

## Pillar 3 Disclosures

The Capital Requirements Directive ('the Directive') of the European Union establishes a revised 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 prescribed or minimum capital requirements for an authorised Firm to meet credit, market and operational risk;
- Pillar 2 requires the Firm to conduct an assessment known as an Internal Capital Adequacy Assessment Process (ICAAP) that considers risk and uncertainties that are not included in Pillar 1 to determine whether its Pillar 1 capital is adequate to meet its risks and is subject to annual review by the FCA; and
- Pillar 3 requires a Firm to publish certain information about its risks, risk management controls and capital position.

The requirements for Pillar 3 disclosures are detailed in the FCA Handbook of Rules and Guidance under BIPRU 11. This document is designed to meet our Pillar 3 obligations. The Pillar 3 disclosure document has been prepared by the Firm in accordance with the requirements of BIPRU 11 and is verified by its partners ("the Principals"). Unless otherwise stated, all figures are as at the financial year-end.

We are permitted to omit required disclosures if we 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.

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

### Scope and application of the requirements

Endeavour Capital LLP ("the Firm") is authorised and regulated by the Financial Conduct Authority 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. It is an investment management firm and as such has no trading book exposures.

### Risk Management Framework

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

The Principals determine how the risks our business faces may be mitigated and assess on an ongoing basis the arrangements to manage those risks. The Principals meet on a regular basis and discuss current projections for profitability, cash flow, regulatory capital management, and business planning and risk management. The Principals manage the Firm's risks business 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.

The Principals have identified that business, operational, market and credit risks are the main areas of risk to which the Firm is exposed. Annually the Principals formally review their risks, controls and other risk mitigation arrangements and assess their effectiveness. Where the Principals identify material risks, they consider the financial impact of these risks as part of our business planning and capital management and conclude whether the amount of regulatory capital is adequate.

### Regulatory capital

The Firm is a Limited Liability Partnership ultimately controlled by Paul Matthews and reports its capital requirements on a non-consolidated basis. Its capital is summarised as follows:

Capital resource	£'000
Members' Capital	1,000
Audited reserves	-146

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

Capital item	£'000
Tier 1 capital less innovative tier 1 capital	1,000
Total tier 2, innovative tier 1 and tier 3 capital	958
Deductions from tier 1 and tier 2 capital	568
Total capital resources, net of deductions	1,390

Fixed Overhead Requirement ("FOR")	94
Total tier 1 and tier 2 over and above FOR	<b>1,296</b>

The Firm is small with a simple operational infrastructure. Its market risk is limited to foreign exchange risk on its accounts receivable in foreign currency and credit risk from management and performance fees from the funds under its management. The Firm follows the standardised approach to market risk and the simplified approach to credit risk. The Firm is subject to the Fixed overhead Requirement and is not required to calculate an operational risk charge though it considers this as part of its process to identify the level of risk-based capital required.

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

- Its base capital requirement of €125,000; or

- The sum of its market and credit risk requirements;
- Its Fixed Overhead Requirement (“FOR”); or
- Its Funds under Management requirement.

We have not identified credit risk exposure classes or the minimum capital requirements for market risk as we believe that they are immaterial.

It is the Firm’s experience that the FOR establishes its capital requirements and hence credit risks are considered not to be material.

### **Compliance with BIPRU & Pillar 2**

The Firm’s overall approach to assessing the adequacy of our internal capital is set out in our Internal Capital Adequacy Assessment Process.

The Firm believes that the Pillar 1 requirements adequately cover our Credit Risks, which are minimal, and the Operational Risks. The Firm is also satisfied through its risk management framework and stress tests that the Firm has sufficient capital resources to withstand all the stipulated stresses as well as an orderly wind down should there be a curtailment of business for whatever reason.

The Management of the Firm has allocated sufficient capital to cover the costs of an orderly wind down of the Firm should the Firm decide that it is no longer viable to continue to provide regulated services.