

# ASTARIS CAPITAL MANAGEMENT LLP

## Pillar 3 Disclosure and Policy for a Full Scope UK AIFM (Collective Portfolio Management Investment Firm)

### Introduction

#### Regulatory Context

The Pillar 3 disclosure of Astaris Capital Management LLP (“the Firm”) is set out below as required by the FCA’s “Prudential Sourcebook for Banks, Building Societies and Investment Firms” (BIPRU) specifically [BIPRU 11.3.3 R](#). This is a requirement which stems from the UK’s CRDIII implementing Regulations which represented the European Union’s application of the Basel Capital Accord. The Firm is no longer formally subject to CRD but remain subject to the UK’s implementation Regulations of CRD III. The regulatory aim of the disclosures is to improve market discipline.

#### Frequency

The Firm will be making Pillar 3 disclosures at least annually. The disclosures will be as at the Accounting Reference Date (“ARD”).

#### Media and Location

The disclosure will be published on our website.

#### Verification

The information contained in this document has not been audited by the Firm’s external auditors, as this is not a requirement, and does not constitute any form of financial statement and must not be relied upon in making any judgement on the Firm.

#### Materiality

The Firm regards information as material in disclosures if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. If the Firm deems a certain disclosure to be immaterial, it may be omitted from this Statement.

#### Confidentiality

The Firm regards information as proprietary if sharing that information with the public would undermine its competitive position. Proprietary information may include information on products or systems which, if shared with competitors, would render the Firm’s investments therein less valuable. Further, the Firm must regard information as confidential if there are obligations to customers or other counterparty relationships binding the Firm to confidentiality. In the event that any such information is omitted, we shall disclose such and explain the grounds why it has not been disclosed.

### Summary

The CRD, to which the Firm remains subject as a consequence of the UK CRDIII implementing Regulations, have three pillars; Pillar 1 deals with minimum capital requirements; Pillar 2 deals with Internal Capital Adequacy Assessment Process (“ICAAP”) undertaken by a firm and the Supervisory Review and Evaluation Process through which the Firm and Regulator satisfy themselves on the adequacy of capital held by the Firm in relation to the risks it faces and; Pillar 3 which deals with public disclosure of risk management policies, capital resources and capital requirements.

The regulatory aim of the disclosure is to improve market discipline.

The Firm is a Full Scope UK AIFM of non-EEA AIFs and also undertakes additional activities which result in the Firm being a BIPRU firm. It acts solely as agent, so the main protection to our customers is provided through client money and asset arrangements. The Firm’s greatest risks have been identified as business and operational risk. The Firm is required to disclose its risk management objectives and policies for each separate category of risk which include the strategies and processes to manage those risks; the structure and organisation of the relevant risk management function or other appropriate arrangement; the scope and nature of risk reporting and measurement systems; and the policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants.

The Firm has assessed business and operational risks in its ICAAP and set out appropriate actions to manage them.

A number of key operations are outsourced by our clients, typically the AIFs we are an AIFM to, to third party providers such as administrators reducing our exposure to operational risk. The Firm has an operational risk framework (described below) in place to mitigate operational risk. The Firm’s main exposure to credit risk is the risk that management and performance fees cannot be collected and, therefore, credit risk is considered low. The Firm holds all cash and performance fee balances with banks assigned high credit ratings.

Market Risk exposure has been assessed by the Firm and is limited to the Firm’s exposure to foreign currency exchange rate risk and hence to any assets held on the Firm’s Balance Sheet denominated in a foreign currency. The Firm’s Reporting Currency is GBP and all foreign currency assets are converted into GBP where possible on a regular basis.

## **Background to the Firm**

### **Background**

The Firm is incorporated in the UK and is authorised and regulated by the FCA as an AIFM of EEA/non-EEA AIFs. In addition the Firm undertakes MiFID activities which give it the categorisation of a ‘BIPRU Firm’.

The following entities are covered by the ICAAP:

Astaris Capital Management LLP

The Firm is a Solo regulated entity with an EEA parent.

The Firm is a BIPRU Firm without an Investment Firm Consolidation Waiver deducting Material Holdings under ([GENPRU 2 Annex 4](#));

## **BIPRU 11.5.1**

### **Disclosure: Risk Management Objectives and Policies**

#### **Risk Management Objective**

The Firm has a risk management objective to develop systems and controls to mitigate risk to within its risk appetite.

#### **Governance Framework**

The Firm's partners form the Governing Body of the Firm and has the daily management and oversight responsibility. It meets quarterly and is composed of:

Gertjan Koomen

Didier Martineau

The Executive Committee is responsible for the entire process of risk management, as well as forming its own opinion on the effectiveness of the process. In addition, the Governing Body decides the Firm's risk appetite or tolerance for risk and ensures that the Firm has implemented an effective, ongoing process to identify risks, to measure its potential impact and then to ensure that such risks are actively managed. Senior Management is accountable to the Executive Committee for designing, implementing and monitoring the process of risk management and implementing it into the day-to-day business activities of the Firm.

#### **Risk Framework**

Risk within the Firm is managed by use of a framework of policy and procedures having regard to relevant laws, standards, principles and rules (including FSA principles and rules) with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required.

The Firm's partners have identified that business, operational, market and credit risks are the main areas of risk to which the Firm is exposed. Annually they formally review their risks, controls and other risk mitigation arrangements and assess their effectiveness. Where they identify material risks they consider the financial impact of these risks as part of their business planning and capital management and conclude whether the amount of regulatory capital is adequate.

#### ***Business risk***

The Firm's partners also determine how the risks their business faces may be mitigated and assess on an ongoing basis the arrangements to manage those risks. They meet on a regular basis and discuss current projections for profitability, cash flow, regulatory capital management, and business planning and risk management.

Business risk arises from external sources such as changes to the economic situation or economic shock. It arises also from internal sources such as poor investment decisions or suboptimal capital allocation resulting in poor investment performance and subsequent damage to the Firm's reputation. Notice periods on redemptions provide the Board with time to make appropriate decisions in respect of any additional capital needs if any such events arise.

Various scenarios are modelled in order to assess the impact of adverse events on the Firm's financial position and enable the Firm to monitor its business risk and to assist in its capital planning.

#### ***Credit risk***

The Firm is not exposed to credit risk other than in respect of fees receivable and cash held on deposit at large international institutions. Management fees are drawn monthly for the fund and performance fees are taken annually. Consequently, the Firm has a limited number of credit exposures in respect of which it uses the simplified standardised approach when calculating risk weighted exposures, in accordance with the provisions of BIPRU 3.5.

#### ***Market risk***

The Firm takes no market risk other than foreign exchange risk in respect of its accounts receivable and cash balances held in currencies other than GBP. The Firm calculates its foreign exchange risk by reference to the provisions of BIPRU 7.5. The Firm follows the standardised approach to market risk.

#### ***Operational risk***

The Firm places strong reliance on the operational procedures and controls that it has in place in order to mitigate operational risk.

The Firm is subject to the Fixed Overhead Requirement and is not required to calculate an operational risk capital charge though it considers this as part of its process to identify the level of risk based capital required

#### **BIPRU 11.5.4**

**Disclosure:** Compliance with BIPRU 3, BIPRU 4, BIPRU 7 and the Overall Pillar 2 Rule

### BIPRU 3 (Credit Risk)

For its Pillar 1 regulatory capital calculation of Credit Risk, under the credit risk capital component the Firm has adopted the Standardised approach ([BIPRU 3.4](#)) and the Simplified method of calculating risk weights ([BIPRU 3.5](#)).

Please note: As per GENPRU 2.1.46R, the Credit Risk Capital Requirement is only required to be calculated in respect of our designated investment business. This does not include our activities as an AIFM.

#### Credit Risk calculation

Credit Risk Capital Requirement	Rule	Capital Component
Credit risk capital component	BIPRU 3.2	£13,068.74
Counterparty risk capital component	BIPRU 13 & 14	£0
Concentration risk capital component	BIPRU 10	£0
<b>Total</b>		<b>£13,068.74</b>

	Rule	Exposure	Risk Weight	Risk weighted exposure amount
National Government Bodies	BIPRU 3.4.2	£0	0%	£0
Banks etc long-term	BIPRU 3.4.36	£0	50%	£0
Banks etc short-term	BIPRU 3.4.39	£804,680.64	20%	£160,936.13
Exposure to Corporates/Debtors	BIPRU 3.4.52	£0	100%	£0
Past due item	BIPRU 3.4.96	£0	100%	£0
Fixed assets	BIPRU 3.4.127	£0	100%	£0
Prepayments	BIPRU 3.4.128	£2,423.17	100%	£2,423.17
Accrued Investment management fees	BIPRU 3.4.128	£0	100%	£0
<b>Total</b>		<b>£807,103.81</b>		<b>£163,359.30</b>
<b>Credit Risk Capital Component</b>	8% of risk weighted exposure			<b>£13,068.74</b>

### BIPRU 4 (Advanced Credit Risk Approach)

The Firm does not adopt the Internal Ratings Based approach and hence this is not applicable.

### BIPRU 7 (Market Risk)

The Firm has Non-Trading Book potential exposure only ([BIPRU 7.4](#), [7.5](#)).

#### Overall Pillar 2 Rule

The Firm has adopted the "Structured" approach to the calculation of its ICAAP Capital Resources Requirement as outlined in the Committee of European Banking Supervisors Paper, 25 January 2006.

The ICAAP assessment is reviewed by the Executive Committee and amended where necessary, on a quarterly basis or when a material change to the business occurs. The Executive Committee presents the ICAAP document to the Governing Body of the Firm which reviews

and endorses the risk management objective each quarter or when a material change to the business occurs at the same time as reviewing and signing off the ICAAP document.

**BIPRU 11.5.8****Disclosure:** Credit Risk and Dilution Risk

The Firm is primarily exposed to Credit Risk from the risk of non-collection of management fees. It holds all cash and performance fee balances with Banks assigned high credit ratings. Consequently risk of past due or impaired exposures is minimal. A financial asset is past due when a counterparty has failed to make a payment when contractually due. Impairment is defined as a reduction in the recoverable amount of a fixed asset or goodwill below its carrying amount.

**BIPRU 11.5.12****Disclosure:** Market Risk

The Firm has Non Trading Book potential exposure only ([BIPRU 7.4](#) & [7.5](#)).

*Please note: As per GENPRU 2.1.46R, the Market Risk Capital Requirement is only required to be calculated in respect of our designated investment business. This does not include our activities as an AIFM.*

**Market Risk calculation**

	Rule	Position	Risk Weight	PRR
Interest rate position risk requirement	BIPRU 7.2	£0	8%	£0
Equity position risk requirement	BIPRU 7.3	£0	8%	£0
Commodity position risk requirement	BIPRU 7.4	£0	8%	£0
Foreign currency position risk requirement	BIPRU 7.5	£0	8%	£0
Option position risk requirement	BIPRU 7.6	£0	8%	£0
Collective investment undertaking position risk requirement	BIPRU 7.7	£0	32%	£0
<b>Total</b>		<b>£0</b>		<b>£0</b>

**BIPRU 11.5.2****Disclosure:** Scope of application of directive requirements

The Firm is subject to the disclosures under the [UK CRDIII Implementing Regulations](#). However, it is not a member of a UK Consolidation Group and consequently, does not report on a consolidated basis for accounting and prudential purposes.

**BIPRU 11.5.3****Disclosure:** Capital Resources

The Firm is a BIPRU Investment Firm without an Investment Firm Consolidation Waiver deducting Material Holdings under ([GENPRU 2 Annex 4](#)). Tier 1 Capital comprises of LLP Partners Capital and Audited Reserves/Losses.

As a Collective Portfolio Management Investment Firm the Firm is subject to the capital requirements set out in IPRU(INV) Chapter 11 and also BIPRU/GENPRU. The Firm has the following capital resources:-

Tier 1 Capital/Initial Capital	£440k
Deductions	£0
Tier 2 Capital	£0
Deductions	£0
<b>Total Tier 1 &amp; 2/Own Funds</b>	<b>£440k</b>
Tier 3 Capital	£0
<b>Total Capital (GENPRU)</b>	<b>£440k</b>

#### **BIPRU 11.5.5**

This disclosure is not required as the Firm has not adopted the Internal Ratings Based approach to Credit Risk and therefore is not affected by [BIPRU 11.5.4R \(3\)](#).

#### **BIPRU 11.5.6**

This disclosure is not required as the Firm has not adopted the Internal Ratings Based approach to Credit Risk and therefore is not affected by [BIPRU 11.5.4R \(3\)](#).

#### **BIPRU 11.5.7**

This disclosure is not required as the Firm does not have a Trading Book.

#### **BIPRU 11.5.9**

This disclosure is not required as the Firm does not make Value Adjustments and Provisions for Impaired exposures that need to be disclosed under [BIPRU 11.5.8R \(9\)](#).

#### **BIPRU 11.5.10**

**Disclosure:** Firms calculating Risk Weighted Exposure Amounts in accordance with the Standardised Approach

This disclosure is not required as the Firm uses the Simplified method of calculating Risk Weights ([BIPRU 3.5](#)).

#### **BIPRU 11.5.11**

**Disclosure:** Firms calculating Risk Weighted Exposure amounts using the IRB Approach

This disclosure is not required as the Firm has not adopted the Internal Ratings Based approach to Credit and therefore is not affected by [BIPRU 11.5.4R \(3\)](#).



**BIPRU 11.5.15****Disclosure:** Non-Trading Book Exposures in Equities

This disclosure is not required as the Firm does not have a Non-Trading Book Exposure to Equities.

**BIPRU 11.5.16****Disclosures:** Exposures to Interest Rate Risk in the Non-Trading Book

Although the Firm has substantial cash balances on its Balance Sheet, there is currently no significant exposure to Interest Rate fluctuations.

**BIPRU 11.5.17 Disclosures:** Securitisation

This disclosure is not required as the Firm does not Securitise its assets.

**BIPRU 11.5.18****Disclosure:** Remuneration

The Governing Body is responsible for the Firm's remuneration policy.

All variable remuneration is adjusted in line with capital and liquidity requirements.

**Remuneration Code Staff Remuneration by Business Area (BIPRU 11.5.18(6))**

Business Area	Total Remuneration
Portfolio Management	£5,020k

**Aggregate Quantitative Remuneration by Senior Management and other Remuneration Code Staff (BIPRU 11.5.18(7))**

Type of Remuneration Code Staff	Total Remuneration
Senior Management (SIF)	£6,063k
Other Remuneration Code Staff	£196k
<b>Totals</b>	<b>£6,259k</b>

