FX-EDGE
TRADING VENUE

Risk Management Policy

February 2023

Contents

1. **Purpose:**

The purpose of the risk management policy is to provide guidance regarding the management of risk to support the achievement of corporate objectives, protect staff and business assets and ensure financial sustainability.

2. **Risk Governance:**

Board:
The Board of Directors of the Company is responsible to provide the Risk Management Policy to supervise the actions taken by the appropriate persons to implement the Policy in the Company and review the policy on an annual basis.

Managers
Ensure staff in their business units comply with the risk management policy and foster a culture where risks can be identified and escalated.

Staff and Contractors
All the employees and contractors of the Company are responsible to comply with risk management policies and procedures.

Compliance Officer
DNKR ZA appointed an external Compliance Officer that serves as a third line of defence who independent evaluate the compliance risks and controls. They also report to the Board of Directors of DNKR ZA.

3. **Risk Management Process:**

When undertaking a risk management process the following steps must be taken:

a. establish the context,
b. identify the risk
   There are many different types of risks – legal risks, environmental risks, market risks, regulatory risks, and much more. It is important to identify as many of these risk factors as possible
c. analyse the risk
   Once the risk is identified, relevant employees will proceed with the analysis of it, understand the link between the risk and different factors within the organization and how many business functions are affected by the risk.
d. evaluate the risk
   It is important to rank and prioritize risks depending on the severity of the risk. In this way we can gain a holistic view of the risk exposure of our Company
e. treat the risk

Every risk needs to be eliminated or contained as much as possible.

f. monitor and review the risk.
   Refer to the risk management procedure for details on how to perform each step in the process.

4. **Risk Categories:**

The risk categories which may impact on our business are market risk, operational risk, regulatory risk, political risk, specific risk, counterparty risk, strategic risk, financial risk, environmental risk, safety risk, people risk, reputational risk etc.

4.1 **Market risk / Systematic risk:**

Market risk / systematic risk is the risk of losing investments due to factors, such as political risk and macroeconomic risk, that can affect the performance on the overall market. i.e., can be defined as the risk that positions can lose their value due to changing market conditions.

Market risk exposes the company to uncertainty due to movements in the factors such as foreign exchange rates, commodity prices, equity prices, volatilities related to options positions, political risk, behavioral finance etc.

The following types of market risk management systems, procedures and controls should be addressed.

4.1.1 **Internal market risk management systems, procedures and controls:**

Clients' accounts are constantly monitored to detect any risk for the client or the Company. At the case that the Company notice any suspicious transaction in the account of the client the Company, the Company make due diligence checks requesting additional documents for the source of funds of the client and certified documents.

A Position will automatically close when a margin call reaches 20%. A negative balance protection on a per account is imposed, limiting a retail investor's aggregate liability for all CFDs connected to a CFD trading account with a CFD provider to the funds in that CFD trading account. Our clients may never lose more funds than those deposited in their trading account (i.e. negative balance protection). At any case the clients may utilize stop losses and other risk mitigation tools offered by our platform.

4.1.2 **External market risk management systems, procedures and controls:**

The same is done externally with our partners. The liquidity provider measures, manages/mitigates and reports/monitors the risk(s) constantly. Generally, the liquidity provider mitigates its exposure to market risk based on the following principles:

- Monitoring of market activity and trading by the risk function;
- Strict control ex ante of products, underlying assets, currencies, etc., for which operations are authorised.

4.2 **Specific risk / unsystematic risk**

Specific risk / unsystematic risk is a risk that affects a minimal number of assets. It relates to the risks that are specific to a company i.e. sudden strike by the employees of a company or a new governmental regulation.

If any unforeseen risk happens, we have a system back-up, and everything can be retrieved in our cloud on a secure basis which is accessible by the employees on a similar situation.

4.2.1 **Business risk:**

Both internal and external issues may cause business risk.

Any business risk that may arise can be resolved by our support team with the minimum delay. It is our practise to maintain company funds well in excess of the required capital needed to cover the client funds, so that the business is not at any point caught by surprise by sudden increases in growth and expenditure and the commensurate simultaneous regulatory capital requirements.

4.2.2 **Financial risk:**

We constantly make sure that we have adequate capital and the clients account are completely segregated by the Company's account.

Our Finance Department oversees the risk in order to avoid any situation based on which the clients will be unable to withdraw their funds and will take the necessary actions to face any issues which may come.

In addition, we opened client's funds accounts in various Banks and EMIs in order to be able to make the payments using different payment methods. In regard to the foreign exchange rate risk, we maintain the client's funds in the same currency of the client funds liability, therefore we manage to mitigate any foreign exchange risk.

4.3 **Operational risks:**

Operational risk summarises the risks a company undertakes when it attempts to operate within a given field or industry. It is the risk attributed to the breakdown in internal procedures, people and systems. We take all necessary measures to ensure that our server is up and running. There is no downtime when we maintain it, you won't even notice it. This usually takes place once or twice per month.

4.4 **Risk to key individuals / people risk**

If any changes occur in the personal circumstances of a key individual which affects the fit and proper status of such an individual, he/she may not be permitted to take part in the conduct or management or oversight of the Company in relation to the rendering of financial services. At this case the company will take the necessary actions to replace the Key individual by submitting an application to the Authority for approval, in the manner and in accordance with a procedure determined. During this period, the members of the board of directors will be responsible to replace the key individual in order to fulfil any regulatory obligations.

In case of Incapacity of any of the Directors of the Company, a new Director will be elected by the persons entitled to exercise voting rights in such an election. The vacancy is filled only if a majority of the voting rights exercised support the candidate as per the section 68 of Companies Act, 2008.

4.4.1 **System risk / data integrity**

To ensure the recovery of data lost and the continuation of the daily operations of the company, we have a comprehensive disaster recovery plan in place.

Regarding the Application server, we take all necessary measures to ensure that our server is up and running. There is no downtown when we maintain it, and this happens usually once or twice a year.

4.4.2 **Disaster recovery / external environment**

We have in place our disaster recovery via technological means including back up on the cloud and on our hard drives.

4.5 **Regulatory risk / compliance risk:**

Regulatory risk / compliance risk means the exposure / potential exposure to legal penalties/ fines, financial forfeiture, prison time and material loss an organisation faces when it fails to act in accordance with industry laws and regulations, internal policies, ethical standards or prescribed best practices.

Regulatory risk can also relate a scenario where new services are unknown to regulatory authorities, and the necessary processes have not yet been defined and documented for approval of these services. It would therefore take time for regulators to develop methods of analysis for new services, and it takes time for guidelines to be established. i.e. regulation lags behind innovation.

We use an approved external compliance company who constantly monitors our activities. Quarterly meetings are held in order to assure that we are fully compliant with the requirements. We keep the minutes and any actions points on our cloud.

4.6 **Credit or counterparty risk:**

Credit or counterparty risk is the risk of a counterparty to financial transaction failing to perform in accordance with the terms and conditions of the contract between the parties. This type of risk can be managed by effective counterparty due diligence procedures, and potential losses can be limited by third-party insurance cover.

We perform constantly counterparty due diligence.