

Pillar 3 Disclosures

Reference Date: March 2021

Background

Fasanara Capital Ltd ('Fasanara' or 'the Firm') is authorised and regulated in the UK by the Financial Conduct Authority ('FCA').

On 1 January 2014 the new Capital Requirements Directive and Regulation ('CRD IV') took effect in the United Kingdom. According to its business model Fasanara is not subject to CRD IV and therefore remains subject to the Capital Requirements Directive ('CRD III') and the rules in the General Prudential Sourcebook ('GENPRU') and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU').

As such from 1 January 2014, as at 31st March 2021 the Firm was prudentially categorised as a BIPRU firm.

CRD III established the regulatory capital framework across Europe governing the amount and nature of capital that credit institutions and investment firms must maintain.

In the United Kingdom, the CRD III was implemented by the Financial Conduct Authority ('FCA') in its regulations through the GENPRU and BIPRU sourcebooks.

The framework consists of three 'Pillars':

- Pillar 1 sets out the minimum capital requirement calculated for the firm's credit and market risk components;
- Pillar 2 requires the firm to assess whether its Pillar 1 capital is adequate and to evaluate the impact that any other risk types may have on the Firm's capital requirement; and
- Pillar 3 requires disclosure of specific information about the firm's risk management controls, capital adequacy and remuneration.

This Pillar 3 disclosure as at 31 March 2021 is produced in accordance with the disclosure requirements applicable to Fasanara as a BIPRU firm, as established under CRD III and the rules in BIPRU 11.

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.

Scope of business

Fasanara is a limited company, incorporated in England with company number 07561210 and provides the following core services including:

- managing investments
- advising on investments
- arranging (bringing about) deals in investments
- making arrangements with a view to transaction in investments
- dealing in investments as an agent and
- arranging safeguarding and administration of assets

The Firm is preparing consolidated financial statements, to include the results of its subsidiaries.

Fasanara's audited financial statements are prepared in accordance with UK GAAP.

Risk management

Fasanara is governed by its Directors who determine its business strategy and risk appetite, ensuring that it is monitored and controlled effectively. They are also responsible for establishing and maintaining the Firm's governance arrangements along with designing and implementing a risk management framework that recognises the risks that the business faces.

The Directors determine how the risks the business faces may be mitigated and assess on an ongoing basis the arrangements to manage those risks. The Directors meet on a regular basis and discuss current projections for profitability, cash flow, regulatory capital management, and business planning and risk management. The Directors manage the Firm's business 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 updated as required.

As required according to GENPRU 1.2 and the Pillar 2 rule, the Firm maintains an Internal Capital Adequacy Assessment Process document ('ICAAP') to establish whether the Firm is required to hold any additional capital to cover any risks the Firm is exposed to which are not fully captured under the Pillar 1 requirements.

The directors have identified that business, operational, market and credit risks are the main areas of risk the Firm is exposed to.

- **Market Risk.**

Market risk arises from adverse changes to the values of positions or portfolios arising from changes in market prices, interest rates or exchange rates. While the firm is not trading for its own account, but just co-invests in its own managed funds, it considers the effect of direct market risk exposure on positions held in the funds that it manages. The firm has therefore calculated market risk by taking into account trading book items, foreign exchange exposures for both trading and non-trading book items and interest rate risk. Fasanara seeks to mitigate this risk by establishing notional limits and managing positions within those limits.

Fasanara is holding £533,110 as Pillar 2 capital to cover this risk.

- **Credit Risk.**

The Firm receives management fees on the basis of the value of investor's holdings in the funds.

The firm holds all its cash balances with banks assigned high credit ratings (mainly HSBC). The firm's credit risk capital requirement is made up of the credit risk capital component and the counterparty risk capital component. Credit risk is considered moderate.

Fasanara is holding £560,570 as Pillar 2 capital to cover this risk.

- **Business Risk.**

Business risk arises from changes in the Firm's business structure that would prevent it from carrying on its business plan and desired strategy. At Fasanara business risk is defined as the possibility of achieving lower than anticipated profits, or experiencing unexpected, detrimental losses. Fasanara has identified the following factors that can influence business risk;

- Failure to maintain or raise further assets



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- Failure to retain and/ or win new financial advisory business
- Unexpected loss/cost (e.g. Systemic Market Risk, Legal lawsuits)
- Key man risk

The firm has assessed all the risk above and currently have processes and systems to mitigate such risk. As such business risk is highly considered and taken into account in daily operations but it is well mitigated thus no additional Pillar 2 capital is required to cover business risk.

- **Operational Risk.**

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal 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 to manage. These relate to systems failure, failure of a third party provider and potential for serious regulatory breaches. Appropriate processes and policies are in place to mitigate against these risks. As such operational risk is not considered material.

No additional Pillar 2 capital is required to cover operational risk.

Regulatory Capital

As a BIPRU firm, the Firm is required to hold regulatory capital which will be the highest of:

- its base capital requirement of EUR 50,000; or
- the sum of its market and credit risk requirements; or
- its Fixed Overhead Requirement.

Its regulatory capital resources and requirements are summarised as follows:

Capital item	£'000
Total Regulatory Capital after deductions	£1,801
Capital requirement	
The highest of:	
Market risk +	£533
Credit risk	£560
	= £1,093
Fixed Overheads Requirement	£194
Base Capital Resource Requirement	£42
plus:	
Pillar 2 capital	£0
Total capital requirement	£1,093
Surplus	£707

As at 31 March 2020 the Firm was subject to a capital requirement of £1,093k as the sum of market risk and credit risk requirement.

The surplus of regulatory capital was satisfactory £707k or 164% Solvency Ratio.

Remuneration Code Disclosures

As a BIPRU firm, Fasanara is required to comply with the UK Remuneration Code in SYSC19 of the FCA Handbook, and the proportionality guidance for BIPRU firms.



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The requirements focus on those categories of staff whose professional activities have a material impact on the risk profile of the firm. This includes senior management, risk takers, control functions, and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers.

The Firm has established and maintains remuneration policies, procedures and practices that are consistent with and promote effective risk management and prevent exposure to excessive risk.

Due to the size, nature and complexity of the Firm, Fasanara does not have a Remuneration Committee and does not employ external consultants to determine the Remuneration Policy.

The Remuneration policy for the Firm is decided by a shareholder's agreement and ratified by the board.

The Firm discloses remuneration in the annual financial statements.

May 2021



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