



## Pillar 3 Disclosure

### Introduction

The following disclosures are provided in accordance with the Pillar 3 disclosure rules set out by the Financial Conduct Authority ("FCA") in section 11 of its Prudential sourcebook for Banks, Building Societies and Investment Firms ("BIPRU"). The Capital Requirements Directive ("Directive") of the European sets out the regulatory capital adequacy standards and the associated supervisory framework across the European Union which represents the European Union's application of Basel II. The Directive has been implemented in the UK by the FCA in BIPRU and the General Prudential Source book ("GENPRU").

The FCA framework comprises of three pillars;

**Pillar 1:** sets out the minimum capital requirements for credit, market and operational risk;

**Pillar 2:** requires a firm to assess whether it needs to hold additional capital over and above that needed to satisfy Pillar 1 in order to protect against risks which the firm is, or may be, exposed to. To do this the firm must undertake an Internal Capital Adequacy Assessment (ICAAP);

**Pillar 3:** the public disclosure of a firm's risks, the mitigating risk management process per applicable category and its capital position.

Andurand Capital Management LLP's ("Andurand" or the "Firm") Pillar 3 disclosure is based on the Firm's financial position as at 30 November 2016 (the Firm's Accounting Reference Date).

This document is designed to meet the Firm's Pillar 3 obligations.

Andurand is required to update its Pillar 3 disclosure on an annual basis. The Pillar 3 disclosure is located on the Firm's website.

The information contained in this document has not been audited by the Firm's external auditors, as this is not a requirement, and does not constitute any form of financial statement and must not be relied upon in making any judgement on the Firm.



### **Risk Management Objectives and Policies (BIPRU 11.5.1)**

Given the nature of its business, Andurand is mainly exposed to business risk and operational risk. Andurand's approach is to have in place processes and controls that are commensurate with the scale of the business operation. The Firm's Pillar 2 assessment of business risk looks at a range of potential risks, and regularly assess the likelihood of these risks and any controls in place to mitigate its exposure. Andurand's operational risk exposure is typical for a business of its size and nature and it has established controls in place to mitigate the risk exposure accordingly. The Firm's Chief Operating Officer, who is independent of the investment management business, has oversight of the operational risk of Andurand's business. He is supported by a Risk Manager in reviewing the operational risks of the business.

### **Scope of Application of the Requirement (BIPRU 11.5.2)**

Andurand is incorporated in the UK and is authorised and regulated by the Financial Conduct Authority (the "FCA") as a MiFID Investment Management Firm. The Firm's activities give it the BIPRU categorization of a "Limited Licence" and a "BIPRU €50K" Base Capital firm.

The disclosures contained in this document relate to the business of Andurand, whose principal business is to provide discretionary investment management business to professional clients and eligible counterparties. The risks to which Andurand is exposed are principally business and operational in nature and are managed according to Andurand's operational and compliance risk guidelines.

### **Capital Resources (BIPRU 11.5.3)**

As at 30 November 2016, Andurand's capital resource is \$1,689,000 and consists entirely of Tier 1 capital after deductions.

As Andurand is authorised and regulated by the FCA as a Limited License firm, Andurand's capital requirements are the greater of:

- The base capital requirement of EURO 50,000; or
- The sum of its market and credit risk requirements; or
- The Fixed Overhead Requirement ("FOR").

Andurand has calculated its capital requirement in accordance with the relevant FCA rules and the final level of capital is calculated as its FOR (a quarter of its annual



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expenses excluding variable costs).

As at 30 November 2016 Andurand has a FOR of \$1,500,000. Therefore, Andurand has excess resources of \$189,000 over its regulatory capital requirement.

### **Compliance with BIPRU 3, BIPRU 4, BIPRU 6, BIPRU 7, BIPRU 10 and over all Pillar 2 rule (BIPRU 11.5.4)**

Andurand also carries out a Internal Capital Adequacy Assessment Process (“ICAAP”) to determine whether any additional capital is required for Pillar 2. The ICAAP process includes an assessment of specific risks to Andurand’s business, the likelihood of these occurring and the controls Andurand has put in place to mitigate these risks. This is an ongoing process. The ICAAP document is presented to the Members for formal review and approval. The data assumptions used in the assessment of risk and capital adequacy are regularly assessed and updated. This includes stress testing on various scenarios. As an investment manager the risks that Andurand is exposed to are business, operational and to a limited extent credit and market risk.

### **The following exposures are NOT applicable to Andurand’s business:**

- Retail Exposures (BIPRU 11.5.5): Andurand does not have any retail exposures;
- Equity Exposures (BIPRU 11.5.6): Andurand does not have any equity exposures;
- Counterparty Credit Risk Exposures (11.5.7): Andurand does not have any counterparty credit risk exposure;
- Firm’s calculating risk weighted exposure amounts in accordance with the standardized approach (BIPRU 11.5.10): This section is not applicable as the Firm uses the simplified method of calculating risk weights;
- Firm’s calculating risk weighted exposure amounts in accordance with IRB approach (BIPRU 11.5.11): Andurand does not have specialised lending exposures or equity exposures;
- Non-Trading Book Exposures in Equities (BIPRU 11.5.15): Andurand does not have any non-trading book exposures in equities;
- Exposures to Interest Rate Risk in the Non-Trading Book (BIPRU 11.5.16): Andurand does not have any external debt and therefore is currently unaffected by interest rate fluctuations. All cash balances are in GBP and USD;
- Securitisation (BIPRU 11.5.17): Andurand does not undertake any securitisation business

### **Credit Risk and Dilution Risk (BIPRU 11.5.8)**

Credit risk exposure is largely limited to management and performance fee receivables in foreign currencies. Andurand calculates its credit risk capital requirement using the standardised approach.



### **Value Adjustments and Provisions (BIPRU 11.5.9)**

Andurand was not required to make any value adjustments or provisions.

### **Market Risk (BIPRU 11.5.12)**

Andurand does not trade on its own account and therefore does not create any market risk in respect of its own business. Market risk is limited to management and performance fees received in foreign currencies. Market risk is calculated using the standardised approach.

### **Use of VaR Model for Calculation of Market Risk Capital Requirement (BIPRU 11.5.13)**

Andurand does not use the VaR model for calculation of market risk as the Firm does not trade its own account and therefore does not create any market risk.

### **Operational Risk (BIPRU 11.5.14)**

Andurand is subject to the FOR and is not required to calculate an operational risk charge. However, operational risk is considered in its ICAAP in identifying the level or risk based capital required.

Andurand's Members are aware of the above risks which are discussed on a regular basis. The Members consider the magnitude of the above risks to be within their tolerance limits. Andurand has appropriate professional indemnity insurance in place.

### **Remuneration**

Andurand has adopted a remuneration policy that complies with the requirements of chapter 19C of the FCA's Senior Management Arrangements, Systems and Controls Sourcebook ("SYSC"), as interpreted in accordance with the FCA's guidance publication entitled "General Guidance on Proportionality: The Remuneration Code (SYSC 19C) & Pillar 3 Disclosures on Remuneration (BIPRU 11.5.18)", and subsequent items of guidance issued by the FCA, including its document entitled "Frequently Asked Questions on the Remuneration Code".

As a BIPRU Limited Licence firm, Andurand falls within proportionality Level 3. Andurand has concluded, on the basis of its size and the nature scale and complexity of its legal structure and business that it does not need to appoint a remuneration committee. Instead, Andurand's Senior Management sets, and oversees compliance



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with Andurand's remuneration policy including reviewing the terms of the policy at least annually.

Andurand currently sets the variable remuneration of its Code Staff in a manner which takes into account individual employee performance and the overall results of Andurand. As permitted for firms falling within proportionality Level 3, Andurand takes into account the specific nature of its own activities (including the fee based nature of its revenues) in conducting any ex-ante risk adjustments to awards of variable remuneration and, given the nature of its business, has disapplied the requirement under the Remuneration Code to make ex-post risk adjustments.

Andurand only has one "business area", namely its investment management business. All of Andurand's Code Staff fall into the "senior management" category of Code Staff for the purposes of the Remuneration Code.

The remuneration payable to Andurand's Code Staff in respect of any accounting period is determined at the time the accounts for that period are finalised. The aggregate "remuneration" (as defined in the FCA Rules) awarded to its Code Staff during the financial year ending on Andurand's accounting reference date will be disclosed in the Firm's accounts.