



SILVER RIDGE

ASSET MANAGEMENT

PILLAR 3 DISCLOSURE
(unaudited)

CAPITAL REQUIREMENTS DIRECTIVE PILLAR 3 DISCLOSURES (unaudited)

Regulatory Context

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 Asset Management UK LLP (**SRAM** or the **Firm**)’s minimum capital requirements;
- Pillar 2 – deals with the Internal Capital Adequacy Assessment Process (**ICAAP**) undertaken by SRAM to assess the adequacy of capital held in relation to the Firm’s material risks; and
- Pillar 3 – requires the Firm to publish its policies on risk management, capital resources and capital requirements.

SRAM makes Pillar 3 disclosures available annually via the Firm’s website. The information contained in this disclosure is accurate as at 31st December 2017. It has not been audited by SRAM’s external auditors and does not constitute any form of financial statement.

Firm Background

The Firm is authorised and regulated by the Financial Conduct Authority and as such is subject to minimum regulatory capital requirements. The Firm is categorised by the Financial Conduct Authority, 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.

Pillar 3 Disclosures

Pillar 1 - Minimum Capital Requirements

As a BIPRU firm, SRAM 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 SRAM 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%.

CAPITAL REQUIREMENTS DIRECTIVE

PILLAR 3 DISCLOSURES (unaudited)

Pillar 2 - ICAAP

The Pillar 2 capital requirement is calculated as part of the Firm's ICAAP and represents additional capital to be maintained against any risk not adequately covered by Pillar 1. The 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 SRAM 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 SRAM 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, SRAM has calculated its capital resources in accordance with GENPRU 2.2. The Firm's capital resources as at 31 December 2017 are detailed in the table below.

Tier 1 (partners' capital/shareholders' funds)	1,427,371
Tier 2	0
Tier 3	0
Deductions from total capital e.g. material holdings	0
Total capital resources as at 31 December 2017	1,427,371

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 which is the sum of:
The Credit Risk Capital Requirement; and
The Market Risk Capital Requirement
3. The Fixed Overheads Requirement (3 months expenditure)

The Firm's Pillar 1 requirement is £410,000 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 business strategy and risk appetite are determined by the partners. Due to the nature, size and complexity of the Firm, SRAM does not have an independent risk management function. Senior management are responsible for the management of risk within the Firm and their individual responsibilities are clearly defined. The Firm holds a formal Management Committee at least quarterly with a Risk Committee incorporating Operational Risk held monthly. This Management Committee takes overall responsibility, with the assistance of risk, compliance and control functions, for identifying material risks to the Firm and implementing appropriate mitigating controls. SRAM 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.

Remuneration

As a BIPRU firm, SRAM falls within proportionality level 3 under 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 Management Committee. Remuneration is based on the performance of the Firm as a whole and not on a single investment strategy.

The Firm only has one “business area”, which is its investment management business. With respect to remuneration of the Firm’s Code Staff this was split between senior management and risk takers with total remuneration for the year of £1,899,815 and £804,000 respectively.

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Notes

Frequency, media and location of publication

In line with the CAD requirement, SRAM 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 firm's 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.