Asthenius Capital Limited

PILLAR 3 DISCLOSURE

The information below relates solely to Asthenius Capital Limited ("Asthenius" or "The Firm') and is correct as at 31st October 2020.

The Capital Requirements Directive ("the Directive") of the European Union established a revised regulatory capital framework across Europe governing the amount and nature of capital which credit institutions and investment firms must maintain. In the United Kingdom, the Directive was 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").

Scope and Application of the Requirements

Asthenius is authorised and regulated by the FCA and by virtue of its regulatory permissions and subsequent categorisation for capital purposes, it is required to make a Pillar 3 Disclosure under BIPRU 11 of the FCA Handbook.

The Firm is not a financial holding company, as defined by FCA regulations and so is not required to prepare consolidated reporting for prudential purposes.

Frequency of Disclosure

It is the intention of the Firm to update its Pillar 3 on an annual basis (after the previous year's annual accounts have been finalised), unless circumstances warrant a more frequent update per BIPRU 11.4.4 R. Disclosures will be published as soon as practicable, following any revisions. The Firm makes its Pillar 3 disclosure on its website.

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 Disclosure is designed to satisfy the Firm's Pillar 3 obligations.

The Firm is permitted to omit required disclosures if it believes 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 Firm may omit required disclosures where it believes that the information is regarded as proprietary or confidential. In the Firm's view, proprietary information is that which, if it were shared, would undermine its competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with customers, suppliers and counterparties.

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

Satisfaction of Capital Requirements

The Firm's approach to assessing the adequacy of its internal capital to support its current and future activities is documented in its Internal Capital Adequacy Assessment Process ("ICAAP"), which includes an assessment of each of the risks faced by the firm and the internal controls in place to mitigate those risks. This is then stress-tested against various scenarios. The ICAAP is carried out at least annually.

Risk Management

The Firm is governed by its Senior Managers who determine its business strategy and risk appetite. They are also responsible for establishing and maintaining its governance arrangements along with designing and implementing a risk management framework that recognises the risks that the business faces.

The Senior Managers also determine how the risks the Firm faces may be mitigated and assessed on an ongoing basis and the arrangements in place as a result. The Senior Managers meet on a regular basis and discuss current projections for profitability, cash flow, regulatory capital management, and business planning and risk management. The Senior Managers manage the Firm's risks through 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 and at least annually.

The Senior Managers have identified that business, operational, liquidity and credit risks are the main areas of risk to which the Firm is exposed. Annually, the Senior Managers formally review the Firm's risks, controls and other risk mitigation arrangements and assess their effectiveness. Where Senior Management identify material risks, they consider the financial impact of these risks as part of the Firm's business planning and capital management and consider whether the amount of regulatory capital targeted is adequate. All relevant risks have been considered as part of the Firm's Internal Capital Adequacy Assessment Process

Business Risk

The Firm is small with a simple operational infrastructure and business strategy. The principal risks relate to the loss of key staff, failure to identify new opportunities and or find new investors as well as extended horizons for exits and reduced performance fees.

Operational Risk

The Firm is exposed to a wide range of operational risks such as the loss of key personnel, legal and reputational risks. Where appropriate the Firm has policies and procedures in place to mitigate such risks, such that residual risks are consistent with its risk tolerance.

Liquidity Risk

Asthenius maintains in its bank accounts, sufficient capital to cover its capital requirements and expenses, as they fall due. Cash balances within the Firm are monitored on at least a monthly basis and a substantial buffer is generally targeted.

Credit Risk

The Firm's principal activity is that of advising investors and managing investments and the key credit risks comprise the credit exposure with respect to moneys held in its bank account and the non-payment of investment management and advisory fees as they fall due. Such risks are reviewed at least monthly, but in any event, it is considered that its counterparties are unlikely to fail to meet these obligations.

Market Risk

The Firm's ability to launch new funds as well as attract investors, is dependent on market conditions.

Regulatory Capital

The Firm is a Company Limited by shares and its capital arrangements are established in the Articles of Association, dated 27th October 2014.

The Firm is a BIPRU investment 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 ("FOR")

The Firm is subject to the base capital requirement of €50,000. With respect to Pillar II capital, the Firm has not identified material credit risk exposure categories or capital requirements for market risk, as it believes that they are immaterial in the context of its activities.

Asthenius had regulatory capital resources of £81,715, as at 31st October 2020 and this consisted entirely of Tier 1 capital.

The Firm believes that the base capital requirement adequately defines its capital requirements and hence the FOR, market and credit risks are considered to be immaterial. The Firm's capital resources are well within the level of regulatory capital held. The Firm considers this amount to be sufficient regulatory capital to support the business and it has not identified any areas which give rise to a requirement to hold additional risk based capital.

Remuneration

The Firm is required to make regular at least annual disclosures of its remuneration policy and practices for those categories of staff whose professional activities have a material impact on its risk profile. The Firm is subject to the FCA's BIPRU Remuneration code as covered in SYSC 19C of the FCA Handbook.

The Firm will make appropriate disclosures in due course subject to the evolution of is business plans.