advisors which contains or otherwise reflects or is generated (wholly or partly) from information described in (i) and / or (ii) above;

An officer shall not discuss, disclose or divulge to any unauthorized person or third party including but not limited to family and friends, any Confidential Information relating to the Company and/or its clients during his / her employment or after termination of employment by either party and for any reasons, whatsoever. As an Employee of the Company an officer agrees to be, and will be bound by and liable full to the same extent that the Company is liable or bound by any general or specific obligation of confidentiality towards any client(s) or third parties.

An officer shall not copy, remove from the office premises without authorization, produce, reproduce any Confidential Information, documents, agreements, files, work products, client information, during the tenure of his / her employment with the Company in any form whatsoever including but not limited to via emails to unauthorized email addresses including personal email addresses and via personal storage devices and shall immediately return any and all such Confidential Information and documents relating to the Company and/or its clients in his / her possession in tangible form including electronic form, without retaining any copy or duplicate thereof at the time of termination of employment with the Company for any reason whatsoever.

Additionally, all business cards of the contacts established while on the payroll of Magnus is the exclusive property of the Company and cannot be shared with anyone or taken out or photocopied in case of departure from the Company.

Personal trading approval form:

Date		
Name of employee:		
Require approval to Buy:	*Full name of security:*	
	Number of securities:	
	Amount of money to be invested:	
Require approval to Sell:	*Full name of security:*	
	Number of securities:	
	Yesterday's closing price(s):	
	Amount of expected proceeds on yesterday's closing price:	
Name of the broker(s) / banker(s)	*(The broker(s) / banker(s) that will execute the above trades)*	
Account number(s) with the broker	*(The account numbers relating to above brokers)*	
Name of the supervisor		
Approval of the supervisor		

I ACKNOWLEDGE AND ACCEPT THAT I MAY NOT GET THE PERMISSION TO SELL OR BUY THE ABOVE SECURITIES IN FUTURE NO MATTER HOW COMPELLING MY CIRCUMSTANCES.

STRICTLY NOTE:

1. Trading approval is valid for 10 working days only.
2. Incorrect or incomplete information is valid ground for strict disciplinary action.
3. No trade is allowed until relevant written approval is obtained.

_____

Signature of the Employee

_____

Approval of the relevant officers