

Pillar 3 Disclosure 2016

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 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 FCA; 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 provisions for Pillar 3 disclosure. This document is designed 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 be unlikely 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 omission on the ground that it is immaterial, proprietary, or confidential.

Scope and application of the requirements

Habrok Capital Management 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 limited licence firm by the FCA for capital purposes. It is an investment management firm and as such has no trading book exposures.

Risk management

The Firm is governed by its senior management, who determines 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 framework for managing the risks faced by the business. The senior management also determine how such risks may be mitigated and assess the risk management arrangements on an ongoing basis. The senior management meet periodically and discuss business planning, risk management and current projections for profitability, cash flow, and regulatory capital management. The senior management manage the Firm's risks through a framework of policies 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 reviewed at least annually or as new risks are identified and updated as required.

The senior management have identified that business, operational, market and credit risks are the main areas of risk to which the Firm is exposed. Annually senior management formally review risks, controls and other risk mitigation arrangements and assess their effectiveness. Where senior management identifies material risks they consider the financial impact of these risks as part of business planning and capital management and consider 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 is summarised as follows:

The main features of the Firm's capital resources as of 31 March 2016 for regulatory purposes are as follows:

Capital item £'000

Tier 1 capital less innovative tier 1 capital	1,350
Total tier 2, innovative tier 1 and tier 3 capital	281
Deductions from tier 1 and tier 2 capital	-
Total capital resources, net of deductions	1,631

The Firm is small with a fairly simple operational infrastructure. Its market risk is limited to foreign exchange risk on its accounts receivable in foreign currency plus any foreign currency held in the bank, and credit risk from management and performance fees receivable from the funds under its management plus cash held in the bank. The Firm follows the standardised approach to market risk and the simplified standard approach to credit risk. The Firm is subject to the Fixed Overhead Requirement and is not required to calculate an operational risk capital 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 license firm and as such its capital requirement is the greatest of:

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

Senior management have determined that credit risk exposure and the minimum capital requirements for market risk are, together, far less than that of the fixed overhead requirement.

Therefore the fixed overhead requirement, being the greatest figure, establishes the Firm's minimum capital requirement to be £250,000.