

# Numen Capital LLP Pillar 3 Disclosure and Policy

## Introduction

### Regulatory Context

The Pillar 3 disclosure of Numen Capital 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 follows the introduction of the Capital Requirements Directive (“CRD”) which represents the European Union’s application of the Basel Capital Accord. The regulatory aim of the disclosures is to improve market discipline.

### Frequency

The Firm will be making Pillar 3 disclosures annually.

### Media and Location

The disclosure will be published on [www.numencapital.com](http://www.numencapital.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 Group.

### 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 requirements 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 an Investment Management Firm. It acts solely as agent, so the main protection to our customers is provided through client money 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 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 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 any cash amounts held by the Firm in a foreign currency. All foreign currency is converted into GBP 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 Investment Management Firm. The Firm's activities give it the BIPRU categorisation of a "Limited Licence" and a "BIPRU €50K" firm.

The following entities are covered by the ICAAP:

- Numen Capital LLP

The Firm is a Solo regulated entity.

The Firm is a BIPRU Investment 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 Executive Committee is the Governing Body of the Firm and has the daily management and oversight responsibility. It meets quarterly and is composed of:

- Filippo Lanza
- Nimika Karadia

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, which is appropriate for the Firm's nature, scale and complexity of business operations, and implementing it into the day-to-day business activities of the Firm.

#### **Risk Framework**

Risk within the Firm is managed by use of the following:

- The Firm has a conservative approach to risk;
- The Firm has identified its risks and recorded them in a 'Risk Register';
- The 'Risk Register' is reviewed at regular meetings of the executive committee;
- The Firm has undertaken scenario Analysis and Stress Tests on the most significant risks identified. This informs the Firm how risk are likely to behave and what, if any, impact there is likely to be to our balance sheet;

- The Firm has in place an internal control framework to govern its processes and procedures and to mitigate any risks;
- Use of frameworks similar to ICAAP approach.

## BIPRU 11.5.4

**Disclosure:** Compliance with BIPRU 3, BIPRU 4, BIPRU 6, BIPRU 7, BIPRU 10 and the Overall Pillar 2 Rule

### BIPRU 3

For its Pillar I 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](#)). As of 31 March 2019.

<b>Credit Risk Calculation</b>				
<b>Credit Risk Capital Requirement</b>				
Credit Risk Capital Component	Rule	£		£
Counterparty Risk Capital Component (likely to apply only to Firms dealing as Principle)	BIPRU 3.2	36,142.87		
Concentration Risk Capital Component (likely to apply only to Trading Book)	BIPRU 13 & 14	-		
	BIPRU 10	-		
<b>Total</b>		<b>36,142.87</b>		
	Rule	Exposures		Risk Weighted Exposure Amounts
UK Government Bodies (e.g. HM Revenue & Customs)	BIPRU 3.4.2	765.15	0%	-
National Currency (held in hard currency, such as Petty Cash)	BIPRU 3.4.5	-	0%	-
Banks etc. Long Term (deposits held on 3 or >3 month term)	BIPRU 3.4.36	-	50%	-
Banks etc. Short Term (current accounts or deposits <3 months)	BIPRU 3.4.39	677,355.86	20%	135,471.17
Investment Management Fee Debtor/Owing by Corporate (funds held by Corporates)	BIPRU 3.4.52	304,644.53	100%	304,644.53
Past Due Item (where only part of a sum owing remains outstanding)	BIPRU 3.4.96	-	100%	-
Collective Investment Undertakings (BIPRU 3.4.118, 123 or 124)	BIPRU 3.5.5	-	100%	-
Pre-Payments	BIPRU 3.4.128	11,670.15	100%	11,670.15
Fee Accruals (where Investment Management Fees or Performance Fees Accrued)	BIPRU 3.4.128	-	100%	-
Fixed Assets (Tangible Fixed Assets only)	BIPRU 3.4.127	-	100%	-
<b>Total</b>		<b>992,905.39</b>		<b>451,785.85</b>
<b>Credit Risk Capital Component</b>				
8% of Risk Weighted Exposure Amounts				<b>36,142.87</b>
Counterparty Risk Capital Component	BIPRU 13 & 14	Not Applicable		
Concentration Risk Capital Component	BIPRU 10	Not Applicable		

### BIPRU 4

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

### BIPRU 6

The Firm, being a Limited Licence Firm is not subject to the Pillar I Operational Risk Requirement and, therefore, this is not applicable.

### BIPRU 7

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

### BIPRU 10

The Firm is not subject to the Large Exposure Rules at BIPRU 10 and therefore no disclosure on this is required.

**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 an annual 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 advisory and sub-advisory 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](#)). As of 31 March 2019.

**Market Risk Calculation**

	Rule	£		£
Interest Rate Positional Risk Requirement ("IRPRR") (Trading Book)	BIPRU 7.2	-	8%	-
Equity Positional Risk Requirement ("EPRR") (Trading Book)	BIPRU 7.3	-	8%	-
Commodity Positional Risk Requirement ("CPRR") (Trading Book and Non-Trading Book)	BIPRU 7.4	-	8%	-
Foreign Currency Positional Risk Requirement ("FCPRR") (Trading Book and Non-Trading Book)	BIPRU 7.5	307,237.19	8%	24,578.98
Option Positional Risk Requirement ("OPRR") (Trading Book)	BIPRU 7.6	-	8%	-
Collective Investment Undertaking Positional Risk Requirement ("CIUPRR") (Trading Book)	BIPRU 7.7	-	32%	-
<b>Total</b>		<b>307,237.19</b>		<b>24,578.98</b>
<b>Market Risk Capital Requirement</b>				<b>24,578.98</b>

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

The Firm is subject to the disclosures under the [Banking Consolidation Directive](#) 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 Members Capital and Audited Reserves/Losses with details as below (as of 31 March 2019).

Tier 1 Capital	£1,449,000
Deductions	£0
Tier 2 Capital	£0
Deductions	£0
Capital Resources	£0
Tier 3 Capital	£0
Deductions	£0
<b>Total Capital</b>	<b>£1,449,000</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 11.5.13**

**Disclosure:** Use of VaR model for calculation of Market Risk Capital Requirement

This disclosure is not required as the Firm does not use a VaR model for calculation of Market Risk Capital Requirement.

**BIPRU 11.5.14**

**Disclosure:** Operational Risk

The Firm's Fixed Overhead Requirement (FOR) is disclosed as a proxy for the Pillar I Operational Risk Capital calculation. The Firm's Pillar I Capital Resources Requirement is determined by FOR+Sum of total Credit Risk and Market Risk.

Fixed Overhead

Requirement	GENPRU 2.1.53	£707,615
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**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 Firm is a Remuneration Code Proportionality Tier 3 Firm and has applied the rules appropriate to its Proportionality Tier. The Governing Body is responsible for the Firm's remuneration policy. All variable remuneration is adjusted in line with capital and liquidity requirements. The Firm has one business area (investment management) and none of the Code Staff within this area had taken remuneration during the period.

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

<b>Business Area</b>	<b>Total Remuneration</b>
Investment management	£0

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

<b>Type of Remuneration Code Staff</b>	<b>Total Remuneration</b>
Senior Management (SIF)	£1,267,358
Other Remuneration Code Staff	£0
<b>Totals</b>	<b>£1,267,358</b>