Kintbury Capital LLP Pillar III Disclosures

Background

The European Capital Requirements Directive introduced consistent capital adequacy standards and an associated supervisory framework in the EU. The Directive was introduced into the UK by the Financial Services Authority. The framework consisted of 3 “pillars”:

Pillar 1:

Specifies the minimum capital requirements.

Pillar 2:

This is the supervisory review process that requires an assessment to be made of whether additional capital should be held against risks not covered by Pillar 1.

Pillar 3:

Requires the firm to make a public disclosure of qualitative and quantitative information and is designed to promote market discipline by providing market participants with key information on the firm’s risk exposures and risk management processes.

Kintbury Capital LLP (“the Firm”) is authorised and regulated by the Financial Conduct Authority (FCA) and as such is subject to minimum regulatory capital requirements. The Firm is categorised as a collective portfolio management investment firm by the FCA for capital purposes. The Firm is not a member of a group for regulatory reporting purposes, so it is not required to prepare consolidated reporting for prudential purposes.

Risk Framework

The Executive Committee has determined the Firm’s business strategy and risk appetite and has designed and implemented a risk management framework that recognises the risks that the business faces. The Executive Committee manages the Firm’s risks through policies 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.

The Executive Committee itself reviews the firm’s risk matrix as part of the ICAAP process and reports are made throughout the year for consideration at the executive meetings on the proper functioning of the business.

The Executive Committee of the Partnership meet on a regular monthly basis, to discuss current projections for profitability and regulatory capital management, business planning and risk management (amongst other things).
The Executive Committee has identified that the risks that the firm is subject to fall into the following categories:

– Business risks- relates to being able to generate fee income and control costs on an on-going basis in-line with business plans.

– Operational risks, relates to risks to the firm when running the business, this would include the firm's Disaster Recovery solutions and risks to the firm's IT. Operational risk also includes the risk associated with the failure of one of its counterparties.

– Market risk arises from the foreign exchange fluctuations on its assets and liabilities denominated in currencies other than GBP.

– Credit risk relates to the risk that those who owe the LLP money will not be in a position to pay it back, such as advances/ loans or management / performance fee.

– Liquidity risks relates to the risk that the partnership will not be able to meet its financial obligations as they fall due.

– Other Risks include interest rate risk and insurance risk.

Overall the firm believes that the main risks are Business Risk, Operational Risk and Credit Risk.

The Firm has set up its corporate structure to reflect its overall low risk appetite. Where risks are identified as medium to high then enhanced controls and monitoring are implemented. Annually, as part of the ICAAP review, the Executive Committee formally reviews the risks, controls and other risk mitigation arrangements and assesses their effectiveness. Where the Executive Committee identifies material risks, they model the financial impact of these risks and assess the amount of regulatory capital that would be sufficient to meet these risks.

The Firm follows the standardised approach to market risk and the simplified standard approach to credit risk. The Firm is subject to the Fixed Overhead Requirement and is not required to calculate an operational risk capital charge.

Capital

The Firm is a Limited Liability Partnership and its capital arrangements are established in its Partnership Deed. Its capital is summarised as follows:

Equity

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

Capital Item	£'000
Tier 1 before deductions	£500,000
Deductions from tier 1 and tier 2 capital	–
Total capital resources, net of deductions	£500,000

As discussed above, the Firm is a collective portfolio management investment firm and as such its Pillar 1 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 Requirements

The Pillar 1 capital resource requirement is £325,149

Additional Pillar 2 Capital

Additional Capital to cover Business Risk: £Nil

The Executive Committee has reviewed the quantification of the financial impact of all the identified risks and has identified no additional Pillar 2 capital requirement.

Additional Capital to cover stress testing: £57,857

The Executive Committee has assessed the costs of liquidating the business, it was determined this would be slightly more than the Pillar 1 requirements.

Additional Capital to cover Operational Risk: £Nil

A risk assessment matrix was conducted to quantify how much capital might be absorbed if an adverse event or events occurred. The overall score was low and the impact would be minimal therefore no further capital has been set aside.

Surplus

The total ICAAP Capital Requirement (Pillar 1 plus Pillar 2) is £383,006. The current regulatory capital of the firm is £500,000 resulting in a surplus capital of £116,994

Renumeration Code Disclosure

BIPRU 11.5.18

The Firm is a Remuneration Code Proportionality Tier 3 Firm and has applied the rules appropriate to its Proportionality Tier. The Remuneration Committee is responsible for the Firm's remuneration policy, and remuneration awarded to individuals is determined by the Chief Investment Officer in consultation with the Remuneration Committee. All variable remuneration is adjusted in line with relevant capital and liquidity requirements.

The Code Staff as at March 2021 have been identified, all of whom are Senior Management (SIF) and all are partners in the Firm's business of Investment Management and support. As all Code Staff are partners of the firm the total remuneration paid to the Code Staff in the year to 31st March 2021 can be found in our audited financial statements.