FCA Pillar 3 Disclosures
for the year ended 31 October 2020

Pillar 3 Disclosures – 31 October 2020

The Capital Requirements Directive ('the Directive') of the European Union establishes a regulatory capital framework across Europe governing the amount and nature of capital credit institutions and investment firms must maintain. In the United Kingdom, the Directive has been implemented by the Financial Conduct Authority ('FCA') in its regulations through the General Prudential Sourcebook ('GENPRU') and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU').

The FCA framework consists of three 'Pillars':

- Pillar 1 sets out the minimum capital amount that meets the firm's credit, market and operational risk;
- Pillar 2 requires the firm to assess whether its Pillar 1 capital is adequate to meet its risks and is subject to annual review by the FCA; and
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position.

The rules in BIPRU 11 set out the provision for Pillar 3 disclosure. This document is designed to meet the Pillar 3 obligations of the Prosperise Capital LLP ("the LLP")

The Members are permitted to omit required disclosures if they believe that the information is immaterial such that omission would be unlikely to change or influence the decision of a reader relying on that information.

In addition, the members may omit required disclosures where they believe that the information is regarded as proprietary or confidential. In the view of the members, proprietary information is that which, if it were shared, would undermine their competitive position. Information is considered to be confidential where there are obligations binding them to confidentiality with their customers, suppliers and counterparties.

The members have made no omissions on the grounds that it is immaterial, proprietary or confidential.

Scope and application of the requirements

The LLP is authorised and regulated by the Financial Conduct Authority and as such is subject to minimum regulatory capital requirements. The LLP is categorised as a BIPRU firm by the FCA for capital purposes. It is an investment management firm and as such has no trading book exposures.

Risk management

The LLP is governed by its designated members, who determine its business strategy and risk appetite. The members are also responsible for establishing and maintaining the LLP's governance arrangements along with designing and implementing a risk management framework that recognises the risks that the business faces.

The members determine how to mitigate the risks the business faces and assess on an on-going basis the arrangements to manage those risks. The members also oversees the LLP's business risks though a framework of policy and procedures having regard to relevant laws, standards, principles and rules (including FCA principles and rules) with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required.

The LLP has identified that business, operational and credit risks are the main areas of risk to which it is exposed. Annually the members formally review the risks, controls and other risk mitigation arrangements and assesses their effectiveness. Where the members identify material risks they consider the financial impact of these risks as part of the business planning and capital management and concludes whether the amount of regulatory capital is adequate.

Regulatory capital

The Firm is a Limited Liability Partnership and its capital arrangements are established in its Partnership deed. The amounts mentioned below represent the position for the LLP as at 31 October 2020. Its capital is summarised as follows:

Capital	**£'000**
Permanent Members' capital	**406**
Profit and loss account and other reserves	**-**
Total capital	**406**

The main features of the LLP's capital resources for regulatory purposes are as follows:

Capital item	**£'000**
Tier 1 capital less innovative tier 1 capital	**406**
Total tier 2 innovative tier 1 and tier 3 capital	**—**
Deductions from tier 1 and tier 2 capital	**130**
Total capital resources net of deductions	**276**

The LLP is small with a simple operational infrastructure. The LLP follows the standard approach to credit risk. The LLP 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.

As discussed above the LLP is a BIPRU firm and as such its capital requirements are the greater of:

- Its base capital requirement of €50,000; or
- The sum of its market and credit risk requirements; or
- Its Fixed Overhead Requirement.

The credit risk exposure classes are as follows:

Credit risk calculation	Rule	Risk weighted exposure amount £'000
Credit risk capital component	BIPRU 3.2	103
Counterparty risk capital component	BIPRU 13 & 14	—
		103

	Exposure £'000	Risk weighted	Risk weighted exposure amount £'000
National Government bodies	2	0%	—
Institutions – Cash at bank	59	20%	12
Institutions – Cash at bank	398	100%	398
Corporates	881	100%	881
Other items – fixed and intangible assets	4	100%	4
	1,344		1,295
	8% of risk weighted exposure		**103**
Credit risk capital component			**103**

The market risk capital requirement is £70,310 on the basis of a net EUR and USD exposure of £878,877 at the balance sheet date.

It is the LLP's experience that the Fixed Overhead Requirement ("FOR") of £251,857 establishes its capital requirements.

Remuneration Code

The LLP is able to dis-apply certain principles under the Remuneration Code ('the Code') on the basis of the nature, scale, size and complexity of its business. The LLP has assessed its compliance with the principles under the Code as implemented by the FCA in the Senior Management Arrangements, Systems and Controls Sourcebook ('SYSC') at SYSC19C, and documented its response on a "comply or explain" basis in its Remuneration Policy Statement.

The LLP's remuneration policy has been determined by its senior management team (i.e. designated members) with adherence to both regulatory requirements and internal policy. On a proportionality basis, the LLP has not appointed a dedicated remuneration committee, although all remuneration structures are reviewed and approved by its ultimate parent company.

The Firm has also proportionately implemented the requirements under the Code to ensure that its policy:

- is consistent with and promote sound and effective risk management;
- does not encourage risk-taking that exceeds the Firm's level of risk tolerance;
- avoids conflicts of interest; and
- in line with the business strategy, objectives and long-term business interests of the Firm.

As such, the Firm is satisfied that the remuneration policy and subsequent remuneration structures are fairly and independently determined through the governing function of the Firm.

The aggregate remuneration information for the LLP is as follow:

Business Area	**£'000**
Investment Management	**105**
Operations	**161**
	266

Code Staff	**£'000**
Investment Professionals	**0**
Operations	**97**
	97