

## **Pillar 3 disclosure**

### **Europa Capital LLP ("the Firm")**

#### **FCA regulatory framework**

The Capital Requirements Directive ('Directive') and the Alternative Investment Fund Management Directive ('the AIFMD') of the European Union establish 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 and the AIFMD have 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 capital requirement;
- 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 AIFMD adds further capital requirements based on the Alternative Investment Fund ('AIF') assets under management and professional liability risks.

The rules in BIPRU 11 set out the provision for Pillar 3 disclosure. This document is designed to meet our Pillar 3 obligations.

This Pillar 3 disclosure document has been prepared by the Firm in accordance with the requirement of BIPRU 11 and is verified by the Management Subcommittee. Unless otherwise stated, all figures are as at 31 December financial year-end.

Pillar 3 disclosures will be issued on an annual basis after the year end and published as soon as practical, shortly after when the audited annual accounts are finalised.

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 for the purpose of making economic decisions about the firm.

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In addition, we may omit required disclosures where we believe that the information is regarded as proprietary or confidential. In our view, proprietary information is that which, if it were shared, would undermine our competitive

position. Information is considered to be confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties.

#### **Scope and application of the requirements**

The Firm is authorised and regulated by the FCA and as such is subject to minimum regulatory capital requirements. The Firm is categorised as a Collective Portfolio Management Investment Firm ('CPMI') Firm' by the FCA, for capital purposes.

The Firm is not a member of a group and so is not required to prepare consolidated reporting for prudential purposes. We foresee no impediments to the prompt transfer of capital between group entities should the need arise and there are no differences in the basis of consolidation for accounting and prudential purposes.

#### **Risk management**

The Firm is governed by the Management Subcommittee 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 Management Subcommittee manages 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.

The Management Subcommittee have identified that business, operational, market and credit risks are the main areas of risk to which the Firm is exposed. Annually, the Management Subcommittee formally review risks, controls and their effectiveness and other risk mitigation arrangements.

Where the Management Subcommittee identifies material risks they consider the financial impact of these risks as part of business planning and capital management and conclude whether the amount of regulatory capital is adequate.

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#### **Regulatory capital**

The Firm is a Limited Liability Partnership and its capital arrangements are established in its Partnership deed. Its capital contains only members' capital contributions.

The Firm is small with a simple operational infrastructure. Its market risk is limited to foreign exchange risk on its performance fees receivable and accounts receivable in foreign currency, and credit risk from management and performance fees receivable from the funds under management.

The Firm holds £425k of capital which we consider to be sufficient regulatory capital to support the business.

Europa Capital is categorised by the FCA as a full scope investment AIFM Firm. As a consequence of this, the minimum capital we must hold is the higher of:

- €125,000 plus 0.02% of funds under management in excess of €250 million;  
or
- The sum of the operational risk requirement, credit risk requirement and market risk requirement.

The above is subject to a cap of €10 million.