



SILVER RIDGE

ASSET MANAGEMENT

PILLAR 3 DISCLOSURE
(unaudited)

PILLAR 3 DISCLOSURES (unaudited)

Background

The Capital Requirements Directive (**CRD**) is the framework for implementing Basel II in the European Union. Basel II implements a risk sensitive framework for the calculation of regulatory capital. This was implemented in the United Kingdom through changes to the Financial Conduct Authority (**FCA**) Handbook of Rules and Guidance, and specifically through the creation of the General Prudential Sourcebook (**GENPRU**) and the Prudential Sourcebook for Banks, Building Societies and Investment Firms (**BIPRU**), specifically BIPRU 11.

The framework consists of three pillars:

- Pillar 1 – sets out Silver Ridge AM's minimum capital requirements;
- Pillar 2 – deals with the Internal Capital Adequacy Assessment Process (ICAAP) undertaken by Silver Ridge Asset Management UK LLP (Silver Ridge AM, or the Firm) to assess the adequacy of capital held in relation to the Firm's material risks; and
- Pillar 3 – requires the Firm to publicly disclose its policies on risk management, capital resources and capital requirements.

Silver Ridge AM makes Pillar 3 disclosures annually, via the Firm's website. The information contained in this disclosure is accurate as at 30 June 2016. It has not been audited by Silver Ridge AM's external auditors and does not constitute any form of financial statement.

The Firm's Pillar 3 disclosure is set-out below.

Background to the Firm

The Firm is authorised and regulated by the FCA and as such is subject to minimum regulatory capital requirements. The Firm is categorised by the FCA, for capital purposes, as a BIPRU firm. It is an investment management firm and has no trading book exposures. The Firm is not required to prepare consolidated reporting for prudential purposes.

Capital Resources Requirement

Pillar 1 - Minimum Capital Requirements

As a BIPRU firm, Silver Ridge AM has adopted the standardised approach for the Pillar 1 regulatory capital calculation of credit risk. The Firm is not subject to Pillar 1 operational risk requirements under BIPRU 6.

The Pillar 1 capital requirement for a BIPRU firm is calculated as the higher of the:

- Fixed Overheads Requirement (FOR); and
- the sum of market and credit risk requirements or
- the base capital requirement of €50,000.

The Firm has deemed the FOR to be the higher and this is therefore used for the Pillar 1 calculation.

As Silver Ridge AM does not deal as a principal and holds no current assets other than cash, in sterling or foreign currency, the Firm's non-trading book market risk requirement is the Foreign Currency Position Risk Requirement for which the Firm multiplies the sum of the absolute values of its 'open currency position' by 8%.

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Pillar 2 - ICAAP

The Firm's ICAAP includes an assessment of the design and performance of the internal controls in place to mitigate risks, the probability of the risk occurring, the potential financial and reputational impact, and the adequacy of the Firm's capital base.

The ICAAP is the process through which Silver Ridge AM determines that it is able to identify and manage its key risks on an on-going basis and ensure that it has sufficient capital in respect of such risks. The process is forward looking and is an integral part of the management of the Firm. The Chief Financial Officer (CFO) is responsible for the ICAAP within Silver Ridge AM and consulted with the Firm's Chief Executive Officer (CEO) and other appropriate members of staff to ensure the accuracy of his findings.

The Firm's senior management formally reviews and approves a finalised ICAAP document on at least an annual basis (or more frequently if there are material changes to the Firm's business model and risk exposures). The senior management, as part of its review of the ICAAP, sets the Firm's risk appetite, validates that the Firm's key material risks have been considered and assessed, and validates the stress testing scenarios.

Capital Resources

As a BIPRU Firm, Silver Ridge AM has calculated its capital resources in accordance with GENPRU 2.2. The Firm's capital resources as at 30 June 2016 are detailed in the table below.

Tier 1 (partners' capital/shareholders' funds)	82
Tier 2	0
Tier 3	0
Deductions from total capital e.g. illiquid assets	0
Total capital resources as at 30 June 2016	82

The Firm's Pillar 1 requirement is calculated as the higher of:

1. The Base Capital Resource Requirement (€50k = £38k)
2. The Variable Capital Resource Requirement (£56k) which is the sum of:
The Credit Risk Capital Requirement; and
The Market Risk Capital Requirement
3. The Fixed Overheads Requirement (3 months expenditure) (£56k)

The Firm's Pillar 1 requirement is £56k as at the date of this report.

Pillar 1

As at the date of this disclosure the Firm has a surplus of capital resources over its Pillar 1 capital resources requirement.

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Pillar 2

The Firm has undertaken an ICAAP to determine whether it needs any further regulatory capital due to the operational, business, credit and market risks it faces.

As a result of this the Firm has concluded that it does not need any further regulatory capital to meet its requirements under Pillar 2.

Risk management objectives and policies

The Firm is authorised and regulated by the FCA and as such is subject to minimum regulatory capital. Due to the nature, size and complexity of the Firm, Silver Ridge AM does not have an independent risk management function. Senior management is responsible for the management of risk within the Firm and their individual responsibilities are clearly defined. Senior management report to the Firm's governing body on a frequent basis regarding the risks. Silver Ridge AM has clearly documented policies and procedures, which are designed to minimise risks to the Firm and all staff are required to confirm that they have read and understood them.

The business strategy and risk appetite are determined by the partners. Based on this, a risk management framework, geared to the specific risks that are applicable to the Firm, is devised and put into practice. The Firm's main categories of risk and its management objectives and policies for these categories are as follows:

RISK	STRATEGY AND PROCESS TO MANAGE RISK	STRUCTURE AND ORGANISATION OF RISK MANAGEMENT FUNCTION	RISK REPORTING AND MANAGEMENT SYSTEMS	POLICY FOR HEDGING AND MITIGATING RISK
OPERATIONAL RISK	The Firm maintains policies and procedures to mitigate operational risk and certain key policies are documented in its compliance manual which is read by all staff (which include partners and employees) and attested to annually.	The Firm adopts a simple operating infrastructure. Compliance is overseen by the Chief Compliance Officer.	Operational Risk is reported to and discussed at the monthly Risk Committee.	The opportunity to mitigate operational risk is reviewed regularly by the partners.
BUSINESS RISK	The Firm's risk appetite and its willingness to accept business risk are defined by its partners.	Business risk is managed by the CEO and is overseen by the partners.	Business risk is discussed at regular management meetings	Business strategy is managed and updated periodically by the Firm's partners.
CREDIT RISK	Credit risk only mainly in the form of investment management fees receivable.	The CRO monitors all exposures to counterparties.	Monthly management accounts detail the Firm's exposure to credit risk.	Fees are collected within one month.
MARKET RISK	The Firm incurs foreign exchange risk on non-sterling receivable investment management fees as well as on foreign currency bank account balances. Foreign currency balances are converted into sterling as fees are received.	Foreign currency balances and fees receivable are monitored by the CFO.	Foreign currency balances are monitored regularly by the CFO. Foreign currency balances are reported to the Partners on regular basis.	If non-sterling balances were maintained, the Firm would manage its exposure through foreign currency hedges when appropriate.
LIQUIDITY RISK	The risk of the Firm breaching regulatory capital requirements or falling short of its cash flow obligations is monitored by the CFO.	The liquidity risk of the Firm is assessed by the CFO and reviewed by partners. Where necessary external advice is sought from compliance consultants and or accountants.	Internal reporting to the partners is on a monthly basis along with semi-annual regulatory reporting to the FCA. Potential deficits are identified at an early stage	Further capital/loans injected as necessary.

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Remuneration

As a BIPRU Firm, Silver Ridge AM is subject to the BIPRU Remuneration Code. The Firm has applied the principles of proportionality in the disclosures made within this statement.

All decisions in relation to remuneration are made by the partners and reviewed and approved by the Remuneration Committee. Remuneration is based on the performance of the Firm as a whole and not on a single investment strategy. The Firm is comprised of one business area: investment management. There was no remuneration relating to the financial year ended 31 December 2015.

Anil Joshi
Chief Financial Officer
Silver Ridge Asset Management UK LLP

Notes

Frequency, media and location of publication

In line with the CAD requirement, Silver Ridge AM will publish its Pillar 3 disclosures at least annually. The partners will consider the need to publish some or all disclosures more frequently than annually based on the relevant characteristics of the Firm's activities such as:

- presence in different countries
- involvement in different financial sectors
- participation in international financial markets

The Partners believe the website is the most appropriate medium for communicating Pillar 3 disclosures, and accordingly this document is available on the Firm's website (www.silverridgeam.com).

Verification

The information contained in this document has not been audited by the Firm's external auditors 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 investment 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, Silver Ridge AM shall disclose such and explain the grounds why it has not been disclosed.