



RISK REGISTER

Purple Group Limited

Run Date: 31 August 2021

Registration Number: 1998/013637/06

People

Risk(s)

**Growth Resource Risk:** The risk of being under resourced on personnel

**Business Impact:** Inability to deliver on new products.  
Inability to enter new jurisdiction.

**Business(es) Impacted:** EasyEquities

**Risk Response: 1)**

**Risk Response:** Business resources are currently all engaged on business-as-usual initiatives and driving new partner execution in South Africa. Growth resource risk is relevant when looking to enter new jurisdictions or deliver new products, which will add value over the medium and long term. Capital plans detailing the capital required to pursue new products and jurisdictions have been created.



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**HR Skills Attraction and Retention Risk:** The risk of failure to attract or retain key executives and personnel

**Business Impact:** Loss of knowledge and skills.  
Potential of increased workload on existing staff.  
Impairment of ability to achieve strategic objectives.  
Reputational impact affecting long term growth and sustainability.  
Reduced ability to react to market opportunities.

**Business(es) Impacted:** EasyEquities  
Emperor Asset Management  
GT247.com

**Risk Response: 1)**

**Risk Response:** Retaining experienced team members in the Group is extremely important for two reasons:

- The team culture has been nurtured and developed intensely for at least the past 6 years. Each of the senior members of the team have grown with the business and understand the vision of the business and the way we work.
- The experience gained in the Fintech space by all team members in their specific areas of expertise is transportable and growing in value across the globe.

A sustainable and rewarding incentive scheme needs to be agreed to align senior members of the team with shareholders for at least the next 5 to 10 years, more so now that the existing share option scheme has run its course and no further options may be issued.

**Measurement:** Options in issue under the existing share option scheme do reduce the risk of key staff leaving; hence the likelihood has decreased marginally.



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2)

**Risk Response:** Executive Salaries are largely aligned to market. Manco salaries have recently been aligned closer to market related salaries which has resulted in a slight decrease in the likelihood of occurrence of this risk.

**Measurement:** Turnover of key executives and senior management is low.

**Succession Risk:** The risk of an inadequate succession plan

**Business Impact:** Insufficient leadership pipeline resulting in limited innovation and growth of the business.

**Businesses:** EasyEquities  
Emperor Asset Management  
GT247.com

**Risk Response: 1)**

**Risk Response:** Each of the executives in the business have a cluster of people (“Manco” members) that they work with, mentor, and upskill.

**Measurement:** In the event of a key executive member leaving, the business would be able to function as a team on a business-as-usual basis, meaning that future growth may suffer, but servicing the existing business would not.



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Financial

Risk(s)

**Over-The-Counter-Derivatives Provider:** Risk that the company fails to secure ODP License

**Business Impact:** Loss of revenue.  
Reputational damage.

**Business(es) Impacted:** EasyEquities  
GT247.com

**Risk Response: 1)**

**Risk Response:** All entities providing Over-The-Counter Derivatives prior to July 2019 were required to submit an application to the FSCA to apply for an ODP license. EasyEquities (for FSRs) and GT247.com submitted their applications by the due date. Until such time that the applications are assessed providers are permitted to continue to operate as usual. At this stage our applications have not been assessed.



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**Capital Availability Risk:** The risk of inability to raise funding for capital and operational requirements

**Business Impact:** Restricted growth opportunities.  
Sustainability of business would be at risk.

**Business(es) Impacted:** Purple Group  
EasyEquities  
GT247.com  
Emperor Asset Management

**Risk Response: 1)**

**Risk Response:** The EasyEquities cash flows are relatively predictable; hence the 12-month cash flow projections included in the monthly management accounts are the primary tool utilised to monitor future funding requirements. As the business is expected to generate positive monthly cash flows (including capitalised development costs), it will be self-funding, unless significant capital is required to accelerate growth internationally or market conditions change. The cash flow forecast is monitored to ensure that the business is at least fully funded for the next 12 months.

**2)**

**Risk Response:** The Purple Group (excl. EasyEquities): This includes the cash flows in respect of Purple Group Head Office, Emperor Asset Management, GT247.com and Group Debt. Due to the unpredictable nature of GT247.com's revenue (which is the primary source of funding for head office costs) we believe a prudent method against which to provision capital would be to cover at least four months of expenses and debt repayments. At this stage the business is adequately capitalised.

**Measurement:** The Group (and its businesses) have sufficient capital to support and sustain its funding requirements and its capital



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adequacy levels are maintained in line with regulatory requirements.

**Derivatives Trading Risk:** The risk that the businesses risk policies in respect of the derivatives trading business are ineffective.

**Business Impact:** Losses due to bad debts.  
Losses due to ineffective hedging strategies.

**Business(es) Impacted:** GT247.com

**Risk Response: 1)**

**Risk Response:** The businesses expertise in derivatives trading is extensive and the experience is brought to bear through the CEO, CFO, Head of Trading and Head of Risk who are the key drivers of the derivative risk management policies of the business and monitor the business risk throughout the day.

**2)**

**Risk Response:** The business has various tools at its disposal to manage risk, including:



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- setting product margin rates (based on factors such as liquidity risk, and are revised periodically and on a dynamic basis according to changing market conditions or instrument specific factors);
- real time monitoring of risk levels and maximum position and transaction size limits;
- daily margin call process; and
- market capitalisation rules (e.g., equity CFDs are only offered in Top 100 instruments).

These measures predominantly prevent a client from skewing the risk book and from being pushed into margin calls that the client is not able to honour.

3)

**Risk Response:** The GT247.com client trading platform, MetaTrader5 has auto-cut limits: it automatically margins clients and once they reach a certain level below the minimum margin required to hold a position, the system automatically cuts the clients position to bring the client in line with the required margin.



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**Debt Obligations:** The risk that the company is not able to meet its debt obligations as they fall due

**Business Impact:** Business could be placed in a position of default.

**Business(es) Impacted:** Purple Group

**Risk Response: 1)**

**Risk Response:** Serialong Consortium Loan – Serialong has exercised their option to convert its debt to equity. The loan was converted into 135 239 128 PPE shares on 27 August 2021.

**2)**

**Risk Response:** Sanlam Investments Term Loan – carried at R28.8m at 31 August 2021. EasyEquities paid the loan in full on 15 September 2021.

**3)**

**Risk Response:** Industrial Development Corporation Debt – R13.9 million outstanding at 31 August 2021. Repayment terms are as follows:

- R500,000 per month, from 30 September 2021 to 31 July 2023 with a final bullet payment of R2,150,000 on 31 August 2023.
- Interest @ Prime +1, payable monthly.

The risk of default and liquidity risk is low due to the repayment terms detailed above.

**Measurement:** With the Serialong loan converted to equity and the Sanlam loan fully paid, only the IDC loan repayments remain.





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Operational

Risk(s)

**Fraud Risk:** The risk of loss due to fraud

**Business Impact:** Potential information and financial loss.  
Negative reputational impact and loss of investor and customer confidence.

**Business(es) Impacted:** EasyEquities  
GT247.com

**Risk Response: 1)**  
**Risk Response:** The business has identified an increase in the number of attempted fraud incidents primarily through the business' deposit channels. In addition to the systems and control environment implemented (which is of primary importance), the business has Crime and Civil Liability insurance cover to protect it against losses due to fraud or error that results in financial loss.



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The business has a number of measures and controls in place to protect the business against fraud, which include:

- advanced Anti-Money Laundering and Fraud Detection system “Themis” that runs various algorithms to identify suspicious behaviour;
- withdrawal lock-up periods (currently 14 days on EFT deposits and 40 days on debit order deposits);
- daily reconciliations of EFT and credit card deposits; and
- system and manual checks when processing refunds.

**Cyber Risk:** The risk of state-sponsored, criminal, or terrorist large scale cyber attacks

**Business Impact:** Infrastructure breakdown and/or loss of trust.  
Widespread disruption to operations.  
Significant reputational damage and exposure to lawsuit.

**Business(es) Impacted:** Purple Group  
EasyEquities  
GT247.com

**Risk Response: 1)**

**Risk Response:** Due to the digital nature of the businesses within the Group, cyber security is a core focus area of the Group. The Group has a robust cyber security framework which includes:

- access controls, firewalls and anti-virus software, which are applied across all access points throughout the systems;
- periodic review and monitoring of user access rights;
- weekly internal vulnerability security scans;



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- annual penetration tests performed to identify vulnerabilities; and
- an intensive cyber security training programme for all staff commenced in April 2021, utilising the services of a specialist Cyber training firm.

**Measurement:** There has been a significant improvement in staff awareness around phishing attacks as evidenced by staffs' reactions to simulated and real phishing attacks.

Strategic

Risk(s)

**Pandemic Disease Risk:** The risk of widespread disease

**Business Impact:** Impact on the ability of the business operations to operate effectively. Impact of the disease on our clients/ target client base. Impact of the disease on the economy in which our clients work and earn their income.

**Business(es) Impacted:** Purple Group

**Risk Response: 1)**

**Risk Response:** The business has benefited significantly from retail clients opening investment accounts to take advantage of the upward surge in the market and to invest in stocks that were abnormally impacted by the pandemic either positively or negatively. The medium-term impact of the pandemic on the earnings of our retail clients is difficult to assess at this stage.



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**Measurement:** Although the likelihood of the event is 100%, the severity has decreased, with the remaining severity being the impact of the Pandemic on client’s personal ability and means to continue to transact on the platforms.

2)

**Risk Response:** The Groups’ businesses, are in a unique position to continue to service and interact with their clients on a business-as-usual basis due to the online nature of the businesses. All staff have been equipped with a laptop (with back-up battery supply), soft phone on their PC and data devices to enable them to operate from home and are doing so efficiently and effectively. Key staff are also permitted to work from the office.

Regulatory

Risk(s)

**Compliance Risk:** The risk of failing to comply with laws and regulations

**Business Impact:** Legal claims or regulatory sanctions.  
Reputational impact affecting long term growth and sustainability.  
Imposition of fines and penalties.  
Loss of insurance cover or increased premiums.

**Business(es) Impacted:** Purple Group  
EasyEquities  
GT247.com  
Emperor Asset Management

**Risk Response: 1)**

**Risk Response:** The Group has an experienced Head of Legal who together with the Head of Compliance and compliance team monitor



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legislation changes and continuously update the business on any new requirements. They also assist the Purple Group Board to ensure that the Group complies with all relevant legislation.

2)

**Risk Response:** In respect of any new product launches or significant change in legislation, the business always secures the advice and services of its external legal advisors.