

RISK MANAGEMENT OVERVIEW

The Board and executive management are ultimately responsible for the review and oversight of risk at Cowen. They are supported by a risk management framework which includes committees, departments and systems which monitor, manage and report on market, liquidity and operational risk.

Cowen's independent risk management group reports to the Chief Operating Officer of Cowen and is responsible for measuring and monitoring market risk across the firm. Under the leadership of the Risk officer or delegate, Market Risk Management ("MRM") functions as an independent risk management unit that is primarily responsible for:

- Identification of market risks – both existing and emerging risks, as well as, risks that may arise from new business decisions;
- Measurement of market risk in an accurate, timely, comprehensive and informative manner across the firm, consistent with the complexity and levels of actual risk taking. This can include quantifying the impact from potentially adverse market movements, as well as, incorporating both statistical and non-statistical estimates (i.e. VAR, stress testing and scenario analytics);
- Control of market risks through the establishment and communication of limits;
- Independent risk oversight of all trading activities;
- Daily monitoring of market risk limits;
- Interpretation of tools utilized to measure risk;
- Reporting of market risk exposures and exceptions to senior management

Cowen has contractual relationships with many companies that provide services in functions such as payroll processing, deferred compensation recordkeeping and financial reporting, securities clearing, and fund administration. Additionally, circumstances may dictate operational risk and technology be involved in the initial vendor due diligence process, which can be led by the business head and ultimately vetted through Cowen's new products committee if necessary. As such, all notable risk parameters should be evaluated during the initial vendor due diligence stage prior to onboarding and approval.

As part of its Operational Risk Management program, Cowen assesses the control environment of each material vendor at least annually. The Chief Operating Officer determines the list of vendors to be included. Operational Risk Management coordinates this assessment in conjunction with Internal Audit and technology for those vendors that are in scope for Sarbanes-Oxley and that, therefore, require assertions from Cowen regarding Complementary User Entity Controls. As such,

non-material vendors can also pose significant risk to the firm (i.e. personally identifiable information controls, Business Continuity Planning, etc.). Vendors that pose such risk should have an assessment done prior to onboarding as well. The expectations of controls of a prospective Cowen vendor engagement should be consistent with the standards set forth in SSAE 18, SOC 1 & 2, and ISAE 3402 reporting.