Annexure-B

Format for Half-yearly Report to SEBI by Chief Risk Officer

[Report of Chief Risk Officer for Stock Exchanges/ Clearing Corporations/ Depositories under SECC Regulations, 2018 or D&P Regulations, 2018]

Report for the Half-year ended ……..
Name of the Stock Exchange/ Clearing Corporation/ Depository:
Name of the Chief Risk Officer:

Detailed Risk Assessment

1. Regulatory/Compliance Risk: Risk to MIIs on account of non-adherence to regulatory guidelines or non-compliances that can have implications to market functioning.	
Risk Parameters & Thresholds/Appetite	**Actual Assessment**
(i) Adequacy of Net Worth ▪ Red[1] – net worth is above regulatory requirement + <6 months operating expenses. ▪ Amber[2] – net worth is above regulatory requirement + <12 months operating expenses. ▪ Green[3] – net worth is above regulatory requirement + >12 months operating expenses. Following parameters will be applicable only to CCs: ▪ Red – net worth is below the regulatory requirement. ▪ Green – net worth is above regulatory requirement.	

[1] "Red" stands for High Risk
[2] "Amber" stands for Medium Risk
[3] "Green" stands for Low Risk

(ii) Orders/Show Cause Notices issued by direct or indirect regulators to MII during the period ▪ Red – Orders passed by direct or indirect regulator. ▪ Amber – Show cause Notice or warnings issued or administrative action taken by direct regulator. ▪ Green – No show cause or orders by direct regulator, advisories by any regulator ***Direct Regulator:*** *SEBI/RBI/MOF, Government of India* ***Indirect Regulator:*** *Income Tax, MCA, Govt. Agencies, Statutory Body, etc.*	
(iii) Adverse comments by statutory and/or secretarial auditors during the period ▪ Red – Adverse comments received during the period ▪ Green – No adverse comments received during the period	
(iv) Fines, penalties, financial disincentives levied by regulator/government authorities during the period ▪ Red – Fines/ penalties/ financial disincentives during the period (cumulative value > □5 crores or >1 % of the net worth, whichever is lower) ▪ Amber – Fines/ penalties/ financial disincentives levied during the period (cumulative value < □5 crores or <1 % of the net worth, whichever is lower) ▪ Green – No instances of fines/ penalties/ financial disincentives	
(v) Non-adherence to regulatory guidelines, observations during regulatory inspection reports ▪ Red – Any observation categorized as Show Cause or more than 5 observations categorized as Warning or repetitive deficiency beyond current and previous inspection. ▪ Amber – Upto 5 observations categorized as Warning or/and more than 10 observations categorized as deficiency or repetitive deficiency only from previous inspection and same have reduced. ▪ Green – No observations categorized as Show Cause or Warning and upto 10 observations categorized as deficiency and no repetitive deficiencies This parameter will be measured covering all inspections done by SEBI during the financial year	

(vi) Supervision Risk (Inspection and Enforcement by MII): ○ delays in inspections ○ delays in action on inspection findings ○ delays in resolution of alerts ▪ Red - - deviation from approved inspection plan >20% (i.e., pending inspection completion) - >20% cases actioned/resolved beyond TAT or action/ resolution is pending beyond TAT (with average Days Past Due (DPD) of > 15 days) ▪ Amber - - deviation from approved inspection plan between 10% to 20% (i.e., pending inspection completion) - Between 10% to 20% cases actioned/ resolved beyond TAT or action/resolution is pending beyond TAT (with average DPD of > 15 days) ▪ Green - - deviation from approved inspection plan <10% (i.e., pending inspection completion) - <10% cases actioned/ resolved beyond TAT or action/ resolution is pending beyond TAT (with average DPD of > 15 days)	
Overall Rating (for the current period): **Red/Amber/Green** **Previous Rating: Red/Amber/Green** **Trend:**	
Management Comments, Mitigation Measures, if any:	

<table>
<tr><td colspan="2">2. <u>Credit, Market, Liquidity Risks</u>: Risk to MIIs' operations on account of liquidity / financial concerns</td></tr>
<tr><td>Risk Parameters & Thresholds/Appetite</td><td>Actual Assessment</td></tr>
<tr><td>(i) <u>Liquidity Risk</u>: Coverage of operating expenses by liquid net assets.
▪ Red: Liquidity Coverage <6 months
▪ Amber: Liquidity Coverage of 6-12 months
▪ Green: Liquidity Coverage >12 months

Sufficiency of liquid resources to manage settlements in case of default of Top 2 members. (applicable only to CCs)
▪ Red: < 100% of the days
▪ Green: 100% of the days</td><td></td></tr>
<tr><td>(ii) Credit Risk: Safety of investment book

▪ Red: Downgrades during the period resulting in > 10% of the portfolio falling below rating A (or equivalent)

▪ Amber: Downgrades during the period resulting in < 10% of the portfolio falling below rating A (or equivalent)

▪ Green: No adverse change in risk category/ rating downgrade of investments.

<u>Credit Risk applicable to CCs</u>

Sufficiency of liquid resources to manage clearing member default as prescribed by SEBI (Core SGF corpus compared to MRC).
▪ Red: MRC > Core SGF
▪ Green: MRC =< Core SGF</td><td></td></tr>
<tr><td>(iii) Market Risk: Sufficiency of Margins (applicable to CCs)

▪ Red: < 95% of the instances
▪ Amber: 95% to <99% of the instances
▪ Green: >= 99% of the instances</td><td></td></tr>
<tr><td colspan="2">Overall Rating (for the current period): Red/Amber/Green

Previous Rating: Red/Amber/Green

Trend:</td></tr>
<tr><td colspan="2">Management Comments, Mitigation Measures, if any:</td></tr>
</table>

3. **<u>Critical Operations Risk (Market Operations)</u>:** Risk to MIIs on account of technology and process failures that can have implications to market functioning.	
Risk Parameters & Thresholds/Appetite	**Actual Assessment**
(i) Availability of Critical Systems ▪ Red – any instances of business disruption ▪ Amber – no business disruption but high/medium severity technical glitches ▪ Green – no business disruption except low severity technical issues Critical systems and business disruption as defined as per SEBI BCP DR Circular	
(ii) Incident resolution/reporting (Critical Systems) ▪ Red – any breach in SEBI reporting timeline for business disruption incidents ▪ Amber – extension sought and granted by SEBI in reporting timelines for business disruption incidents ▪ Green – no breach in SEBI reporting timelines for business disruption incidents	
(iii) Business Continuity: ▪ Red – any breach in Recovery Time Objective (RTO) /Recovery Point Objective(RPO) prescribed by SEBI / failure to conduct drills/testing as prescribed by SEBI ▪ Green – no instances of breach in RTO /RPO prescribed by SEBI / no failure in conducting drills/ testing as prescribed by SEBI	
(iv) Capacity/Scalability of critical systems ▪ Red – system capacity <1.25x of projected peak* ▪ Amber – system capacity 1.25x to 1.5x ▪ Green – system capacity > 1.5x *computation shall be as prescribed in the SEBI Guidelines	
(v) Performance: System utilizations exceeding threshold w.r.t. memory, disk space, CPU, network bandwidth during market hours for critical systems ▪ Red – utilization > 75% ▪ Amber – utilization between 50 – 75% ▪ Green – utilization < 50% *Measure to be on a sustained basis for a period of >5 minutes*	
Overall Rating (for the current period): **Red/Amber/Green** **Previous Rating: Red/Amber/Green** **Trend:**	
Management Comments, Mitigation Measures, if any:	

<table>
<tr><td colspan="2">4. <u>Information Security Risk & Cyber Security Risk</u>. Risk to MIIs on account of cyber and information security that can have implications to market functioning.</td></tr>
<tr><td>Risk Parameters & Thresholds/Appetite</td><td>Actual Assessment</td></tr>
<tr><td>(i) Cyber security breaches/ incidents (including data theft/ data leakage/ unauthorized access to systems, etc.)

▪ Red – any instances of cyber security breaches/ incidents impacting market* operations or repetitive breaches (breaches that did not impact market operations but have been repeating)

▪ Amber - instances of cyber security breaches/ incidents but no impact to market operations*

▪ Green – no instances of cyber security breaches/ incidents

*business operations for depositories</td><td></td></tr>
<tr><td>(ii) Vulnerability Exposures:
▪ Red – high-risk vulnerabilities not closed within SEBI prescribed timelines

▪ Amber – medium/low risk vulnerabilities not closed within SEBI prescribed timelines

▪ Green – all vulnerabilities closed within SEBI prescribed timelines</td><td></td></tr>
<tr><td>(iii) Cyber Capability Index (CCI) scores:
▪ Red – score < 75%
▪ Amber – score between 75 to 90%
▪ Green – score > 90%

CCI score shall be based on the methodology prescribed by SEBI vide its Circular on Cybersecurity and Cyber Resilience Framework (CSCRF) for SEBI Regulated Entities (REs) dated August 20, 2024

Thresholds may vary as per SEBI guidelines issued to Exchanges, CCs and Depositories</td><td></td></tr>
<tr><td colspan="2">Overall Rating (for the current period): Red/Amber/Green

Previous Rating: Red/Amber/Green

Trend:</td></tr>
<tr><td colspan="2">Management Comments, Mitigation Measures, if any:</td></tr>
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5. **Third Party Risks:** Risk to MIIs' operations due to non-performance or issues in services provided by third parties	
Risk Parameters & Thresholds/Appetite	**Actual Assessment**
(i) Material non-adherence to Service Level Agreement (SLA) or any major incidents of critical vendors ▪ Red - Major deviations from the SLAs defined in the contract or major incidents resulting in data breach, implication on market continuity/ operations ▪ Amber - Deviations/ incidents observed but no implication in market continuity/ operations ▪ Green - Performance in line with the defined SLAs and no incidents Critical vendors shall include vendors providing services/ application/ support that can impact market functioning.	
Overall Rating (for the current period): **Red/Amber/Green** **Previous Rating: Red/Amber/Green** **Trend:**	
Management Comments, Mitigation Measures, if any:	

6. **Reputational Risk.** Risk to MII's reputation due to high negative media coverage or major stakeholder concerns	
Risk Parameters & Thresholds/Appetite	**Actual Assessment**
(i) Adverse Media Coverage ▪ Red: Negative media coverage trending with high coverage and sustainability and not contained on a timely manner. ▪ Amber: Negative media coverage trending but was timely acted and contained, resulted in limited coverage/ sustainability. ▪ Green: No trending negative media coverage during the period.	
(ii) Stakeholders' Complaints ▪ Red: Major concerns raised by the stakeholders during the period and timely satisfactory action not taken. ▪ Amber: Concerns raised by the stakeholders during the period, but timely satisfactory action was taken.	

▪ Green: No concerns raised by the stakeholders (shall also include general issues/ clarifications)	
Overall Rating (for the current period): **Red/Amber/Green** **Previous Rating: Red/Amber/Green** **Trend:**	
Management Comments, Mitigation Measures, if any:	

7. Physical Security/ Physical Infrastructure Risk: Risk to MIIs on account of the following: • Physical Security – Threat to people (employees, vendor resources working in the premises, etc.) • Physical Infrastructure – Major power failure, electrical equipment, security scan failure, etc.	
Risk Parameters & Thresholds/Appetite	**Actual assessment**
▪ Red - Major security breaches/ incidents which impacted people safety/ market functioning. ▪ Amber - Instances incurred but averted and no impact to any market functioning / people safety. ▪ Green - No security breaches/ incidents of low severity with no impact.	
Overall Rating (for the current period): **Red/Amber/Green** **Previous Rating: Red/Amber/Green** **Trend:**	
Management Comments, Mitigation Measures, if any:	

8. **<u>Legal Risk</u>:** Risk to MIIs financials on account of legal proceedings.	
Risk Parameters & Thresholds/Appetite	**Actual Assessment**
(i) Number of material litigation cases pending against the MII or Breach of contractual obligations and IP infringements by the MII during the period ▪ Red – Any instances of material legal cases which result in contingent provision of > 5% of net worth (cumulative value of all instances). ▪ Amber – Any instances of material legal case which result in contingent provision of <5% of net worth (cumulative value of all instances). ▪ Green – No instance of material legal case. **Notes:** Material legal case shall be cases where MII may need to create a contingent liability provision.	
Overall Rating (for the current period): **Red/Amber/Green** **Previous Rating: Red/Amber/Green** **Trend:**	
Management Comments, Mitigation Measures, if any:	

9. **<u>People and Culture Risk:</u>** Risk to MIIs on account of people behaviour, shortage of manpower to fulfil operations.	
Risk Parameters & Thresholds/Appetite	**Actual Assessment**
(i) Employee complaints w.r.t. Prevention of Sexual Harassment (POSH) ▪ Red: Complaint(s) pending for investigation for more than 6 months or any investigated complaint(s) waiting for initiation of action for more than 3 months. ▪ Amber: Complaint(s) received during the period, however not pending for investigation for more than 6 months and no investigated complaint(s) waiting for initiation of action for more than 3 months. ▪ Green: No complaint(s) during the period. *Note: Complaints concluded as false to be excluded*	

(ii) Violations by Employees - Code of Conduct ▪ Red: Any material violation to code of conduct, instance of fraud which have been established and not actioned beyond 6 months. ▪ Amber: Any material violation or repeated instances of non-material violation to code of conduct, instance of fraud which have been established, reported during the period (acted upon/pending < 6 months). ▪ Green: No material violation no repeat non-material violation to code of conduct instance of fraud which have been established reported during the period.	
(iii) Employee Attrition – KMPs ▪ Red: Half-yearly attrition > 20% ▪ Amber: Half-yearly attrition between 10% to 20% ▪ Green: Half-yearly attrition < 10%	
(iv) Employee Attrition – Non-KMPs ▪ Red: Half-yearly attrition > 20% ▪ Amber: Half-yearly attrition between 10% to 20% ▪ Green: Half-yearly attrition < 10%	
Overall Rating for the current period: **Red/Amber/Green** **Previous Rating: Red/Amber/Green** **Trend:**	
Management Comments, Mitigation Measures, if any:	

10. <u>General Business/ Strategic Risk</u>: Risk to MIIs business growth, however if sustained for a longer time could have implications in its continuity.	
Risk Parameters & Thresholds/Appetite	**Actual Assessment**
(i) Growth in Market Share *(market segments to be defined by each MIIs)* ▪ Red – MII losing market share for more than two continuous quarters and decline is greater than 10% each quarter. ▪ Amber – MII losing market share but not for two continuous quarters or decline is less than 10% each quarter. ▪ Green – MII gaining / stable market share / decline not > 5%	

(ii) Increase/decrease in Net Profitability	
(ii) Increase/decrease in Net Profitability ▪ Red – Profit decreased for two continuous quarters and decrease is greater than 10% or PAT is negative ▪ Amber – Profit decreased for two continuous quarters but the decrease is < 10% ▪ Green – Profit is increasing / profit decreased only for one quarter	
Overall Rating for the current period: **Red/Amber/Green** **Previous Rating: Red/Amber/Green** **Trend:**	
Management Comments, Mitigation Measures, if any:	

Other updates/ issues/ mitigation steps to highlight

This report is based on the findings of the Risk Management Framework of the Stock Exchange/ Clearing Corporation/ Depository for the Half-Year ended ……

Place

Date

Signature of Chief Risk Officer

Scoring methodology: Overall score in a risk area would be the score of the worst rated parameter within the particular risk area.

RISK RATING SUMMARY FOR THE PERIOD: A snapshot of various risks

No.	No.	No.
High risk	Medium risk	Low risk

HIGHLIGHTS FOR THE PERIOD:

TREND: A comparative dashboard of various risks with respect to the previous half year report to be provided