



**Reference No:** Risk Assessment Manual

**Company:** Cortexa Capital Ltd.

**Address:** 3rd Floor, 86-90 Paul Street, London, England, EC2A 4NE

# RISK ASSESSMENT MANUAL

## 1. Purpose and Scope

This manual sets out Cortexa Capital's framework for identifying, assessing, managing, monitoring, and reporting risk across all activities, products, and legal entities. It applies to all staff, officers, contractors, and controlled subsidiaries, and covers strategic, financial, investment, operational, compliance, conduct, liquidity, and reputational risks.

## 2. Governance and Responsibilities

- **Board:** Sets risk appetite, approves the Risk Management Framework (RMF), and receives regular risk reports.
- **Risk Committee:** Oversees risk profile, approves methodologies and limits, and challenges management actions.
- **Executive Management:** Implements the RMF, ensures controls and resources are adequate, and owns business-line risks.
- **Independent Risk Function:** Designs methodologies, runs risk assessments, maintains the risk register, and reports independently.
- **Compliance:** Manages regulatory, AML/CTF, sanctions, and PEP-related risks and monitoring.
- **Internal Audit:** Provides independent assurance over design and effectiveness of the RMF.
- **All Staff:** Identify and escalate risks, follow policies, and complete mandatory training.

## 3. Risk Management Framework

Cortexa Capital's RMF follows five core steps: identify, assess, control, monitor, and communicate risks. These steps apply at enterprise level, business-line level, and for specific products, clients, and transactions.

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- **Risk Identification:** Systematic identification of internal and external threats that may affect objectives (e.g., market moves, counterparty failure, fraud, regulatory breach).
- **Risk Assessment and Analysis:** Evaluate inherent and residual risk using likelihood and impact scoring.
- **Risk Control:** Design and implement preventive and detective controls, including limits, segregation of duties, approvals, and technology safeguards.
- **Risk Monitoring and Review:** Ongoing monitoring via indicators, limit usage, incidents, audits, and periodic reassessment.
- **Risk Communication and Reporting:** Regular reporting to management and Board, with escalation of material changes or breaches.

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#### 4. Risk Taxonomy

Cortexa Capital groups risks into the following categories for consistent assessment and reporting.

- **Strategic risk:** Adverse impact from business decisions, market positioning, or external structural changes.
- **Investment/market risk:** Losses from market movements, asset concentration, liquidity of holdings, and strategy failure.
- **Credit/counterparty risk:** Failure of brokers, custodians, counterparties, or issuers to meet obligations.
- **Liquidity and funding risk:** Inability to meet obligations or client redemptions without material loss.
- **Operational risk:** Failures in processes, people, systems, or external events (including cyber, fraud, business continuity).
- **Legal and compliance/AML risk:** Breaches of laws, regulations, sanctions, and internal policies.
- **Conduct risk:** Detriment to clients or market integrity from unfair or inappropriate behaviour.
- **Reputational risk:** Damage to Cortexa Capital's standing that may affect clients, regulators, or partners.

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## 5. Risk Assessment Methodology

### 5.1 Likelihood and Impact Scoring

Each risk is assessed on two dimensions: likelihood (probability of occurrence) and impact (financial, regulatory, client, and reputational effect). A 1–5 scale is applied for each, with clear descriptive anchors documented in an internal appendix.

- Likelihood: 1 (Rare) to 5 (Almost certain).
- Impact: 1 (Minor) to 5 (Severe/systemic).

The overall risk score is calculated as:

$$\text{Risk Score} = \text{Likelihood} \times \text{Impact}$$

and used to prioritise management attention.

### 5.2 Risk Level Bands and Actions

Risk scores are mapped to risk levels and minimum actions, using and extending the internal matrix already defined for screening-related risk.

Risk score band	Risk level	Minimum actions (general risks)	Minimum actions (PEP/sanctions screening)
1–2	Low	Accept with standard controls; review annually.	“No risk” screening results: standard checks and annual re-screen.
3–6	Medium	Document controls and owners; monitor at least quarterly.	Domestic PEP or PEP family: Enhanced CDD; at least annual re-screen.
7–15	High	Senior sign-off; remediation plan with deadlines; monthly monitoring.	Foreign PEP or pending sanctions match: Full EDD; more frequent monitoring and escalation within 24 hours if needed.



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<b>Risk score band</b>	<b>Risk level</b>	<b>Minimum actions (general risks)</b>	<b>Minimum actions (PEP/sanctions screening)</b>
16–25	Critical	Immediate escalation to Board/Risk Committee; consider risk-avoidance/exit.	Confirmed sanctioned party: freeze assets, block transactions, and file required reports (e.g., OFSI).

Inherent risk (before controls) and residual risk (after controls) must both be recorded in the risk register.

## **6. PEP and Sanctions Risk Assessment**

### **6.1 Identification and Screening**

Cortexa Capital must identify clients, beneficial owners, controllers, and key principals, and screen them against PEP and sanctions lists at onboarding and on a periodic or event-driven basis. Screening tools and data sources must be formally approved, and matching rules calibrated to balance true and false positives.

### **6.2 Risk Factors and Scoring**

PEP and sanctions risk is assessed using a structured scoring model incorporating:

- Role: Domestic vs foreign PEP; seniority; military or security role.
- Geography: Country risk, corruption indices, sanctions exposure, and conflict indicators.
- Product and service risk: Complexity, cross-border flows, private structures, and cash intensity.
- Delivery channel: Non-face-to-face, intermediaries, and use of third-party introducers.
- Behavioural and transactional risk: Unusual volumes, patterns, and counterparties post-onboarding.

Scores are aggregated and mapped to the Low/Medium/High/Critical bands in the matrix above, driving minimum CDD/EDD and monitoring requirements.

### **6.3 Required Due Diligence and Escalation**

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- Low: Standard CDD; periodic re-screening (at least annually); routine transaction monitoring.
- Medium: Enhanced CDD; senior management approval; more frequent reviews and screening.
- High: Full enhanced CDD including source-of-wealth/funds; stricter limits; monthly or “always-on” monitoring; Compliance approval to onboard or continue.
- Critical (confirmed sanctions): Do not establish or immediately terminate relationship; freeze assets where required and report to competent authority within statutory timelines.

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## 7. Risk Register and Documentation

The Risk Function maintains a central risk register capturing all material risks, their owners, scores, controls, and actions. Each entry includes description, cause, existing controls, inherent and residual scores, target risk level, and review frequency.

- Updates: At least quarterly or when material changes occur (new products, markets, incidents, regulatory changes).
- Linkage: Each risk should map to strategic objectives and key performance/risk indicators.
- Evidence: Supporting documents include policies, procedures, minutes, audit reports, incident logs, and regulatory correspondence.

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## 8. Product, Client, and Transaction-Level Assessment

Before launching a new product or entering a new market, a formal New Product Approval (NPA) risk assessment is required, covering investment, liquidity, operational, legal, tax, conduct, and AML/sanctions risks. High-risk products or markets require Risk, Compliance, and, where necessary, Board approval, with defined limits and monitoring triggers.

For higher-risk clients and transactions, additional checks, approvals, and monitoring thresholds must be specified in client and matter-level risk templates and procedures.





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## 9. Monitoring, KRIs, and Reporting

Cortexa Capital uses key risk indicators (KRIs) and limit frameworks to monitor risk positions, trends, and control performance. Examples include VaR or exposure limits, concentration metrics, operational incidents, PEP/sanctions alerts, false-positive rates, and overdue actions.

- Management reporting: Monthly risk dashboards to Executive Management and Risk Committee.
- Board reporting: At least quarterly, including top risks, emerging risks, key trends, breaches, and remediation status.
- Escalation: Immediate notification procedures for limit breaches, confirmed sanctions, serious incidents, or regulatory issues.

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## 10. Stress Testing and Scenario Analysis

Cortexa Capital conducts periodic stress tests and scenario analyses for key risks such as market shocks, liquidity squeezes, operational failures, and regulatory events. Results inform risk appetite, limits, capital and liquidity planning, and contingency arrangements.

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## 11. Training, Awareness, and Culture

All staff receive induction and annual training on risk management, AML/CTF, PEP/sanctions, and conduct expectations relevant to their roles. Senior management promotes a culture of openness, challenge, and early escalation, supported by whistleblowing channels and clear non-retaliation commitments.

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## 12. Review and Continuous Improvement

This manual is reviewed at least annually, or after major regulatory changes, incidents, or strategic shifts, to ensure it remains effective and aligned with best practice for financial institutions. Changes require approval from the Risk Committee and Board, and must be communicated promptly to all relevant staff.

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If you share Cortexa Capital's specific business model (e.g., hedge fund, private equity, wealth manager), jurisdictions, and risk appetite, the manual can be tailored with more precise scoring tables, examples, and role-specific procedures.

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