Anjali Capital Markets

RISK MANAGEMENT POLICY

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1. Introduction

1.1 The Risk Management Policy ("the Policy") aims to elucidate the approach of Anjali Capital Markets ("the Company") towards the possible risks confronted by the Company and the principles guiding its approach.

1.2 The Policy establishes the risk strategy adopted by the Company in relation to the acceptance and management of risk. Its purpose is to lay out the context for risk management within the Company and set the foundation for its risk culture, policies, and procedures.

2. Scope

2.1 The Policy describes the various risks the Company may be confronted with and describes the procedures that the Company has in place in order to monitor and mitigate the various types of risks it may be is exposed to, including the fact that the Company is ready to take any preventative measures to mitigate and/or avoid the possible risk(s) as far as possible.

2.2 Any breaches of the procedures in this Policy, whether deliberate or not, are considered a serious matter which will be escalated to the Company's Board of Directors, ("the Board") through the Audit and Risk Management Committee, and/or any other senior level manager, as the case may be from time to time.

2.3 The Company has clearly defined the responsibility and authority of the Company's Board of Directors to oversee and manage the risk management program, while conferring responsibility and authority on the Risk Consultant to develop and maintain the risk management program in light of the day-to-day needs of the Company. Regular communication and review of risk management practice provide the Company with important checks and balances to ensure the efficacy of the risk management program.

2.4 Every business, despite the nature of operations it performs, the location and the period for which it has been operating, faces various types of risks. Risk is the potential that the Company's financial performance and financial position will suffer a loss and deviate from the expected values. The crystallisation of risk may have as result in the Company suffering significant damage (financial and/or operational), which may lead to the disruption of its operations.

2.5 The Company has allocated financial and other resources to set up procedures that will enable the management of the risks to avoid losses, achieve stability and also to increase its profitability. In the following sections, there is an analysis of some of the major risks the Company is exposed to, the impact of those risks on the Company and also a brief description of the policies and procedures the Company has in place to identify, manage and mitigate the different types of risks.

3. Risk Management Framework

3.1 The Risk Management function is performed mainly by the dealing team (trading aspects) and the Board (overall risk).

3.2 Overall, Risk Management responsibility for the Company lies with the Board of Directors.

3.3 This framework works in four levels:

a) Identifying the risk(s);

b) Measuring their impact on the Company;

c) Avoiding/mitigating the impact of the risk(s);

d) Reporting the risks to the Senior Management and/or Board.

3.4 Risks should be continuously monitored and reviewed. In addition to that, outcomes and results should be properly reported, and new objectives should be set. Reporting lines should be established within the Company and followed for the purposes of transparency and clear communication.

3.5 Characteristics of a productive Risk Management process:

a) A culture of risk-adjusted in the organisation. It embraces a series of values, attitudes, and ways of acting towards risks, including making decisions on change management and strategic business planning.

b) Complete approach to all risks, some risks directly affect the Company and risks that indirectly affect the Company. It is very important to report all kinds of risks and to assume and understand the relations between them. The overall calculation should be simplified without affecting the difference of nature, degree of evolution and real possibilities of management and control of each type of risk, adjusting the organisation, processes, reports, and tools to the features of each one.

c) An organisational and control model which is assigned to all risk types.

d) Common management instruments among the different departments, without negatively affecting the regulations and requirements of supervisors and the degree of development of each department.

3.6 All risk assessment results must be communicated to all relevant departments, with the appropriate consultation given.

3.7 Some responsibilities that arise under the risk framework are delegated to the Company's employees who have appropriate skills and capabilities in terms of education, knowledge, and experience to perform them. In addition, the Company ensures that employees are continuously trained and updated with the latest developments, including the attendance of seminars relevant to each department, which adds value to the Company.

4. Risk Management Structure

4.1 The Company has established a Risk Management function, which is run mainly by the dedicated Dealing Team. The Board of Directors, Compliance,and Money Laundering Reporting Officer control and supervise the overall risk management system.

5. Counterparty Credit Risk

5.1 Counterparty Credit Risk is defined as the risk of loss that the Company will incur if the counterparty fails to perform its contractual obligations.

5.2 Counterparty Credit Risk arises primarily on the Company’s own and client funds deposited with the institutions, entities, PSPS, amounts due from related parties and other receivables.

5.3 The Company only deals with reputable institutions and takes all measures in selecting the Banks and PSPS.

5.4 The Company does not bear any credit risk about the client’s money because it is not required to compensate the client for losses suffered due to the default of the bank at which the client's money is deposited.

5.5 Counterparty Credit Risk is managed and monitored by the Board on an ongoing basis.

5.6 The Company addresses Counterparty credit risk in several ways, as:

a) The Company aims to maintain a diversified client portfolio, to avoid high concentration and exposure to a few number of clients;

b) The Company's funds, as well as the client funds, are deposited solely at highly rated banking institutions in different jurisdictions.

c) The Company’s clients begin to trade once money has been deposited into the Clients’ accounts.

d) The Company has the right to close out any or all existing open positions if the equity of the client’s trading account reaches or remains below 30% of the used margin.

e) Leverage is being monitored by the dealing team and specifically before the release of major economic news.

f) The Company uses a prime broker and establishes agreements with counterparties that are considered highly rated.

g) The Company reviews the counterparties on an ongoing basis, at least once a year and more frequently if there is a significant change in market conditions or unfavourable news on the counterparty.

h) If the counterparty’s liquidity and/or solvency deteriorate, the company may reduce or cease activities with the counterparty. This means the company no further open positions and has withdrawn available funds.

i) Independent monitoring of credit risk by the Risk Consultants.

j) Ensure that top risks and issues are being highlighted to the management and the Board.

k) Establish key control processes and best practices, including limit settings, early warning signals, and client classification.

6. Operational Risk

6.1 Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, fraud, unauthorised activities, error, omission, or from external factors.

6.2 Operational risk is divided into numerous risk categories, relating among others to the following.

a) Internal and External Fraud.

b) Marketing & Advertising.

c) Regulatory Reporting.

d) Internal Procedures and Controls.

e) Business Disruption and System Failures.

f) Employment Practices and Workplace Safety.

g) Conflicts of Interest.

h) Client and Business Practice.

i) Compliance and Legal Risk.

6.3 The Company has established various techniques for the mitigation of operational risk and including the following;

a) The Board reviews significant strategic decisions made by management and monitors their activities. This is achieved through the “four-eye” principle and implementing board oversight over the strategic decisions made by Senior Management and/or Heads of Departments.

b) The Compliance officer must ensure the accuracy of any statement made during the marketing and advertising processes and ensure that the information addressed to the client is fair, clear, and not misleading.

c) The Compliance officer must ensure that the proper information/reports are sent in due time to FSC and the Board of Directors.

d) Management formally communicates duties and responsibilities to employees through regular meetings, seminars, and training.

e) Several policies and procedures have been established and followed in an attempt to identify and minimise any fraudulent activities.

f) An online web-based screening program called World-Check is used in an attempt to improve the know-your-client procedures and to minimise fraud activities.

g) The Company uses third parties' systems for the implementation of customer identification and due diligence procedures.

h) Client reporting is available to minimise the risk of mismarking the clients' positions.

i) The Company has a comprehensive and detailed business continuity plan in place, with recovery procedures. This Business Continuity Policy has been designed to mitigate the risks that may affect the Company, including the internal systems and/or databases.

j) The Company maintains a Conflicts of Interest Policy to ensure that any conflicts are identified and resolved consistently and appropriately.

k) Financial accounts are audited by one of the leading audit firms, eliminating the risk of Company statement manipulation or tax evasion.

l) The majority of actions occurring in the Company's systems are automated and therefore it is less likely that a human error may occur.

m) Regular review and updating of the Company's policies.

7. Market Risk

7.1 The Board is responsible for recognising and managing market-related risks. By its nature, as an investment company, the Company will always carry investment risk because it must invest capital in securities which are not risk-free. Simultaneously, the Company seeks to reduce this investment risk by a policy of diversification of investments across industries and companies operating in various sectors in the market.

7.2 The Company defines Market Risk as the risk of adverse movements in the level of interest rates, in the rate of exchange between currencies and the current prices of financial instruments. Accordingly, these movements may affect the Company's profitability. From a regulatory perspective, market risk stems from all foreign exchange risk positions in the whole balance sheet.

7.3 The Company is exposed to the following sub-categories of market risk:

a) Interest Rate Risk: Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fluctuations of market interest affect the prices of Financial Instruments. The Company's management monitors the interest rate fluctuations and acts accordingly. However, it does not consider interest rate risk as significant since it does not hold any material interest-bearing assets and liabilities.

b) Foreign Exchange Risk: Foreign currency risk is the risk that the value of financial instruments will fluctuate due to unfavourable changes in foreign exchange rates. As the Company's principal activity is trading in foreign currencies, it is exposed to foreign currency risk as a result of the existence of open currency positions in the currencies in which it performs transactions with its clients. The Company may maintain position limits for its open positions for each currency to mitigate these risks. The open positions up to a limit are monitored continuously by the dealing team. The management monitors the exchange rate fluctuations continuously and acts accordingly.

c) Price risk: Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk and currency risk). The Company is primarily exposed to price risk with regard to open CFD positions on foreign exchange, equities (including indices) and commodities. The overall exposure is monitored on a real-time basis by the Company’s Risk Consultant.

7.4 For the mitigation and management of market risk, the following procedures are established by the Company:

a) The Company’s Risk Consultant monitors the Company’s risk exposure. Any deviation is reported to the Audit and Risk Management Committee, and appropriate action is taken.

b) The Company maintains trading accounts with other regulated companies for engaging in proprietary positions in financial instruments for its account as a hedging measure and to minimise market risk, if and when this is needed.

c) Straight-through processing has been implemented, which acts as a hedging measure. There is no risk on the client’s trades since all trades are fully offset by the liquidity provider.

d) Trading with a diversified client portfolio achieves a natural diversification of its risk, benefiting from a significant degree of natural hedging between the clients.

e) The hedging of the Company’s proprietary account portfolio in performed in liaison with the Head of Dealing.

8. Liquidity Risk

8.1 Liquidity risk is the risk that the Company may encounter difficulty in meeting its actual and/or potential payment obligations when they fall due.

8.2 Liquidity risk also arises from the inability to find buyers on the terms desired. Infrequently traded Financial Instruments bear higher liquidity risk. The imbalance between the number of buyers and sellers, or because the Financial Instruments assets are not traded very often, causes this liquidity risk. The liquidity risk is usually reflected in a wide bid-ask spread or large price movements.

8.3 To mitigate liquidity risk, the following have been established:

a) The Company prepares monthly budgets to ensure that it meets its obligations on time.

b) The Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of its financial obligations, contractual and contingent financial obligations.

c) The finance department monitors rolling forecasts of the Company's liquidity requirements based on expected cash flows to ensure that it has sufficient cash to meet its operational needs, under normal and abnormal (stressed) market conditions.

8.4 The Company does not consider liquidity risk to be significant as it maintains bank balances which are adequate to cover its immediate current liquidity needs or potential broker margin requirements.

9. Regulatory Risk

9.1 Regulatory risk is the risk that the Company may fail to report on time certain information/reports to any local or regulatory body, including but not limited to the FSC, and not comply with relevant laws and directives as issued by the regulator from time to time. Regulatory risk may trigger the effects of reputation and strategic risk.

9.2 The Company established the following procedures for the mitigation of regulatory risk:

a) The Company has documented procedures and policies in place, based on the requirements of relevant Laws and regulations issued by FSC.

b) The Directors, Company Secretary, Compliance Officer, Money Laundering Reporting Officer and Deputy Money Laundering Reporting Officer are responsible for preparing and sending the report to FSC or any other local authority.

c) The Compliance officer acts as a second eye to ensure that all the Company's reports are sent on time to the FSC.

d) Compliance with the procedures and policies of the Company as a whole is further assessed and reviewed by the Company's auditors, and suggestions for improvements are implemented by the management.

10. Legal & Compliance Risk

10.1 The Company is exposed to compliance risk that may arise because of breaches or non-compliance with legislation, regulations, agreements, ethical standards, and/or practices or the imposition of possible penalties from FSC.

10.2 The probability of such risks should be low due to the internal procedures and policies implemented by the company and the regular reviews by the Auditors.

10.3 The Company has established the following procedures for the mitigation of compliance risk:

a) The Company has outsourced legal experts who are responsible for the preparation of the Company's agreements and documentation.

b) The Company's Compliance Officer ensures adherence to applicable laws and regulations through effective monitoring controls and policies.
c)
d) The Money Laundering Reporting Officer has been appointed by the Company with the responsibility of addressing all issues related to anti-money laundering while coordinating with the FIU, FSC, and relevant law enforcement agencies.
e)
f) Clear coordination of duties is established, involving individuals with suitable professional experience, knowledge, and integrity who accept responsibility for achieving the Company's strategic goals.
g)
h) The Board meets at least annually to discuss matters and suggestions to enhance compliance and implementation within the Company.

11. Reputational Risk

11.1 The Company is exposed to Reputational Risk which can be defined as the possibility that negative publicity concerning the Company's practices or relations result in a loss in its quality of service, its integrity, or its financial solidity, causing substantive losses (i.e., deposits, customers) or valuation losses (i.e., prices of its tradable Financial Instruments) that can potentially undermine its existence. Reputation risk is the current or potential risk to the earnings and capital arising from the adverse perception of the image of the Company on the part of the customers, counterparties, shareholders, investors or regulators.

11.2 In particular, reputation risk can materialize in the case of non- compliance with regulations, a breach of ethical values, poor performance, the loss of one or more of the Company's key directors, the loss of large customers, poor customer service, fraud/theft, customer complaints/claims, legal action, regulatory fines, or the perception by the customer of an unfavourable discrepancy between the commercial offering and the reality of staff's practices.

11.3 To manage its Reputational Risk, the Company acknowledges that it is responsible for market changes (including regulatory changes) and ensures that policies and procedures are adhered to. To this end, the Company controls all marketing communication that goes out to the public and stays up to date with new regulatory requirements and obligations to maintain a strong reputation. In addition, it obtains legal opinions on new jurisdictions in which it wants to operate to ensure that it does not violate any laws.

11.4 Furthermore, employees are bound by confidentiality policies, and there are several controls to minimise the risk of internal fraudulent activity not being spotted /prevented.

11.5 The Company's management ensures responsiveness to changes of a market or regulatory nature that may impact its reputation in the marketplace.

11.6 The Company has transparent policies and procedures in place, including dealing with client complaints, to provide the best possible outcome and service in any given case. The possibility of having to deal with client complaints is low as the Company provides high-quality service to clients.

12. Approval and Maintenance

12.1 This Policy will be approved by the Board and forms part of the repository of business documentation. The implementation of the Policy and day-to-day monitoring of compliance with its procedures lies with the Risk Consultant, under the supervision of the Board.

13. On-going Review

13.1 This policy will be reviewed at least on an annual basis, adhering to internal guidelines for continued pertinence of the business documentation, to ensure that the procedures reflect the latest regulatory requirements and any changed business processes and circumstances.