Marble Bar Asset Management LLP (“the LLP”) Pillar 3 Disclosure as at 31 December 2021

Marble Bar Asset Management LLP

Overview

The 2006 European Capital Requirements Directive (the "Directive") created a revised regulatory capital framework across Europe based on the provisions of the Basel 2 accord. It sets out the amount and nature of capital which an investment management firm must maintain. The Directive was implemented in the UK by the FCA through its handbook of rules and guidance, specifically through the General Prudential Sourcebook ("GENPRU") and the Prudential sourcebook for Banks, Building Societies and Investment Firms ("BIPRU").

The framework consists of 3 "pillars":

- "Pillar 1" sets out the minimum capital amount that the firm is required to meet for credit, market and operational risk.
- "Pillar 2" requires both the firm and the FCA to consider whether the firm's capital is adequate to meet its risks that are not covered by "Pillar 1". The details of which are captured by the Internal Capital Adequacy Assessment Process (“ICAAP”).
- "Pillar 3" requires the firm to publish certain details of the firm’s risk, capital and risk management processes.

This statement is designed to meet the LLP's Pillar 3 obligations set out in BIPRU 11 by setting out the LLP's risk management objectives and policies in order that market participants are able to assess information on the risks facing the firm, its capital resources and risk management procedures. Future disclosures will be issued no less than annually.

The following disclosures apply solely to the LLP, they do not apply to any other related management company or to any of the funds which are managed by the LLP, which are exposed to different risks.

Scope of disclosure

The LLP is authorised and regulated by the FCA in the conduct of its investment management business in the UK. It is categorised as a CPMI firm, a firm that undertakes external collective portfolio management of AIFs, UCITS or both and provides MiFID services (as permitted by AIFMD and/or the UCITS Directive). Its FCA Part IV permission does not allow it to hold client money. The LLP reports on an unconsolidated, solo entity basis.

Frequency and location of disclosure

Future disclosures will be issued on an annual basis and will be available on the LLP’s website.

Preparation and Verification

These disclosures explain the basis of preparation of certain capital requirements and provide information about the management of certain risks. They do not constitute any form of audited financial statement and produced solely for the purpose of pillar 3.

Materiality

The firm regards information as material in disclosures of its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of relying on that information for the purpose of making economic decision. If the firm deems a certain disclosure to be immaterial, it may be omitted from this statement.

Risk management

As an alternative investment manager, the LLP is mainly exposed to operational and business risk; however there is additional exposure to market and credit risk. All of these risks are regarded as typical for a business engaged in this activity. The COO, who is independent of the investment activity and reports directly to the CEO, oversees the risk exposures of the business and is supported by an experienced financial and compliance team.

Central to the operations of the LLP are policies and procedures that govern, oversee and supervise the breadth of the business. Linked to these are a series of meetings and reports of varying frequencies that keep senior management fully briefed. As a result they are actively involved in all areas of the business and in identifying the risks faced. Further information on the key risk exposures are set out below.

Operational risk

Operational risk is the main focus of management attention and covers the whole range of exposures, including the risk of clerical errors, the failure of internal processes, systems and personnel, the impact of financial cybercrime and external events including legal risk. The controls, procedures and staff training undertaken are based upon a strong control environment designed to mitigate risk to acceptable levels in accordance with the risk appetite of the LLP, and are designed to cover all areas of operation. The bespoke IT system has controls built in and produces daily reports of activity, exposures and, if relevant, breaches. The control environment is overseen by an experienced team comprising of the Finance Director, the COO, the CEO and the Compliance Officer who understand the specific business and wider industry landscape. Disaster Recovery ("DR") procedures and a DR site with backup servers are in place and are regularly tested. Loss of key staff is mitigated through incentivisation, long notice periods and overlap of roles in key functions. Any new appointed representatives have due diligence carried out before they are allowed on to the MBAM platform with legal and tax advice sought in order to ensure appropriate agreements are put in place to govern their activity. The LLP maintains insurance designed to cover many of the operational risks that it has identified.

Business risk

The principal business risk for the LLP is a substantial and sustained reduction in the assets of the funds which it manages, caused by adverse market conditions or investor redemptions, resulting in a loss of fee income. As an investment manager the reputation of the LLP is paramount, both in terms of its performance as well as the way in which it conducts its business. Marketing and client relationship activities are carried out internally and via agreements with various third parties. Stress testing and scenario testing is undertaken in order to assess and evaluate the ongoing impact of the various key business risks.

Market and credit risk

The primary market risk affecting the LLP is the risk of fluctuating exchange rates. The LLP's income is mainly in USD but its expenses are split between USD and GBP. The primary risk is therefore on the movement of GBP against the USD. The LLP actively monitors FX exposures and uses foreign exchange forward contracts when there is deemed a requirement to hedge FX exposure.

Credit risk is the risk of any of its debtors or other counterparties defaulting. The LLP's principal debtors are the funds themselves, other related parties and HMRC in respect of VAT; otherwise the main banking counterparty is Coutts and Co. The LLP is comfortable with its current level of credit risk.

Cybersecurity / financial crime risk:

The LLP conducts periodic assessments of potential cybersecurity threats, maintains a strategy designed to prevent, detect and respond to them, inclusive of controlling access to various systems, data encryption, backup and retrieval.

Capital resources

Pillar 1 / 2 Capital requirements

The LLP computes its capital resources on an unconsolidated basis. They comprise Tier 1 capital with deductions for fixed assets and overdrawn current accounts. The business has calculated its capital needs in accordance with the relevant FCA regulations for base capital requirements, credit risk, market risk and the fixed overhead requirements. The final level of required Tier 1 capital is calculated as being $2.9m, being the fixed overhead requirement. The LLP assesses the adequacy of its internal capital to support current and future activities in the ICAAP. This process includes an assessment of the specific risks to the business and the internal controls in place to mitigate those risks. These are tested under different scenarios and an assessment is then made of the capital required by the business.

The required capital level has been assessed in accordance with Pillar 1 and Pillar 2 to be $3.8m.

Capital Items	$'000
Pillar1 / 2 Capital Requirements	
Total Tier 1 Capital after deductions	4,877
Pillar 1 Requirement	2,892
Pillar 2 Requirement	884
Total Capital Required	3,776
Capital in excess of Requirement	1,101

AIFMD

As a full scope UK Alternative Investment Fund Manager (AIFM) categorised as a collective portfolio management investment firm (CPMI firm) IPRU (INV) Chapter 11 requires the LLP to maintain at all times 'own funds' which equal or exceed the higher of:

- the funds under management requirement (€125,000 plus 0.02% of the amount by which funds under management exceed €250m); or
- an own funds amount based on fixed overheads

plus, whichever is applicable of the professional negligence capital requirement or 'the PII capital requirement'.

The LLP calculates its PII capital requirement based on the excess for professional liability risk in its professional indemnity insurance policy of $35,000.

Own funds capital requirements calculated on the above basis is $2.9m. As a CPMI, the LLP is also obliged to hold liquid assets which exceed this sum.

Capital Items	$'000
Own Funds Test	
Own funds held	4,877
Pillar 1 requirement	2,892
Surplus	1,985
Liquid Assets Test	
Liquid assets held	14,683
Liquid assets requirement	2,927
Surplus of liquid assets	11,756

At the present time, based on the LLP's analysis of risks faced by the business and the capital required to be set aside for those risks, the LLP is adequately capitalised

Remuneration

The LLP has adopted a remuneration policy that complies with the requirements the FCA's Senior Management Arrangements, Systems and Controls Sourcebook ("SYSC"), and most notably chapter SYSC 19B that sets out the AIFM Remuneration Code and related guidance on proportionality.

Taking account of the AIFMD guidelines on proportionality, the LLP has concluded that, on the basis of its size and the nature, scale and complexity of its legal structure and business, it does not need to appoint a distinct remuneration committee. Instead, the senior management of the LLP sets and oversees compliance with the LLP's remuneration policy, including reviewing the terms of the policy on at least an annual basis.

The LLP currently sets the variable remuneration of its staff in a manner which takes into account individual performance, performance of the individual's business unit and the overall results of the LLP. The LLP's remuneration system includes a deferral mechanism for variable remuneration paid to staff falling into the 'Risk Taker' categorisation other than those appointed under a secondment agreement. Variable remuneration is directly linked to the performance of the funds under management with a high watermark model being adopted to ensure alignment of interests.

The LLP only has one "business area", which is its investment management business. 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 aggregate cash remuneration awarded to the LLP's staff who have a material impact on the risk profile of the LLP during the financial year ending on 31 December 2021 is noted below: ($000)	Senior Management	Other members of staff whose actions have a material impact on the risk profile of the LLP	Total
Total remuneration	1,418	3334	4,752
Fixed remuneration	958	1,779	2,737
Variable remuneration	460	1,555	2,015