

## **AVEBURY ASSET MANAGEMENT LIMITED PILLAR 3 DISCLOSURES**

The Capital Requirements Directive ('the CRD') established 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 CRD has been implemented by the Financial Services Authority ('FSA') through its General Prudential Sourcebook ('GENPRU') and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU').

The FSA 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 FSA; 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 document seeks to meet our Pillar 3 obligations.

We are permitted to omit required disclosures if we believe that the information is immaterial such that omission would not be likely to change or influence the decision of a reader relying on that information.

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.

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

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

**Avebury Asset Management Ltd** ("the Firm") is authorised and regulated by the Financial Services Authority (firm number 119251) and is subject to minimum regulatory capital requirements. The Firm is categorised as a limited licence firm subject to the CRD. It is an investment management firm and as such has no trading book exposures.

The Firm is a member of a group but has an investment firm consolidation waiver in place and is therefore exempt from consolidated reporting for prudential purposes.

### **Risk management**

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

The Board meets on both a formal and informal basis to receive management information and discuss and assess the Firm's performance against its governance objectives as well as its performance against key business targets generally. The Board meets formally once every six months.

The Firm maintains a clear organisational structure and where possible has organised itself in such a way as to maximise independence of function and reduce internal conflicts by means of segregation of duties and reporting lines and/or by implementation of appropriate policies and procedures.

The Board has identified that business, operational, market and credit risks are the main areas of risk to which the Firm is exposed. Annually the Board formally reviews their risks, controls and other risk mitigation arrangements and assesses their effectiveness. Where the Board identifies material risks they consider the financial impact of these risks as part of the Firm's business planning and capital management and conclude whether the amount of regulatory capital is adequate.

### **Regulatory capital**

The Firm is a company incorporated in England and Wales with limited liability and its capital arrangements are established in its Articles of Association. Its capital, as of 31<sup>st</sup> March 2011, is summarised as follows:

<b>Capital item</b>	<b>£</b>
Tier 1 capital	61,000
Tier 2 capital	0
Tier 3 capital	0
Total Deductions from tier 1 and tier 2 capital	(2,000)
Total capital resources, net of deductions	<b>59,000</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 advisory fees receivable from the funds under its management or subject to its advice. The Firm is subject to the Fixed Overhead Requirement and is not required to calculate an operational risk capital charge.

However, the Firm assesses operational risk (for example, Key Man Risk, Dealing Errors, IT failure, etc) on an annual basis as part of its *Internal Capital Adequacy Assessment Process* ("ICAAP") through simple stress testing and scenario analysis to ascertain whether additional capital is required for Pillar 2. Through these stress tests, the Firm has assessed that the capital as set out above is appropriate for the Firm's current needs and is in excess of the capital requirements for a limited license firm.

As a limited licence firm, its capital requirements are the greater of:

- Its base capital requirement of €50,000 (approx £44,000); or
- The sum of its market and credit risk requirements; or
- Its Fixed Overhead Requirement.

As of 31<sup>st</sup> March 2011 the Firm's Fixed Overhead Requirement was £10,000. Market and credit risks are considered not to be material. Accordingly the Base Capital Requirement established the Firm's minimum capital requirement.

As of 31<sup>st</sup> March 2011 this amounted to €50,000 (approx. £44,000). Therefore the Firm has excess capital of £15,000.

Pillar 3 disclosures will henceforth be made on an annual basis as at the accounting reference date of 31 March as soon as practicable after the publication of the Firm's annual report.

The Firm will reassess the need to publish some or all of the disclosures more frequently than annually in light of any significant changes to the Firm or its business mix.

31<sup>st</sup> August 2011