Monogram Capital Management, LLP

Pillar 3 Risk Disclosure 2015 -2016

Introduction

Monogram Capital Management, LLP ("MONOGRAM" or the Firm) was authorised by the FCA on 19 September 2014. This disclosure has been calculated on the basis of actual capital and financial projections in accordance FCA guidance.

MONOGRAM is required by the FCA to disclose information relating to the capital it holds and each material category of risk it faces in order to assist users of its accounts and to encourage market discipline.

The Capital Requirements Directive (CRD) created a revised regulatory capital framework across Europe covering how much capital financial services firms must retain. In the United Kingdom, rules and guidance are provided in the General Prudential Sourcebook (GENPRU) for Banks, Building Societies and Investments Firms (BIPRU).

The FCA framework consists of three "Pillars":

- Pillar 1 sets out the minimum capital requirements that companies need to retain to meet their credit, market and operational risk;

- Pillar 2 requires companies to assess whether their Pillar 1 capital is adequate to meet their risks and is subject to annual review by the FCA;

- Pillar 3 requires companies to develop a set of disclosures which will allow market participants to assess key information about its underlying risks, risk management controls and capital position. These disclosures are seen as complimentary to Pillar 1 and Pillar 2.

Rule 11 of BIPRU sets out the provisions for Pillar 3 disclosure. The rules provide that companies may omit one or more of the required disclosures if such omission is regarded as immaterial. Information is considered material if its omission or misstatement could change or influence the decision of a user relying on the information. In addition, companies may also omit one or more of the required disclosures where such information is regarded as proprietary or confidential. The Firm believes that the disclosure of this document meets its obligation with respect to Pillar 3.

Capital Resources and Requirements

Capital Resources

Pillar 1

As at 31 March 2015, the Firm held regulatory capital resources of £215.644, comprised solely of core Tier 1 capital of members' original capital contributions.

The Firm's capital requirements are the greater of:

- Its base capital requirement of €50,000;
- The sum of its market and credit risk requirements; or
- Its fixed overhead requirement (FOR).

The Firm's Pillar 1 capital requirement is its FOR: £43,442.

Satisfaction of Capital Requirements

Pillar 2

The Firm has adopted the "Structured" approach to the calculation of its Pillar 2 Minimum Capital Requirement as outlined in the Committee of European Banking Supervisors Paper, 27 March 2006 which takes the higher of Pillar 1 and 2 as the ICAAP capital requirement. It has assessed Business Risks by modeling the effect on its capital planning forecasts and assessed Operational Risk by considering if Pillar 2 capital is required taking into account the adequacy of its mitigation.

Since the Firm's Internal Capital Adequacy Assessment Process (ICAAP or Pillar 2) process has not identified capital to be held *over* and *above* the Pillar 1 requirement, the capital resources detailed above are considered adequate to continue to finance the Firm *over* the next year. No additional capital injections are considered necessary and the Firm expects to continue to be profitable.

Risk Management

The Firm has established a risk management process in order to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising in the business. The risk management process is overseen by the Firm's members.

As risks are identified within the business, appropriate controls are put in place to mitigate these and compliance with them is monitored on a regular basis. The frequency of monitoring in respect of each risk area is determined by the significance of the risk. The Firm does not intend to take any risks with its own capital and ensures that risk taken within the portfolios that it provides advice to is closely monitored. The results of the compliance monitoring performed is reported to the partners by the Compliance Officer.

Specific risks applicable to the Firm come under the headings of business, operational, credit and market risks.

Business Risk

The Firm's revenue is dependent on the performance of assets under management. The main risks the Firm faces are events leading to a significant fall in the level of these assets under management, which include negative conditions in the global financial markets and economic conditions throughout the world. The Firm has a significant amount of discretionary expenses and in the event of significant declines in revenue, the Firm will reduce discretionary spending to ensure sufficient funds are available to cover all other expenses of the business. The Firm's controllers may also provide additional financial support to the Firm where necessary. Other business risks identified include: Fraud by employees, Key Man Risk, and Market Abuse. The Firm feels as though these risks have been appropriately considered and mitigated through its policies and procedures within its current control environment and as such deem these additional business risks as low.

Operational Risk

The Firm places strong reliance on the operational procedures and controls that it has in place in order to mitigate risk and seeks to ensure that all personnel are aware of their responsibilities in this respect.

The Firm has identified a number of key operational risks. These relate to disruption of the office facilities, system failures, trade failures and failure of third party service providers. Appropriate policies are in place to mitigate against risks, including appropriate insurance policies and business continuity plans.

Credit Risk

The main credit risk to which the Firm is exposed is in respect to the failure of its debtors to meet their contractual obligations. The majority of the Firm's receivable is related to investment management activities. The Firm believes its credit risk exposure is limited since the Firm’s revenue is ultimately related to management fees received from funds. These management fees are drawn throughout the year from the funds managed. Other credit exposures include bank deposits and office rental deposits.

The Firm undertakes periodic impairment reviews of its receivables. All amounts due to the Firm are current and none have been overdue during the year. As such, due to the low risk of non-payment from its counterparties, management is of the opinion that no provision is necessary. A financial asset is overdue when the counterparty has failed to make a payment when contractually due. Impairment is defined as a reduction in the recoverable amount of a fixed asset or goodwill below its carrying amount.

The Firm has adopted the standardised approach to credit risk, and therefore follows the provision within BIPRU 3 standardised credit risk of the FCA handbook. The Firm applies a credit risk capital component of 8% to its non-trading book risk weighted exposure. As the Firm does not make use of an external credit rating agency, it is obligated to use a risk weight of 100% to all non-trading book credit exposures, except cash and cash equivalents which are held by investment grade firms and currently attract a risk weighting of 20%.

The table below sets forth the Firm's credit exposures and corresponding capital resource requirements:

	Credit Exposure	Risk Weighted Exposure	Credit Risk Component
Tangible fixed assets	£7,023	£7,023	£562
Prepayments & accrued income	£0	£0	£0
Other debtors – due within one year	£43,059	£43,059	£3,445
Other debtors – due after more than one year	£0	£0	£0
Cash at bank and in hand	£176,981	£35,396	£2,828
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Total			£6,834
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Market Risk

Since the Firm holds no trading book positions on its own account, the key market risk relates to fluctuations in foreign exchange in respect to the value of its bank accounts / asset management fee revenues, which are denominated in a foreign currency. The Firm's exposure to foreign currency risk at the time of authorisation is zero. Going forward the settlement of debtor balances will take place without undue delay, the timing of the amount becoming payable and subsequently being paid is such that it is not considered to present a material risk to the Firm. Market risk is assessed primarily within Pillar 1, utilising the "Basic Method", as prescribed. As at authorisation the Firm's market risk was £0.

Remuneration Code

The Firm has adopted a remuneration policy and procedures that comply with the requirements of chapter 19C of the FCA's Senior Management Arrangements, Systems and Controls Sourcebook (SYSC), as interpreted in accordance with the FCA's guidance publication entitled "General Guidance on Proportionality: The Remuneration Code (SYSC 19C) & Pillar 3 Disclosures on Remuneration (BIPRU 11)" and subsequent items of guidance issued by the FCA, including its document entitled "Frequently Asked Questions on the Remuneration Code".

As a BIPRU limited licence firm, the Firm falls within proportionality level 3. The Firm has concluded, on the basis of its size and the nature, scale and complexity of its legal structure and business that it does not need to appoint a remuneration committee. Instead, the Governing Body sets, and oversees compliance with, the Firm's remuneration policy including reviewing the terms of the policy at least annually.

The Firm currently sets the variable remuneration of its partners and staff in a manner which takes into account partner and firm performance, by reference to individual performance, performance of the Firm. As permitted for firms falling within proportionality level 3, the Firm takes into account the specific nature of its own activities (including the fee based nature of its revenues) in conducting any ex-ante risk adjustments to awards of variable remuneration and, given the nature of its business, has disapplied the requirement under the Remuneration Code to make ex-post risk adjustments.

The Firm only has one "business area", namely its investment management business. All of the Firm's Code Staff fall into the "senior management" category of Code Staff for the purposes of the Remuneration Code. The Firm has not paid any variable remuneration as it has not completed its first year.