



## OUTSOURCING POLICY

### 1. POLICY:

The Paradise Moon Private Limited (“Investment Manager”) has the right to outsource activities and related overall responsibility for activities undertaken under that. Only those activities which, if outsourced, would not impair the supervisory authority’s right to assess, or its ability to supervise the business of can be outsourced. The Management requires a regular review of the outsourced activities. It also has overall responsibility for ensuring that all ongoing outsourcing decisions taken by and the activities undertaken by the third-party, are in line with its outsourcing policy.

### 2. SCOPE:

This Policy will be applicable for all new contracts/agreements to be entered for the purpose of outsourcing of activities by the Company (on behalf of , and AIFs/Funds managed/advised by the Company) to any third party as well as for reviewing the existing contracts entered into for this purpose.

### 3. OBJECTIVE:

To have a structured approach for efficiently identifying business functions that need to be outsourced and effectively turning it into low risk, low cost, scalable and high service deliverables.

### 4. DEFINITION OF ‘OUTSOURCING’:

Outsourcing may be defined as the use of one or more than one third party – either within or outside the group – by a SEBI Registered Intermediary (“Intermediary”) to perform the activities associated with services which the intermediary offers.

### 5. REGULATORY FRAMEWORK AND PRINCIPLES:

The risks associated with outsourcing may be operational risk, reputational risk, legal risk, country risk, strategic risk, exit-strategy risk, counter party risk, concentration and systemic risk. In order to address the concerns arising from the outsourcing of activities by the intermediaries, SEBI vide circular no. CIR/MIRSD/24/2011 dated December 15, 2011 has laid down certain principles for Outsourcing of activities by the Intermediaries. Based on those principles, following guidelines need to be followed by the Company while considering a proposal to outsource any activity:

**I. Principal responsibility:** The Board of the Company shall have the principal responsibility of the Policy, the activities undertaken under the Policy and also to ensure that all the activities are carried out as per the Policy.

**II. Nature of activities that can be outsourced:** Except the core business activities i.e. Investment related activities and the Compliance related activities including reporting of any suspicious transactions/reports



to Financial Intelligence Unit (FIU) or any other competent authority in respect of activities carried out by the third party, all other activities of the Company can be outsourced, post detailed analysis.

**III. Risk Management:** 's risk management addresses the outsourced activities and the relationship with the third party. shall make an assessment of outsourcing risk which depends on several factors, including the scope and materiality of the outsourced activity, etc. The factors that could help in considering materiality in a risk management programme include:

- a. The impact of failure of a third party to adequately perform the activity on the financial, reputational and operational performance of and on the investors / clients;
- b. Ability of to cope up with the work, in case of non performance or failure by a third party by having suitable back-up arrangements;
- c. Regulatory status of the third party, including its fitness and probity status;
- d. Situations involving conflict of interest between and the third party and the measures put in place by to address such potential conflicts, etc.

**IV. Periodic review:** Each outsourcing arrangement shall be reviewed atleast once every two years. Any delay in doing so shall be reported to management of the Company with suitable justification. Such delay shall also be reported to the Board of Directors of the Company.

**V. Accountability and liability:**

- i. shall be fully liable and accountable for the activities that are outsourced to the same extent as if the service were provided in-house.
- ii. shall ensure that outsourcing arrangement shall neither diminish its ability to fulfill its obligation to customers and/or SEBI, nor impede effective supervision by SEBI/auditors.
- iii. The outsourcing arrangement shall not affect the rights of the investors/clients against in any manner.
- iv. shall be liable to the investors for the loss incurred by them due to the failure of outsourcing entity in performing their duties and also be responsible for redressal of grievances received from investors arising out of activities rendered by the outsourcing entity.
- v. The facilities / premises / data that are involved in carrying out the outsourced activity by the Outsourcing Entity shall be deemed to be those of itself and SEBI or the persons authorized by it shall have the right to access the same at any point of time.
- vi. The outsourcing arrangements shall not impair the ability of SEBI or auditors to exercise their regulatory responsibilities such as supervision inspection of .



**VI. Outsourcing to Group entity / Associate:** An activity can be outsourced to a Group entity / Associate subject to the following:-

- i. Arm's length distance is ensured in terms of infrastructure, manpower, decision-making, record keeping, etc. for avoidance of potential conflict of interest.
- ii. The contractual agreement shall contain the necessary disclosures to that effect.
- iii. The risk management system/measures shall remain constant vis-à-vis nongroup/ associate entities.

**VII. Record keeping:** Records relating to all outsourced activities shall be maintained centrally so that they are readily accessible to the Board of and the senior management for review, as and when required. The diligence records of the Outsourcing Entity shall be regularly updated.

**VIII. Audits:** The internal and/or statutory auditors of shall periodically review the outsourcing policy, risk management systems on outsourcing and regulatory requirements as part of their mandate.

**IX. Contractual arrangement:** The Outsourcing arrangements shall be governed by a clearly defined and legally binding written contract between and each of the concerned third parties. shall ensure that the contract includes following terms as per clause 5.2 of the attached SEBI circular on outsourcing:

- a. clearly defines what activities are going to be outsourced, including appropriate service and performance levels;
- b. provides for mutual rights, obligations and responsibilities of the intermediary and the third party, including indemnity by the parties;
- c. provides for the liability of the third party to the intermediary for unsatisfactory performance/other breach of the contract
- d. provides for the continuous monitoring and assessment by the intermediary of the third party so that any necessary corrective measures can be taken up immediately, i.e., the contract shall enable the intermediary to retain an appropriate level of control over the outsourcing and the right to intervene with appropriate measures to meet legal and regulatory obligations;
- e. includes, where necessary, conditions of sub-contracting by the third-party, i.e. the contract shall enable intermediary to maintain a similar control over the risks when a third party outsources to further third parties as in the original direct outsourcing;
- f. has unambiguous confidentiality clauses to ensure protection of proprietary and customer data during the tenure of the contract and also after the expiry of the contract;

specifies the responsibilities of the third party with respect to the IT security and contingency plans, insurance cover, business continuity and disaster recovery plans, force majeure clause, etc.;



- g. provides for preservation of the documents and data by third party ;
- h. provides for the mechanisms to resolve disputes arising from implementation of the outsourcing contract;
- i. provides for termination of the contract, termination rights, transfer of information and exit strategies;
- j. addresses additional issues arising from country risks and potential obstacles in exercising oversight and management of the arrangements when intermediary outsources its activities to foreign third party. For example, the contract shall include choice-of-law provisions and agreement covenants and jurisdictional covenants that provide for adjudication of disputes between the parties under the laws of a specific jurisdiction;
- k. neither prevents nor impedes the intermediary from meeting its respective regulatory obligations, nor the regulator from exercising its regulatory powers; and
- l. provides for the intermediary and /or the regulator or the persons authorized by it to have the ability to inspect, access all books, records and information relevant to the outsourced activity with the third party.

**X. Disaster recovery (“DR”) and Business Continuity Plan (“BCP”):**

- i. Specific contingency plans shall be separately developed for each outsourcing arrangement, as is done in individual business lines.
- ii. and each Outsourcing Entity shall have independent and adequate DR and BCP systems in place.
- iii. shall take appropriate steps to assess and address the potential consequence of a business disruption or other problems at the third party level.
- iv. shall ensure that the third party maintains appropriate IT security and robust disaster recovery capabilities.
- v. Periodic review should be done by of the said DR and BCP systems.

**Confidentiality:** The Service Providers Agreement shall pay specific attention to the process of handling of confidential information of and its clients from intentional or inadvertent disclosure of unauthorized persons by the Outsourcing Entity. It should be ensured that the employees of the third party have limited access to the data handled and only on a “need to know” basis and the third party has adequate checks and balances to ensure the same. Special attention on confidentiality is required in cases where the third party is providing similar services to multiple entities, shall ensure that adequate care is taken by the third party to build safeguards for data security and confidentiality. Further it will be the duty of and the third party to ensure that strong safeguards are put in place so that there is no commingling of information/documents, records and assets.



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**6. PROCESS STEPS:**

- i. Respective department to identify the business opportunity to be outsourced and validate the reason for outsourcing
- ii. To assess the opportunity in various perspective:
  - Legal
  - aspect
  - Financial aspect
  - Service delivery aspect
- iii. Assessment of inherent risks of outsourcing and mitigation measures
- iv. Comparison and evaluation of the Service Provider based on their experience
- v. Service Level Agreement/NDA to be defined and service quality measurement criteria to be identified
- vi. Approval of the CEO/Financial Controller/Board (as the case may be) to be obtained
- vii. Regular monitoring of the deliverables on a periodic basis with respect to the SLA

Version Number	Version Date
Final	12 Aug 2024

