Risk Management System (RMS) Policy

VERSION 1.1

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Version Details

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1	1	Initial release of the RMS Policy governing GIFT City operations	Devyanti Rana	Meghana Mahadkar	Board of Directors	31/07/2026

Content

Preamble

Upstox Securities Private Limited ("the Entity") operates in the International Financial Services Centre (IFSC) through a Separate Business Unit (SBU) established at GIFT IFSC and is duly registered as a Broker-Dealer with the International Financial Services Centres Authority (IFSCA) under registration number CMI2026BDK1028, and separately holds trading membership of India INX. The Entity is also an IFSCA registered Global Access Provider under registration number [●]. The Entity, in its role as a GAP, shall be facilitating access to global markets for resident Indian individual clients in accordance with applicable regulatory requirements, as amended from time to time and also including the IFSCA Regulatory Framework for Global Access in the IFSC (circular dated 12 August 2025).

IFSCA requires capital market intermediaries operating in the IFSC to establish and maintain a robust and effective risk management system that is commensurate with the nature, scale and complexity of their operations. A sound risk management framework is essential to safeguard client interests, maintain market integrity, ensure financial and operational resilience, and support compliance with applicable regulatory and supervisory requirements.

This Risk Management System (RMS) Policy sets out the principles, governance structure, processes and internal controls adopted by Upstox Securities Private Limited, in respect of its operations conducted through the IFSC SBU, for the identification, assessment, monitoring, mitigation and reporting of risks on an enterprise-wide basis. The Policy incorporates a risk-based approach to anti-money laundering, countering the financing of terrorism and proliferation financing, in line with the IFSCA (Anti-Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022, read with the Prevention of Money-laundering Act, 2002 and the rules made thereunder.

This Policy is intended to ensure that risk management is embedded into the Entity's decision-making processes and day-to-day operations relevant to the IFSC SBU, with clear accountability, appropriate oversight and governance in accordance with the applicable IFSCA regulatory framework.

Objective:

The objective of this Policy is to establish a structured and comprehensive approach to risk management that enables the Entity to:

- identify and assess risks arising from its business activities in a timely and systematic manner;
- implement controls and mitigation measures proportionate to the materiality of identified risks;
- ensure ongoing compliance with applicable IFSCA regulations, including the IFSCA (Capital Market Intermediaries) Regulations, 2025, and AML/CFT obligations in accordance with the

IFSCA (Anti-Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022.

- protect the interests of clients and the integrity of the financial system; and
- support informed oversight by senior management and the Board through transparent reporting and escalation.

Scope and applicability

This Policy applies to all activities, processes, operations and functions undertaken by Upstox IFSC, including client onboarding, trading facilitation, margin and exposure management, technology usage, outsourcing arrangements and regulatory interactions.

The Policy applies across all departments, systems, employees and control functions of the Entity and also covers risks arising from third-party and group-entity dependencies. This Policy shall be read in conjunction with related internal policies, including the AML/CFT Policy, Outsourcing Policy, Information Security Policy and Business Continuity Policy

Risk management philosophy

Upstox Securities Pvt Ltd follows a risk-based, proportionate and preventive approach to risk management, recognising that risks are inherent in capital market activities and cannot be eliminated entirely. The Entity therefore focuses on early identification, clear assessment and effective management of risks within acceptable limits, in line with its risk appetite and applicable regulatory requirements.

Risk ownership and accountability remain with the Entity at all times and are not transferred through reliance on systems, counterparties, service providers or market infrastructure. Risk management is embedded across governance, strategic planning, client onboarding and operational execution.

The Entity emphasises preventive controls, including robust customer due diligence and AML/CFT measures, system-driven eligibility and exposure controls, segregation of duties, access controls, and outsourcing safeguards. Consistent with the IFSCA (Capital Market Intermediaries) Regulations, 2025 and the IFSCA (Anti-Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022, Upstox Securities Pvt Ltd maintains a low tolerance for regulatory, AML/CFT, client-protection and reputational risks, supported by clear accountability, structured reporting and timely escalation.

Risk governance framework

Upstox Securities Pvt Ltd has established a structured risk governance framework to ensure that risks are identified, assessed, monitored and mitigated in a timely and effective manner. The framework ensures clear allocation of accountability and oversight across the Board of

Directors, senior management, control functions and business units, in line with applicable IFSCA regulations.

Board of directors

The Board of Directors of Upstox Securities Pvt Ltd has ultimate responsibility for oversight of the Risk Management System. The Board approves this Policy and any material amendments thereto, sets the overall risk appetite, and reviews the Entity's risk profile on a periodic basis. The Board ensures that management has implemented appropriate systems and controls to manage material risks and that significant risk issues are addressed promptly.

Senior management

Senior management is responsible for implementing the risk management framework approved by the Board. Senior management ensures that risks are identified and managed across all business activities, that adequate resources are available for risk management, and that material risks and incidents are escalated to the Board in a timely manner.

Compliance and AML function

The Compliance and AML function is responsible for managing regulatory and AML/CFT risks. It monitors compliance with applicable laws, including the IFSCA (Capital Market Intermediaries) Regulations, 2025 and the IFSCA (Anti-Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022, and ensures timely escalation and reporting of regulatory breaches and suspicious transactions.

Business units

Business units and process owners are responsible for identifying and managing risks arising from their respective activities. They implement operational controls and promptly report incidents, deficiencies or emerging risks. Periodic risk assessments, maintenance of consolidated risk register, monitoring of the effectiveness of risk controls, and preparation of risk reports for senior management and the Board are ensured by the Controls function jointly with the business units.

Risk identification

Upstox Securities Pvt Ltd adopts a structured and comprehensive approach to risk identification as the foundation of its Risk Management System. Risks are identified on a continuous and dynamic basis, taking into account changes in business activities, regulatory environment, market conditions, technology architecture and external dependencies. Risk identification is not treated as a one-time exercise but as an ongoing process integrated into governance, operations and oversight mechanisms.

The Entity identifies risks through periodic enterprise-wide risk assessments, internal reviews conducted by management and control functions, audit observations, analysis of operational and compliance incidents, regulatory interactions and senior management oversight. Inputs from business units, compliance monitoring, AML/CFT reviews, client feedback, system alerts and third-party performance reviews are also considered as part of the risk identification process.

In line with the IFSCA (Anti-Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022, special focus is placed on identifying risks that may expose the Entity to money laundering, terrorist financing or proliferation financing. These include risks arising from client profiles, geographic exposure, transactional behaviour, complexity of ownership structures, use of intermediaries, cross-border fund flows and evolving typologies of financial crime.

Particular attention is also given to regulatory, operational and client-protection risks owing to their potential impact on the Entity's regulatory standing, reputation and ability to carry on business in IFSC.

Key risk categories

Upstox Securities Pvt Ltd identifies, monitors and manages risks across multiple dimensions, recognising that risks may overlap and interact with one another. The key categories of risk managed by the Entity include operational risk, market risk, credit and counterparty risk, liquidity risk, AML/CFT and proliferation financing risk, legal and regulatory risk, technology and cyber security risk, outsourcing and third-party risk, and reputational risk.

Operational risk includes risks arising from failures or inadequacies in internal processes, systems, people or external events. Market risk includes risks arising from volatility in financial markets that may indirectly impact client positions, margin requirements or operational stability. Credit and counterparty risk arises from the failure of clients or counterparties to meet obligations. Liquidity risk relates to the Entity's ability to meet financial and settlement obligations in a timely manner.

AML/CFT risk refers to the risk of misuse of the Entity's services for illicit financial activities. Legal and regulatory risk arises from non-compliance with applicable laws, regulations, circulars or contractual obligations. Technology and cyber security risk arises from system failures, cyber incidents or unauthorised access to data. Outsourcing and third-party risk arises from dependence on service providers and external infrastructure. Reputational risk arises from adverse perception due to regulatory action, operational failures or client grievances.

Risk assessment and measurement

Once risks are identified, Upstox Securities Pvt Ltd undertakes a structured assessment to determine the likelihood of occurrence and potential impact of each risk. The assessment considers the possible effects on the Entity's financial position, operational continuity, client interests and regulatory compliance.

Risks are prioritised based on materiality, so that higher-risk areas are subject to enhanced controls, closer monitoring and senior-level oversight. The risk assessment outcomes inform decision-making relating to controls, resource allocation, escalation thresholds and reporting mechanisms.

In accordance with the IFSCA AML/CFT Guidelines, 2022, AML/CFT risk assessment follows a risk-based approach. The Entity evaluates risks associated with categories of clients, jurisdictions, products and services offered, transaction patterns and delivery channels. AML/CFT risk assessments are documented, reviewed periodically and updated in response to regulatory changes, new typologies, business expansion or emergence of red flags.

Client-level AML/CFT risk assessment is conducted using a risk-based scoring methodology that evaluates client characteristics, geographic exposure, products, transaction behaviour and delivery channels.

Risk mitigation and internal controls

Upstox Securities Pvt Ltd implements a layered system of preventive, detective and corrective controls designed to mitigate identified risks in proportion to their materiality and complexity. These controls are embedded across business and support functions to ensure consistency and effectiveness.

Operational risk is mitigated through documented procedures, segregation of duties, maker-checker controls, system validations, authority matrices and periodic internal checks. Market-related risks are contained through exposure limits, margin requirements and system-driven trading controls. Credit and counterparty risks are mitigated through eligibility checks, monitoring of outstanding exposures and timely follow-up.

AML/CFT risks are mitigated through robust customer due diligence at onboarding, enhanced due diligence for higher-risk clients, ongoing transaction monitoring, screening against sanctions and adverse media databases, timely filing of suspicious transaction reports and adherence to record retention requirements laid down under the Prevention of Money-laundering Act, 2002 and related rules.

Controls are periodically reviewed for effectiveness and are strengthened based on audit findings, regulatory feedback or incident reviews.

Outsourcing and third-party risk management

Upstox Securities Pvt Ltd recognises that outsourcing and reliance on third-party service providers introduce additional risks, including operational disruption, data security concerns and compliance failures. Such risks are managed in accordance with this Policy and the Entity's Outsourcing Policy.

Prior to entering into any outsourcing or third-party arrangement, due diligence is conducted to assess financial soundness, operational capability, information security controls and regulatory compliance of the service provider. Contractual safeguards clearly define roles, responsibilities, confidentiality requirements, audit rights, escalation mechanisms and exit arrangements.

Notwithstanding outsourcing, regulatory accountability always remains with Upstox Securities Pvt Ltd, consistent with IFSCA regulations.

Business continuity and operational resilience

The Entity maintains documented business continuity and disaster recovery plans to ensure continuity of critical operations during disruptions. These plans cover people, processes, systems and third-party dependencies.

Business continuity arrangements are periodically tested and reviewed to ensure their adequacy in light of evolving operational, technological and regulatory risks.

Incident management and escalation

Upstox Securities Pvt Ltd maintains formal procedures for identifying, investigating and remediating incidents, including operational failures, system outages, cyber incidents, AML/CFT alerts and client harm events.

Material incidents are escalated to senior management and the Board, and are reported to IFSCA where required under applicable regulations. Root-cause analysis is conducted, and corrective and preventive measures are implemented to avoid recurrence.

Risk monitoring and reporting

Risk exposures and control effectiveness are monitored on an ongoing basis through management information systems, and review meetings. Periodic risk reports are placed before senior management, Risk Management Committee and the Board, providing visibility into key risks, incidents, trends and mitigation outcomes.

Record keeping

Upstox Securities Pvt Ltd (SBU) maintains complete, accurate and retrievable records relating to risk assessments, AML/CFT evaluations, incidents, investigations and mitigation actions. Records are preserved securely for the period prescribed under applicable laws and are made available to regulators upon request.

Review of policy

This Policy is reviewed at least bi-annually or earlier in the event of regulatory changes, business growth, expansion of activities or significant risk events. Any material amendment requires approval of the Board of Directors.

Responsibility

The Board of Directors, senior management, Compliance and AML function and business units of Upstox Securities Pvt ltd are collectively responsible for implementation and adherence to this Policy. Risk accountability remains fully ring-fenced at the IFSC level.