

GUARDCAP ASSET MANAGEMENT LIMITED
PILLAR 3 AND REMUNERATION DISCLOSURE
December 2019

Pillar 3 Disclosure

GuardCap Asset Management Limited (the “Firm”) is authorised and regulated by the Financial Conduct Authority (the “FCA”). The Firm is categorised as “BIPRU Firm” for capital purposes and reports on a solo basis. The Firm’s Pillar 3 disclosure fulfils the Firm’s obligation to disclose to market participants’ key pieces of information on a firm’s capital, risk exposures and risk assessment processes.

We are permitted to omit required disclosures if we believe that the information is immaterial such that omission would 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.

Risk Management

The Firm’s Directors determine its business strategy and the level of risk acceptable to the Firm. In conjunction with the Chief Operating Officer, they have designed and implemented a risk management framework that recognises the risks that the business faces and how those risks may be monitored and mitigated and assess on an ongoing basis. The Firm has in place controls and procedures necessary to manage those risks.

The Firm considers the following as key risks to its business:

Business Risk – This risk represents a fall in assets under management or the loss of key staff which may reduce the fee income earned by the Firm and hinder its ability to finance its operations and reimburse its expenses. Business risks are assessed and mitigated as part of the Internal Capital Adequacy Assessment Process (“ICAAP”).

Market risk – This is the risk of losses arising from movements in market prices. The Firm’s principal exposure to market risk is through its holdings of Collective Investments in Transferable Securities. The firm also has an indirect exposure to financial markets because the Firm’s investment management fee income is calculated based on the value of funds under management.

Operational risk – This risk covers a range of operational exposures from the risk of the loss of the key personnel to the risk of the provision of investment advice. Legal and reputational risks are also included within the category of operational risk. Operational risks and how they can be mitigated are assessed as part of the ICAAP.

Credit risk – This risk relates to the exposure to the Funds for non-payment of management fees and counterparty exposure relating to the Firm’s bank balances and any other debtors. This is monitored by the Firm’s Chief Operating Officer.

Regulatory Capital

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 receivable from the funds under its management and fee investment in shares issues by GuardCap UCITS Funds Plc.

The Pillar 1 capital requirement is the higher of:

1. the base capital requirement of €50,000;
2. the sum of market and credit risk requirements; and
3. the Fixed Overhead Requirement (“FOR”).

The Pillar 2 capital requirement is calculated by the Firm as representing any additional capital to be maintained against any risks not adequately covered under the requirement in Pillar 1 as part of its ICAAP. When making this calculation, the Firm also takes into account the own funds requirement detailed above, in particular where the own funds exceeds Pillar 1 capital (and the extent to which the Firm is able to use capital instruments to fulfil both requirements).

It is the Firm’s experience that its Pillar 1 capital requirement has previously normally consisted of the FOR, with market and credit risks being reviewed periodically. The Firm applies a standardised approach to credit risk, applying 8% to the Firm risk weighted exposure amounts, consisting mainly of investment management and performance fees due but not paid, and bank balances. Having performed the ICAAP, the Firm has concluded that no additional capital is required in excess of its Pillar 1 capital requirement.

As at the date of this disclosure the Firm’s regulatory capital position is:

Capital Item	£’000
Tier 1 capital	£28,961,000
Total capital resources, net of deductions	£28,961,000

ICAAP

The Firm’s ICAAP assesses the adequacy of its internal capital to support current and future activities. This process includes an assessment of the specific risks to the Firm, the internal controls in place to mitigate those risks and an assessment of whether additional capital mitigates those risks. The Firm also considers a wind down scenario to assess the capital required to cease regulated activities.

Until recently the Fixed Overhead Requirement established the firm’s capital requirements and market and credit risks were considered to be immaterial. However, following our substantial investment in the last two years in shares issued by GuardCap UCITS Funds plc credit risk is the principle factor determining the firm’s capital requirement. Our capital requirements are currently £9,566,000 which is well within the level of regulatory capital held.

We consider this amount to be sufficient regulatory capital to support the business and have not identified any areas which give rise to a requirement to hold additional risk based capital.

The Firm’s ICAAP is formally reviewed by the Directors annually, but will be revised should there be any material changes to the Firm’s business or risk profile.

Remuneration

Given the nature and small size of our business, remuneration for all employees is set by the Directors of the Firm. The Firm formally reviews the performance of all employees and based thereon determines each employees overall level of remuneration and the split of that between base salary, bonus, etc. in compliance with the FCA Rules on remuneration.

Given that the Firm has only one business area, investment management, all remuneration disclosed in our audited financial statements is from this business area.

The Firm has defined "Code Staff" to be the senior managers of GuardCap. The aggregate level of remuneration earned by all staff in 2019 is £2,170,611 and this is disclosed in our audited financial statements.

The Firm is subject to the BIPRU Remuneration Code ("the Code"), has applied proportionality and, pursuant to this application and where relevant, has dis-applied various provisions of the Code.