

## RISK MANAGEMENT POLICY OF CA MARKETS LIMITED

### 1. OVERVIEW

#### 1.1. PURPOSE

The policy provides authoritative guidance on the management of CA MARKETS LIMITED (“CAM”) business risks and obligations with respect to operating a financial services business in Vanuatu.

#### 1.2. INTRODUCTION

The Board of Directors is primarily responsible for establishing an appropriate risk management framework and policy. The Managers have responsibility to CAM for implementing the risk management policy and the supporting risk management processes to ensure effective risk management in the department or function they manage.

CAM’s commitment to this policy is reflected through the provision of adequate resources to implement the policy and appropriate training to ensure that all management and staff understand and have the competencies with respect to this implementation.

This policy is compulsory in its application. The Managers have the responsibility and authority to implement the policy and monitor its implementation in the everyday activities of the company. This policy will be reviewed annually to ensure it is current, effective and being complied with.

#### 1.3. AMENDMENT AND APPROVAL

This policy can only be amended with the approval of the Board of Directors.

#### 1.4. DEFINITIONS

In this Policy:

- (a) “CAM” means CA MARKETS LIMITED
- (b) “Directors” means the Board of Directors of CAM.
- (c) “CEO” means the person who is appointed by the Directors to the position of CEO.
- (d) “Documents” means all written records and includes electronic records and computer files.
- (e) “FDL Act” means the Financial Dealers Licensing Act of the Republic of Vanuatu.
- (f) “FDL License” means a License issued under the FDL Act.
- (g) “IBC Act” means the International Companies Act of the Republic of Vanuatu.
- (h) “Managers” means executives in charge for a specific department or function.
- (i) “Policy” means this document.
- (j) “Risk” means the effect of uncertainty on CAM’s objectives to maximise stakeholder value and to achieve its business goals. Business risk arises as much from the possibility that opportunities will not be realised as it does from the possibility that threats will materialise or that errors will be made. Risk not only includes the possibility of economic or financial loss or gains but also business interruption, reputation, and image concerns.
- (k) “Risk management” means coordinated activities to direct and control CAM with regard to risk.
- (l) “Staff” means employees and contractors of CAM.

### 2. CAM RISK MANAGEMENT METHODOLOGY AND APPROACH

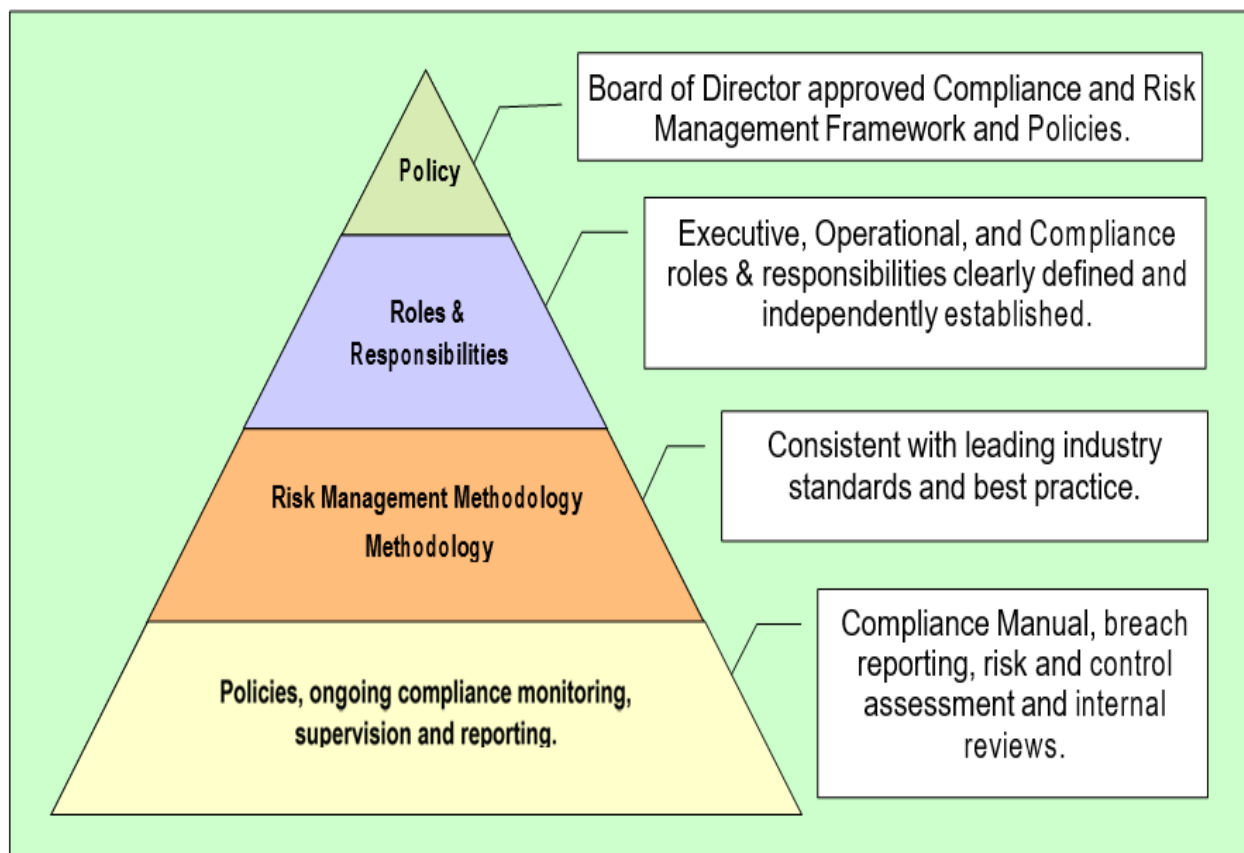
#### 2.1. CORPORATE VALUES AND PRINCIPLES

As the holder of a FDL license, CAM has a statutory and ethical responsibility to ensure that it complies with all legislative and regulatory requirements on a continuous basis. These responsibilities apply irrespective of the effect that non-compliance may have on CAM’s ability to achieve its business objectives.

In meeting these responsibilities, CAM has developed various policies, including this Policy, and other Operating Manuals that might be adopted from time to time, which provide authoritative guidance on the minimum acceptable standards of risk management within the organization. These documents prescribe essential ethical principles relating to general conduct, decision making, conflicts of interest and compliance. Living up to these values requires CAM to maintain effective measures to meet risk management and compliance obligations. This includes establishing processes to ensure ongoing compliance with FDL license conditions and effective supervisory arrangements and enforcement measures.

## 2.2. RISK MANAGEMENT FRAMEWORK

CAM aims to maximise its ability to meet its corporate business objectives, whilst acting consistently with the statutory obligations and ethical values. To this end, CAM has adopted the Risk Management Framework (the Framework) illustrated below. The key components of the Framework include Director-approved policies, clearly documented roles and responsibilities, leading risk assessment and compliance methodologies, monitoring and reporting processes. Effective monitoring and supervision are provided through compliance with established communication and escalation processes for compliance reporting and complaints handling.



CAM will actively:

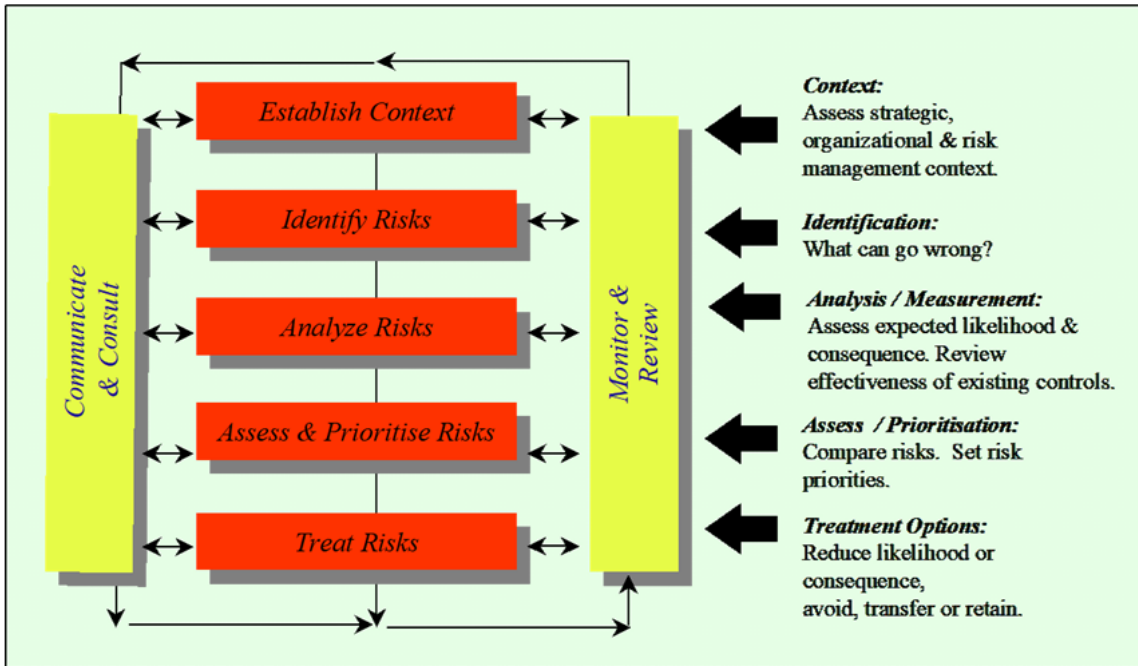
- Identify all business risks and compliance obligations using the processes outlined in this Policy.
- Ensure risk management and compliance become part of day-to-day management.
- Provide staff with policies and procedures necessary to manage risks and comply with relevant obligations.
- Ensure staff are aware of:
  - Risks and how to manage them.
  - All relevant compliance requirements.
- Assign accountability for risk and compliance.
- Monitor the risk profile of the business.
- Monitor compliance with obligations.
- Communicate to the CAM Directors the business risk profile, risk treatment action plans and details of any compliance breaches and management action taken.
- Implement a continuous improvement approach to risk management and compliance.

The Framework and the methodology and concepts that support it will be reviewed and updated periodically to provide continuous process improvement with respect to developments in risk management and compliance practices

## 2.3. RISK MANAGEMENT METHODOLOGY

A diagrammatic overview of CAM's risk management methodology and approach is presented in the chart below

and fully described in this policy.



The key components of CAM's risk management methodology include:

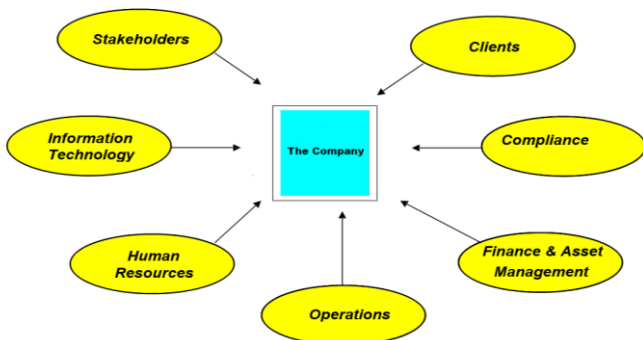
- Identification of the risks associated with CAM's activities.
- Standard risk categories.
- Analyse the likelihood and consequence of risks associated with CAM's activities.
- Assess and prioritise the risks identified.
- Identify risk treatment options with the objective to minimise losses and maximise opportunities.
- Provide objective information to decision-makers.

#### 2.4. IDENTIFY KEY RISKS

CAM's approach to risk requires the consideration of all risks that threaten the achievement of business objectives, including compliance with statutory and ethical requirements associated with operating a financial services business in Vanuatu. The objective is to identify all unacceptably high risks and develop processes and controls to manage or mitigate these risks. Lower-level risks are also considered, but priority should be given to developing treatment plans for high and extreme risks. This risk assessment and management process is cyclical and ongoing. Monitoring and review are performed at all stages of the process in addition to the periodic review of risks and controls.

#### 2.5. STANDARD RISK CATEGORIES

The following diagram illustrates the generic risk categories that will be used for risk assessment and reporting purposes.



#### 2.6. ANALYSE AND EVALUATE RISK

CAM will evaluate the risk implications of all decisions in relation to both existing and proposed activities, systems, and procedures. All risks identified will be assessed and documented, together with the processes that reduce

those risks, this includes:

- Identification of the impact that each risk will have on CAM’s operations and activities.
- Assurance that it has the expertise, policies, and systems in place to measure, monitor and control the risk.
- Consideration of the impact on the financial condition of CAM arising from the new risk.

### 2.7. RATING OR MEASUREMENT OF RISK

Upon identification the risk will be assessed having regard to the likelihood, consequence and actions management propose to take to mitigate the risk. Likelihood and consequence are defined below:

- The *Likelihood* that the business risk may occur.
- The *Consequence* the business risk would have on CAM if the risk were to occur.

A CAM risk assessment will be summarised in the risk profile illustrated below:

#### RISK CONSEQUENCE AND LIKELIHOOD MATRIX

LIKELIHOOD		CONSEQUENCE				
		Insignificant	Minor	Moderate	Major	Extreme
		1	2	3	4	5
Almost certain	5	Significant	High	High	High	High
Likely	4	Significant	Significant	High	High	High
Possible	3	Medium	Medium	Significant	Significant	High
Unlikely	2	Low	Low	Medium	Significant	Significant
Rare	1	Low	Low	Low	Medium	Significant

### 2.8. CONTROL AND RISK TREATMENT STRATEGIES

Controls are those processes that assist in limiting the risk associated with pursuing business objectives or which lessen the possibility of a compliance breach. Controls include policies, practices and procedures, management systems and structures that assist CAM to operate efficiently, fairly, and honestly and within regulatory parameters. The risks that CAM encounter can be treated by one of four strategies. A risk can be accepted, reduced, avoided, or transferred to a third party, such as an insurer. Senior management should develop and present the risk and control assessment, and the CAM Directors will determine the level of risk tolerance against the respective CAM risk categories.

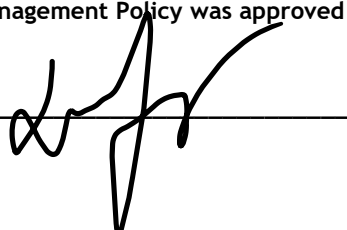
### 2.9. MONITORING AND RECORDING RISK

The CEO is responsible for the coordination of risk management throughout the business. The Managers will be responsible for monitoring the risk profile of the company on an ongoing basis.

## 3. ADOPTION BY THE COMPANY

This Risk Management Policy was approved by Mr. Junyi Lim, director of CAM, on the 20<sup>th</sup> day of May 2023.

Signature: \_\_\_\_\_



**Appendix I - RISK MANAGEMENT FRAMEWORK: Risk Management**

Intended Outcome	Procedures
<p>CAM has considered all relevant requirements when structuring its risk management policies.</p>	<p>In structuring its risk management policies and strategies as detailed below, CAM has considered the Statutory Requirements and Obligations insofar as they affect its operations.</p>
<p>CAM has documented its risk management systems as well as systems that it uses for monitoring and reporting on risk management issues.</p>	<p>CAM's documented risk management systems:</p> <ul style="list-style-type: none"> <li>• are based on a structured and systemic process that considers CAM's obligations under the IBC Act;</li> <li>• identify risks of non-compliance with the financial services laws, focusing on risks which materially adversely affect consumers;</li> <li>• set out steps taken if there are possible breaches of financial services laws that may detrimentally effect consumers; and</li> <li>• establish and maintain measures, processes and procedures designed to address risks.</li> </ul>
<p>CAM has focused on the identification of risks to the promotion of consumer confidence in using its financial services and the provision of fair, honest, and professional services.</p>	<p>CAM's aim is to provide fair and honest information and a professional service to clients. This involves the identification of risks that may lead to a lack of consumer confidence in its financial services and products, and the provision of less than fair, honest, and professional services and the promotion of any of its services and products.</p> <p>These risks have been identified, with particular emphasis in this context on the operational risks, dealer error or fraud and provision of improper advice.</p> <p>It must be emphasised that all marketing and advertising publications, articles, notifications to clients of upgrades and enhancements to the services of all products CAM offers must all be approved (specifically or under a formal delegation arrangement) by the Managers, before release and issue. This is to ensure that statements being made, and information being given about CAM's products is neither inaccurate, misleading nor deceptive. Additionally, where applicable, appropriate risk warnings are included.</p>
<p>CAM has a defined corporate governance approach.</p>	<p>The Board of Directors of CAM is ultimately responsible for the management of risk in its business operations.</p>
<p>CAM has a management structure supporting its risk management processes</p>	<p>CAM has put in place a management structure that supports its risk management processes and ensures that risk management processes are integrated into CAM's culture. The Board of Directors ensures CAM is committed to;</p> <ul style="list-style-type: none"> <li>• ensuring risk management processes are communicated to those responsible for implementing them and those with a vested interest;</li> <li>• ensuring staff education and awareness of the processes and procedures;</li> <li>• implementing clear reporting lines to the risk manager; and</li> <li>• ensuring regular updates and reports on risk management are produced.</li> </ul>
<p>CAM has strategies in place against which its risks will be measured.</p>	<p>CAM has put in place appropriate controls to manage the risks identified and other risks which may arise from time to time.</p>

<p>CAM has analysed and identified major risks to the successful operation of its financial services business.</p>	<p>CAM has identified the following risks to consumers and market integrity:</p> <ol style="list-style-type: none"><li>1. credit (counterparty) risk;</li><li>2. market risk;</li><li>3. liquidity risk;</li><li>4. operations (technological &amp; systems) risk;</li><li>5. legal &amp; commercial risk;</li><li>6. misconduct &amp; fraud;</li><li>7. breach of FDL license conditions;</li><li>8. breach of the IBC Act;</li><li>9. regulatory changes; and</li><li>10. economic and environmental risk.</li></ol> <p>The Board of Directors and senior managers involved in the overall risk management of CAM consider that the systems and controls that are currently in place to address these risks are adequate to meet its obligations and that the Board, managers, and staff are sufficiently skilled, competent and fit to carry out all their responsibilities.</p> <p>These risks are managed by the CEO. All persons responsible for risk management report to the Managers. All senior staff are aware of their obligations and duties under the Statutory Requirements and the consequences of non-compliance.</p> <p>Risk is essentially monitored on an intra-day basis throughout the organisation.</p> <p>Because of the nature of its activities, CAM has a “compliance culture” and encourages Whistle Blowing within its organisation.</p> <p>All potential clients are vetted before they are allowed to open an account to deal in CAM’s products. Documentation includes a risk disclosure statement. The policy is to match the specification level of clients to the products that CAM offers.</p>
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CAM has assessed, evaluated, and treated its risks and has management systems to control risk.

CAM has prioritised its assessed risks as follows:

1. credit (counterparty) risk;
2. market risk;
3. liquidity risk;
4. operations (technological & systems) risk;
5. misconduct & fraud;
6. legal & commercial risk;
7. regulatory changes;
8. breach of FDL license conditions;
9. breach of the IBC Act; and
10. economic and environmental risk.

CAM views the risk of financial or loss of reputation, as a consequence of the risks outlined above as low, given CAM's risk management practices. If any of those risks do in fact occur, the impact on CAM's operations should not be significant enough to affect its ability to continue to offer its services to clients.

The CEO has assessed these risks. This is a continual process and involves the evaluation of the existing risks, identification of new risks, the continual assessment as to whether existing management processes to address the risks are adequate, and the need for revision.

Although Risk Management is ultimately the responsibility of the Board of Directors, each senior member has a responsibility within this framework for the general management of risk. The reporting lines in relation to risk are clear and are indicated on CAM's organisational chart.

The Managers have a commitment to all ongoing risk management processes. In conjunction with staff, the Board has put in place procedures to ensure adequate risk management procedures are in place.

There are and will continue to be annual reviews of all risk management processes involving members of each department. Internal evaluations are regularly performed by the CEO, with a report compiled for review by the Managers and the Board. The review ensures that CAM's risk profile and identified risks are amended and updated to ensure they are in line with any business developments.

CAM's risk management systems have been designed to accommodate any new products that CAM may seek to introduce and new industry technological developments.

CAM uses “what if” and “worst case” scenario testing when evaluating operational risk.

CAM evaluates its operational risk by examining a series of “worst case” and “what if” scenarios, such as power loss, a doubling of transactional volume or a mistake found in market-to-market pricing system. CAM also conducts periodical reviews of procedures, documentation requirements data processing systems, contingency plans, and other operational practices.

**Power Loss**

CAM conducts “what if” and “worst case” scenario testing to ensuring disasters such as power loss can be dealt promptly with minimal impact to CAM services. CAM conducts testing by stimulating power failure on its main server and assessing its speed and ability to recover. Testing occurs on weekends and involves assessing the response time and ability of the UPS back up power supply which provides an alternate power source to the conventional power grid to take over from the conventional power supply. In the event of response times being below industry recognized standards CAM will take the necessary action to ensure that standards are met. A formal review of this process is conducted annually.

**Doubling in transaction Volume**

CAM conducts “what if” and “worst case” scenario testing to ensure CAM has sufficient resources and can cope in the event of a doubling in transaction volumes.

Should testing reveal the additional resources are required, management will take necessary action.

CAM has considered the effects of a doubling in transaction volume on the trading platform and believe this to be negligible.



**Appendix II - Derivatives and Market Making - Risk Management Systems**

<p>CAM has a risk management framework in place</p>	<p>Managers report risks which relate directly to their respective roles on an ongoing basis. This is a continual process and involves the evaluation of the existing risks, identification of new risks, the continual assessment as to whether existing management processes to address the risks are adequate, and the need for revision. All Senior Managers report to the Managers on an ongoing basis.</p>
<p>CAM has risk management policies for its market making activities in OTC derivatives (CFDs)</p>	<p>CAM has in place written policies and procedures that clearly outline its risk management processes for its market making and derivative activities.</p> <p>CAM's policies and procedures:</p> <ul style="list-style-type: none"> <li>• clearly delineate lines of responsibility for managing risk;</li> <li>• set in place adequate systems for managing risk;</li> <li>• create appropriate structured risk limits;</li> <li>• prescribe comprehensive and timely risk monitoring and reporting; and</li> <li>• are made known to all staff involved in market making CAM's derivative products.</li> </ul> <p>CAM's risk management processes are integrated into its overall risk management framework to the fullest extent possible.</p>
<p>CAM has established appropriate policies for the management of risks throughout the institution, including lines of responsibility and a framework of accountability for derivatives and market making function.</p>	<p>CAM's risk management policies are consistent with its broader business strategies, capital strength, and management expertise.</p> <p>The Board is fully aware of all risks associated with market making derivative products, holding risk in derivative products, receive reports regularly and re-evaluate CAM's risk management policies and procedures regularly.</p> <p>The board ensures that dealing; back office and risk management functions are separated.</p>

CAM ensures that there are clear delineations of lines of responsibility for managing risk, adequate systems for measuring risk, appropriately structured limits on client positions, effective internal controls, and comprehensive risk reporting.

In developing its operational procedures and risk management strategies CAM has considered:

- the nature of the derivatives (CFDs) offered;
- the resources required to establish sound and effective risk management systems and attract professionals with expertise in derivative market making;
- an analysis of the risks that may arise from derivatives market making activities and risk holding;
- procedures used to measure, monitor, and control risk;
- analysis of the derivatives market making activities in relation to CAM's overall financial condition and capital levels;
- relevant accounting guidelines;
- relevant tax treatment; and
- an analysis of any legal restrictions and whether the activities are permissible.

Any changes to CAM's derivative market making activities will be approved by the board of directors.

The CEO regularly evaluates the procedures in place to manage risk to ensure they are appropriate and sound and sufficient resources are allocated to manage and control risk. Dealing Operations Managers communicate regularly with the board with respect to risk management.

<p>CAM has independent risk management functions</p>	<p>CAM has an independent system for reporting positions to both senior level management and the Board of directors.</p> <p>Dealing Operations Managers have a complete understanding of the risks associated with derivatives market making and holding risk and are appropriately qualified to perform this task.</p> <p>Unhedged positions are monitored by both human and technological means. The CEO reviews the viability of holding risk on a periodic basis with the assistance of staff involved in the day-to-day monitoring of the unhedged positions.</p> <p>The Management team have a complete understanding of the risks associated with derivatives market making and holding risk and are appropriately qualified to perform this task.</p>
<p>CAM's risk management process</p>	<p>The primary components of CAM's risk management process are:</p> <ul style="list-style-type: none"> <li>• a comprehensive risk management approach;</li> <li>• a detailed structure of limits;</li> <li>• guidelines and parameters used to govern risk;</li> <li>• a strong management information system for controlling, monitoring, and reporting risks.</li> </ul> <p>CAM identifies the key risks associated with its derivative market making activities as being:</p> <ul style="list-style-type: none"> <li>• credit (counterparty) risk;</li> <li>• market risk;</li> <li>• operations (technology &amp; systems) risk; and</li> <li>• legal risk.</li> </ul> <p>CAM's process of risk management is integrated into its overall risk management system to the fullest extent possible. CAM ensures its capital position is sufficiently strong to support all possible risks associated with derivatives marketing and holding risk on derivatives on a fully consolidated basis.</p>

<p>CAM's system for measuring various types of risks associated with derivatives market making is comprehensive and accurate.</p>	<p>CAM's risk measurement systems consolidate exposures across all products and are sufficiently robust to reflect the multiple types of risk facing CAM.</p> <p>Risk measurement standards are understood by all relevant personnel and provide a common framework for limiting and monitoring risk taking activities.</p> <p>CAM's trading platform allows authorised personnel to monitor credit exposure, trading positions, and market movements of all client positions on a real-time mark-to-market basis intraday.</p> <p>The IT Manager analyses stress situations including combinations of market events that could affect client positions.</p> <p>This includes identifying possible events or changes in market behaviour that could have an unfavourable effect on client positions and the ability of CAM's clients and CAM to withstand them. These analyses consider not only the likelihood of the adverse events, reflecting their probability, but also "worst-case" scenarios. Worst-case analysis considers the effect of unusual changes in prices or volatility, market liquidity and client default across the derivatives business.</p> <p>Dealing Operations Managers conduct stress testing that is not limited to quantitative exercises that compute potential losses or gains but includes more qualitative analyses of the actions Management and the Board may take under particular scenarios. Such analysis considers operating procedures, client types and lines of communication, both formal and informal.</p>
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<p>CAM has a sound system of integrated institution wide limits and risk-taking guidelines as an essential component of the risk management process.</p>	<p>CAM's system enables limits to be set. In the event of the limit being reached automated measures are instituted by the trading platform to prevent further exposure, relevant personnel are informed when limits are reached and has the ability to manually control this process if the need arises.</p> <p>CAM's limit system is consistent with the effectiveness of its overall risk management process and the adequacy of its capital position. The limit system permits the Managers and Board to set client limits and exposures, initiate discussion about opportunities and risks and monitor risks against predetermined tolerances as determined by the Managers and Board.</p> <p>If a failure of automated systems and human intervention leads to limits being breached the Managers and board is informed and appropriate action taken including but not limited to de- risking CAM's books.</p>
<p>CAM has an accurate and timely information management system.</p>	<p>The quality of CAM's management information system is an important factor in the overall effectiveness of its risk management process. CAM's risk management department monitors and reports its measures of risk to the Board of Directors. All client and house positions and profit and loss statements are reported to the Board of Directors and Managers regularly, more frequent reporting occurs in uncertain market conditions. The Managers prepare a monthly report to present to the Board.</p> <p>CAM ensures that its risk management systems translate the measured risk from its derivatives market making activities from a technical and quantitative format to one that can be easily read and understood by the Board of Directors.</p>
<p>CAM's management ensures the various components of its risk management process are regularly reviewed and evaluated</p>	<p>CAM's reviews consider changes in the activities of CAM and the market environment.</p> <p>CAM's risk management function regularly assesses the methodologies, models and assumptions used to measure risk and set position limits. The review of limit structures assesses existing limits imposed on client positions and also considers whether existing measures of exposure and limits are appropriate in view of CAM's past performance and capital position.</p> <p>CAM re-evaluates its risk measurement methodologies and models annually and more often as market conditions dictate to ensure they are appropriate and consistent. More frequent re- evaluation may occur in the event of market changes and innovation with respect to measuring and managing risk. Such evaluations are supplemented with reviews by external auditors and consultants who have expertise with highly technical models and risk management techniques.</p> <p>Assumptions are also evaluated continually.</p>

Policies and procedures for the operation of CAM's derivatives activities is an extension of CAM's overall structure of Internal Controls and is fully integrated into workflows.

CAM has a system of internal controls which promote effective and efficient operations; reliable financial and regulatory reporting; and compliance with relevant laws, regulations, and policies of CAM. In determining whether internal controls meet those objectives, CAM considers the overall control environment of the organisation; the process for identifying, analysing, and managing risk; the adequacy of management information systems; and adherence to control activities such as approvals, confirmations and reconciliations.

The viability of CAM's risk holding operations and its Hedging Policy is also periodically assessed by the Management Team to better optimize profitability and assess the project's sustainability in the long term.