



To,  
Deputy General Manager and Manager  
Corporate Finance Division  
Securities and Exchange Board of India  
SEBI Bhavan  
Plot No. C4-A, "G" Block  
Bandra Kurla Complex  
Bandra (East), Mumbai - 400 051

10<sup>th</sup> December, 2020

Via email to: [amydurga@sebi.gov.in](mailto:amydurga@sebi.gov.in); [ishitas@sebi.gov.in](mailto:ishitas@sebi.gov.in) and [sonalp@sebi.gov.in](mailto:sonalp@sebi.gov.in)

**Sub: CONSULTATION PAPER ON THE APPLICABILITY AND ROLE OF THE RISK MANAGEMENT COMMITTEE**

At the outset, we, at Indian Association of Investment Professionals (IAIP), a member society of the CFA Institute, appreciate the opportunity to submit our response to the **CONSULTATION PAPER ON THE APPLICABILITY AND ROLE OF THE RISK MANAGEMENT COMMITTEE**.

IAIP is an association of over 2000 local investment professionals who are CFA charterholders and about 4000+ professionals who have cleared exams, eligible and awaiting charter. The Association consists of valuation professionals, portfolio managers, security analysts, investment advisors, and other financial professionals, that; promote ethical and professional standards within the investment industry, facilitate the exchange of information and opinions among people within the local investment community and beyond, and work to further the public's understanding of the CFA designation and investment industry.

CFA Institute is a global non-profit association of investment professionals with over 164,000 members in over 165 countries. In India, the community of CFA charterholders is represented by the Indian Association of Investment Professionals (CFA Society India).

Through our global research and outreach efforts, CFA Societies around the world endeavour to provide resources for policy makers, financial services professionals and their customers in order to align their interests. Our members engage with regulators in all major markets.

With regards to the above-mentioned consultation paper, we would like to propose a few suggestions consistent with our objective to promote fair and transparent global capital markets and to advocate for investor protection.

We would be happy to hear and discuss the merits / demerits of suggestions proposed by other practitioners and request to be included in the deliberation process.

Our responses to the proposed initiatives by SEBI are mentioned below:

**A. Details of our Organisation:**

- 1. Name:** Indian Association of Investment Professionals (CFA Society India)
- 2. Contact number:** +91 98196 30042
- 3. Email address:** [advocacy@iaipirc.org](mailto:advocacy@iaipirc.org)
- 4. Postal address:** 702, 7th Floor, A Wing, One BKC Tower, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051



**B. Key Contributors:**

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**C. Suggestions / Comments:**

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Sr. No.	Pertains to Regulation/sub-regulation/schedule/clause/sub-clause (as applicable)	Proposed /suggested changes	Rationale
1.	21(3A)	The risk management committee shall meet at least <del>one</del> <b>twice</b> in a year	While this is a good change, it doesn't specify the minimum gap between two such meetings. The committee may decide to meet twice within a span of a month. Hence, there should be a gap of at least 3 months between the first and last meeting in a year, so that companies don't misuse it.
2	Proviso to regulation 21(4)	<b><u>Insertion of proviso to sub-regulation (4):</u></b> Provided that the role and responsibilities of the Risk Management Committee shall mandatorily include the functions specified in Part D of Schedule II.	While we welcome this change, we also suggest that the information pertaining to the Risk Management Committee should be included as part of the company disclosures in the <b>Corporate Governance Report</b> , which already includes disclosures concerning the Audit Committee, Nomination and Remuneration Committee and Stakeholders' grievance committee.
3	21(5)	The provisions of this regulation shall be applicable to top <del>500</del> <b>1000</b> listed entities, determined on the basis of market capitalisation, as at the end of the immediate previous financial year.	This is a good change, which will help in the inclusion of the broader market segment under the regulators purview and help improve corporate governance.
4	21 (6)	<b><u>Insertion of new sub-regulation (6):</u></b> The risk management committee shall have powers to seek information from any employee, obtain outside legal or other professional advice and secure	



		attendance of outsiders with relevant expertise, if it considers necessary.	
5	Schedule II PART D	<p><b><u>Insertion of new clause (C)</u></b></p> <p><b>C. Risk Management Committee</b> The role of the committee shall inter-alia include the following:</p> <p>(1) To formulate a detailed risk management policy which shall include:</p> <ol style="list-style-type: none"> <li>a. A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (specifically, Environmental, Social and Governance related risks and impact), information and cyber security risks</li> <li>b. Measures for risk mitigation</li> <li>c. Systems for internal controls and</li> <li>d. Business contingency plan</li> </ol> <p>(2) To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management and internal control systems;</p> <p>(3) Ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;</p> <p>(4) To review the risk management policy on annual basis, including by considering the changing industry dynamics and evolving complexity;</p> <p>(5) To keep the board informed about the nature and content of its discussions,</p>	<p>We welcome the addition of this section, which defines the roles and responsibilities of the risk management committee.</p> <p>In addition, we would like to suggest the inclusion of one clause. While coordination is necessary between the Risk Management committee and the Audit Committee, the Risk Management should also have an oversight on material risk factor disclosures<sup>1</sup> in the financial reports.</p>



		<p>recommendations and actions to be taken;</p> <p>(6) The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the risk management committee, jointly with the nomination and remuneration committee.</p> <p>The Risk Management Committee shall coordinate its activities with the Audit Committee in instances where there is any overlap with audit activities.</p>	
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### Citation

1. OECD - Risk Management and Corporate Governance

<http://www.oecd.org/daf/ca/risk-management-corporate-governance.pdf>

Thank you again for the opportunity to comment on this important regulatory framework. If you or your staff have questions or seek further clarification, please do not hesitate to contact Mr. Rajendra Kalur, CFA at +91 98196 30042 or at [advocacy@iaipirc.org](mailto:advocacy@iaipirc.org).

Sincerely yours,

Rajendra Kalur, CFA

Director - Research and Advocacy Committee

Indian Association of Investment Professionals, Member Society of CFA Institute