Alpha Alternatives Financial Services Private Limited
(Formerly known as Provincial Finance and Leasing Co Private Limited)

Liquidity (Asset & Liability Management) Policy

Version 3.0
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I. Policy requirement

Alpha Alternatives Financial Services Private Limited (“AAFSPL”) (Formerly known as Provincial Finance & Leasing Co. Private Limited) deploys its capital from the balance sheet in multiple asset classes and recognizes the need to formulate an asset and liability management policy that will govern the design of its investment decisions, raising liabilities, terms for investors, portfolio construction. Given the nature of business it is prudent to lay down monitoring guidelines to ensure proper asset and liability management as well as liquidity for any redemptions by investors of structured investment products or change in the liabilities’ portfolio.

II. Policy Objective

The primary objectives are to maintain financial stability, optimize profitability, and ensure compliance with regulatory requirements.

III. ALM Committee

The Company shall establish an ALM committee (ALCO) responsible for overseeing the implementation of this policy. The committee will have the Executive Director, Head of Investments and Head of Treasury as its members. Members from finance, compliance and other relevant departments may be invited for specific agenda related to their areas.

Role and responsibilities

The ALCO shall be responsible for

- Developing and updating the ALM strategy and policies.
- Monitoring and reporting on asset and liability positions.
- Identifying, measuring, and mitigating risks, including interest rate risk, liquidity risk, credit risk, and market risk.
- Ensuring compliance with regulatory requirements.
- Recommending appropriate actions to senior management and the board of directors

IV. ALM Strategy

A. Asset and Liability Management

The Company shall actively manage its assets and liabilities to achieve an appropriate balance that aligns with the company's risk tolerance and business objectives.

B. Liquidity Management

The Company will maintain sufficient liquidity to meet its financial obligations as they become due. Liquidity risk will be assessed through classifying cash flows into respective maturity ladder, stress testing, scenario analysis and contingency planning.

C. Interest rate risk management

The Company shall ensure that the duration of the liabilities are broadly matched with that of assets to ensure minimal shock due to the interest rate movements. To this effect the Company shall employ various methods, including scenario analysis, stress testing, and the use of financial instruments such as derivatives, to manage and hedge interest rate risk.

D. Assets and Liabilities Classification
The Company shall classify the assets and liabilities in the respective maturity ladders, according to their behavioral characteristics and risk profiles, basis historical trends. In absence of historical trends, the assets and liabilities shall be classified as per contractual profile. Refer Annexure 1 for bucketing of assets and liabilities

E. Risk tolerance limits.
The Company shall resort to longer dated resources such as Tier 1& 2 and long tenure Non convertible debentures to fund the assets portfolio.

As a result, the Company shall not run cumulative negative gaps in 0-60 days tenure bucket from a liquidity and interest rate risk perspective. These limits shall be reviewed on regular basis, basis the business dynamics, asset profile and liquidity environment.

F. Risk reporting
The Company shall establish procedures for regular risk measurement, monitoring, and reporting. Structural liquidity statement, Dynamic Liquidity report, interest rate sensitivity reports are some of the reports that shall be compiled on regular basis to monitor liquidity and interest rate risk

G. Regulatory Guidelines
Ensure that all ALM activities comply with applicable laws, regulations, and supervisory requirement

V. Review

The policy shall be reviewed on annual basis and shall be placed to the Board for amendments

Annexure 1

Liquidity Classification of Assets and Liabilities

Heads of Accounts	**Time buckets**
A. Outflows	
1. Capital, Reserves and Surplus	Over 5 years bucket.
2. Non-convertible Debentures and other term liabilities	Non-convertible debentures i.e. Market Linked Debentures ('MLDs') (including premium in issue of debentures) and Subordinated Debt ('Sub-Debt'). MLDs are issued for a fixed term. The MLDs have a put option after one year of issuance, however due to lack of early redemptions and historical trends, we shall classify MLDs as per contractual maturity. Further, Sub-Debt carry a maturity of over 5 years and shall be classified in 'Over 5 years' bracket.
3. Repo	As per the tenure of borrowing
4. **Other Liabilities and Provisions**	
(a) Provisions for employee liabilities,	(a) Provision for employee benefits i.e. salary payable shall be classified in the 1-2 month bucket, whereas any provisions w.r.t bonus and gratuity, etc shall be classified under respective brackets as per the expected outflow.
(b) Other liabilities, expenses payable, etc.	(b) Other liabilities i.e. statutory dues, expenses payable, etc shall be classified under respective time buckets as per the expected cash outflows.

B. Inflows

Heads of Accounts	Time brackets
1. Cash	Day 0-7 brackets.
2. Demand Balances with Banks	Balance in current bank account shall be in 0-7 days bucket
3 Money at call and short notice , term deposits and other placements	As per contractual maturity buckets
4. **Investments (Net of provisions)#**	
(i) Government of India Securities (reverse repo) , Corporate/PSU debentures and bonds, bonds, Commercial Paper and Commercial Deposits	Quoted securities shall be classified under 0-7 days bucket. Unquoted Debentures held for investment are classified as per the maturity of the investment/ period upto which the same is to be held for trading.
(ii) Shares (iii) Units of Mutual Funds (open ended)	Listed shares in (0-7 days bracket) that are held for trading and where held as long term investment in 1-3 years bracket. Day 1 bucket
(iv) Investments in Subsidiaries/ Joint Ventures	Over 5 years' bucket. Currently No investment in subsidiaries/joint ventures.
5. Advances (Performing)	
Term loans and Inter corporate Deposits	Classified basis the respective maturity brackets. Interim cash-flows may be shown under the respective maturity brackets.
7. Fixed Assets/ Assets on lease	Over 5 years' bucket /Interim cash flows may be shown under respective maturity buckets.
8. Intangible Assets	Intangible assets and assets not representing cash receivables may be shown in 'Over 5 years' bucket.
9. Other Assets Other Inflows / outflows	Other non-financial assets shall be shown under respective maturity brackets.
C. Off balance sheet items	

Interest Rate Sensitivity classification of the Asset and Liability items

Heads of Accounts	Interest rate sensitivity
A. Outflows	
1. Capital, Reserves and Surplus	Non-interest rate sensitive.
2. Non-convertible Debentures	Non-convertible debentures i.e. Market Linked Debentures (‘MLDs’) - Non-interest rate sensitive as the returns made in the underlying investment strategy are absolute in nature and are non-co-related to the interest rates. Subordinated Debt (‘Sub-Debt’) – Variable return - Returns made in the underlying investment strategy are Non-interest rate sensitive as the returns made in the underlying investment strategy are absolute in nature and are non-co-related to the interest rates. Fixed Coupon – The same shall be non-sensitive in nature as the same is fixed in nature and not dependent on the interest rates.
3. Repo	Interest rate sensitive in nature
4. **Other Liabilities and Provisions**	
(i) Provisions for employee liabilities,	Non-interest rate sensitive.
(ii) Other liabilities, expenses payable, etc.	Non-interest rate sensitive.

C. Inflows

Heads of Accounts	Classification into time buckets
1. Cash	Non-interest rate sensitive.
2. **Balances with other banks**	
(i) Current Account	Non-interest rate sensitive.
(ii) Money at Call and Short Notice, Term Deposits and other placements	Interest rate sensitive as the returns in deposits shall vary depending on the prevalent market rates.
3. Demand Balances with Banks	Interest rate sensitive as the returns shall vary depending on the prevalent market rates.
4 **Investments (Net of provisions)** #	
(i) Government of India Securities (reverse repo), Corporate/PSU debentures and bonds, bonds, Commercial Paper and Commercial Deposit	Interest rate sensitive as the returns shall vary depending on the prevalent market rates.
(ii) Shares	Non-interest rate sensitive.
(iii) Units of Mutual Funds (open ended)	Interest rate sensitive as the returns shall vary depending on the prevalent market rates.
(iv) Investments in Subsidiaries / Joint Ventures	Non-interest rate sensitive.

5. Term loans and Inter corporate Deposits	As per the contractual maturity
6. Fixed Assets/ Assets on lease	Non-interest rate sensitive.
7. Other Assets Intangible assets	 Non-interest rate sensitive.
8. Other Assets Other Inflows / outflows	 Non-interest rate sensitive.
C. Off balance sheet items	