



## **Capital Adequacy Pillar 3 Disclosures**

May 2021

### **Introduction**

Chawton Global Investors LLP (CGI) is required to make a Pillar 3 disclosure by regulations set out in the FCA's BIPRU sourcebook. It is intended to encourage good risk management practice within financial services firms and to promote market discipline by making information about companies publicly available. CGI acts as the Investment Manager for a sub-fund of a UCITS OEIC; The TB Chawton Global Equity Income Fund. A long only equity strategy is followed. CGI does not deal on its own account but acts as an Investment Manager to an authorised fund operated by a third party.

### **Risk Management Objectives and Policies**

Risk management is focused on reducing operational risk and maintaining sufficient capital to allow an adequate buffer against these risks as identified in 'Pillar 2' of the company's Internal Capital Adequacy Assessment Procedure (ICAAP).

Risk management is the responsibility of the Partners and is led by CGI's Compliance Officer.

Operational Risks include the following:

- Technology (systems failure) and information security risk.
- Process failure risk.
- The firm is defrauded.
- Regulatory, legal and tax risk.
- Third party service provider issue.
- Business disruption and disaster recovery.
- Cybercrime.

These risks are reduced by operating relevant policies and procedures. These are designed to be both preventative and to provide oversight information to the Partners and Management Committee to act on accordingly.

CGI employs independent compliance consultants who regularly review the firm's activities. It also actively engages with professional bodies and the wider industry in order to maintain best practice.

For the Pillar 1 Regulatory capital Calculation of Credit Risk, under the risk capital component, the firm has adopted the Standardised approach (BIPRU 3.4) and the simplified method of calculating risk weights (BIPRU 3.5).

## Credit Risk Calculation

<b>Credit Risk Capital Requirement</b>	<b>Rule</b>	<b>Capital Component</b>		
Credit risk capital component	BIPRU 3.2	£726		
Counterparty risk component	BIPRU 13 & 14	£0		
<b>Total</b>		<b>£726</b>		
	<b>Rule</b>	<b>Exposure</b>	<b>Risk Weight</b>	<b>Risk weighted exposure amount</b>
National Government Bodies	BIPRU 3.4.2	£0	0%	
Retail Exposures	BIPRU 3.2.10	£0	75%	
Banks etc. short-term	BIPRU 3.2.39	£39,349	20%	£7,870
Corporates/Debtors	BIPRU 3.4.52	£0	100%	
Past due items	BIPRU 3.4.96	£0	100%	
Fixed Assets	BIPRU 3.4.127	£6,054	100%	£1,210
<b>Total</b>		<b>£45,403</b>		<b>£9,080</b>
<b>Credit Risk Capital Component</b>		<b>8% of risk weighted exposure</b>		<b>£726</b>

## **Approach to Capital Adequacy**

The firm's "Pillar 2" assessment of required capital is set out in its ICAAP. An estimate is made of the amount of capital that should be held against each of the operational risks (including market risk via the firm's client base). As CGI does not engage in dealing or lending from its own book there is no need to assess market or counterparty/credit risk.

The process involves a degree of judgement. The total capital assessed as being required is compared to the 'Pillar 1' approach to calculating minimum capital requirements (see below), with the larger of the two figures being used as to determine whether current capital resources are adequate.

## **Approach used for assessment of the operational risk capital requirement**

As a BIPRU firm, the basic indicator approach is used with the Fixed Overhead Requirement determining the level of capital required subject to the minimum base level of Eur 50,000 if higher. As at 31 March 2021, the base level was higher.

## **Current Capital Resources**

At 31 March 2021 CGI had Tier 1 capital resources of £57,059. It has no Tier 2 or 3 capital.

The minimum capital required was assessed as being Eur 50,000 (~£43,000). CGI therefore has capital of £14,059 in excess of the minimum, or a ratio of 133.69%. This is deemed sufficient to support current and future activities.

## **Remuneration Policy**

CGI is required to disclose the key policies used in determining remuneration for staff whose professional activities have a material impact on the firm's risk profile along with key quantitative information. These staff members are defined by the firm as authorised individuals who are in significant management, control or risk functions. Remuneration policy is the responsibility of the Partners and Management Committee.

CGI distinguishes its approach to remuneration between the founding Partners, new Partners, other Remuneration Code Staff and other employees of the firm.

All of the Partners are paid a proportion of CGI net profits subject to the amount of capital provided. They do not receive any other form of remuneration. As the long-term profitability and sustainability of CGI is dependent to the management fees generated from managing the funds, it is in the Partners interests for the funds to perform a well. There is therefore full alignment with the fund investors interests, the interests of CGI and the interests of the Partners.

Other Remuneration Code Staff and other employees will receive a basic salary, benefits such as personal pension contributions and are eligible for an award of an annual discretionary bonus. The salaries of the staff will be set at a sufficient level to allow for a fully flexible approach to be taken of awarding (or not awarding) an annual bonus. In the year to 31 March 2021 there was no remuneration provided to Partners or staff deemed in 'significant influence functions'.