



Fosse Capital Partners LLP (“the Firm”)

Pillar 3 and Remuneration Disclosure

August 2019

1. PILLAR 3 DISCLOSURE

The Firm is authorised and regulated by the Financial Conduct Authority (the “FCA”). The Firm is a UK domiciled discretionary investment manager to professional clients and unregulated collective investment schemes. The Firm is a full scope Alternative Investment Fund Manager (“AIFM”) and categorised as a Collective Portfolio Management Investment firm by the FCA for capital purposes. The Firm reports on a solo basis. The Firm’s Pillar 3 disclosure fulfils the Firm’s obligation to disclose to market participants’ key information on a firm’s capital, risk exposures and risk assessment processes.

We are permitted to omit required disclosures if we believe that the information is immaterial i.e. where 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. 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 omitted certain data on the grounds of materiality.

2. RISK MANAGEMENT

The Firm’s Governing Body, which includes the Chief Risk Officer / Chief Operating Officer / Chief Compliance Officer, determine its business strategy and the level of risk acceptable to the Firm. They have designed and implemented a risk management framework that recognises the risks that the business faces and how those risks may be monitored and mitigated and assess on an ongoing basis. The Firm has in place controls and procedures necessary to manage those risks.

The Firm considers the following as risks to the business:

Market Risk – the Firm does not operate a trading book and therefore the Firm’s market risk relates to fluctuations in foreign exchange;

Credit Risk – this relates to the extent the Firm may suffer a financial loss due to failure of one of the Firm’s counterparties, the only significant credit risk for the Firm is failure of the clients to pay fees due;

Operational Risk – this is defined by the FCA as ‘the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk’; and

Business Risk – the Firm considers this to be any risk arising from changes in the Firm’s business and includes risks to earnings posed by falling or volatile income, risks relating to the Firm’s business strategy and model and risks arising from the Firm’s remuneration policy.

3. REGULATORY CAPITAL

The Firm is a Limited Liability Partnership. Its capital comprises £670,000 in members’ capital in accordance with the LLP Agreement.

As at the date of this disclosure the Firm’s regulatory capital position is:

Capital Item	£’000
Tier 1 capital	£670
Total capital resources, net of deductions	£670



4. PILLAR 1 CAPITAL REQUIREMENT

The Firm is subject to quantitative rules-based capital adequacy calculations which set out the minimum capital requirements for the Firm. This is called the Pillar 1 capital requirement.

Pillar 1 capital is the higher of:

1. the base capital requirement of €125,000;
2. the sum of market and credit risk requirements; and
3. the Fixed Overhead Requirement (“FOR”).

In addition the Firm, on account of its classification as a full-scope AIFM, is subject to a parallel “own funds” requirement as follows:

The higher of:

1. the funds under management requirement, subject to a minimum of €125,000; and
2. the own funds based on fixed overheads requirement;

Plus whichever is applicable of:

- a. the professional negligence capital requirement; or
- b. the PII capital requirement.

Although the foregoing “own funds” requirement is not a component of the “Three Pillars” regime, it is likely that the Firm’s “own funds” requirement will exceed its Pillar 1 requirement.

It is the Firm’s experience that its Pillar 1 capital requirement normally consists of the FOR / base capital requirement.

The Firm’s market risk is limited to foreign exchange risk on accounts receivable in a foreign currency. The Firm applies a standardised approach to credit risk, applying 8% to the Firm risk weighted exposure amounts, consisting mainly of investment management and performance fees due but not paid, and cash balances held at top tier banks. Furthermore, the market and credit risks component excludes such risks related to the management of alternative investment funds.

5. PILLAR 2 CAPITAL REQUIREMENT

Pillar 2 capital is calculated by the Firm as representing any additional capital to be maintained against any risks not adequately covered under the requirement in Pillar 1 as part of its Internal Capital Adequacy Assessment Process (“ICAAP”).

The Firm’s ICAAP assesses the adequacy of its internal capital to support current and future activities. This process includes an assessment of the specific risks to the Firm, the internal controls in place to mitigate those risks and an assessment of whether additional capital mitigates those risks. The Firm also considers a wind down scenario to assess the capital required to cease regulated activities.

When making this calculation, the Firm also takes into account the own funds requirement detailed above, in particular where the own funds exceeds Pillar 1 capital (and the extent to which the Firm is able to use capital instruments to fulfil both requirements).

Having performed the ICAAP, the Firm has concluded that no additional capital is required in excess of its Pillar 1/own funds capital requirement.

The Firm’s ICAAP is formally reviewed by the Governing Body annually but is reviewed and revised more frequently should there be any material changes to the Firm’s business or risk profile.

6. REMUNERATION

Given the nature and small size of our business, remuneration for all employees is set by the Governing Body of the Firm. The Firm formally reviews the performance of all employees and based thereon determines each employee’s overall level of remuneration and the split of that between base salary, bonus, etc. in compliance with the FCA Rules on remuneration.



We may omit required quantitative disclosures in relation to remuneration where we believe that the information could be regarded as prejudicial to our adherence to the EU General Data Protection Regulation ((EU) 2016/679) on the protection on natural persons with regard to the processing of personal data and on the free movement of such data.

Due to the size of the Firm and limited number of “Code Staff”, quantitative disclosures in relation to remuneration have not been included.

The Firm is subject to the AIFMD Remuneration Code (“the Code”), has applied proportionality and, pursuant to this application and where relevant, has disapplied various provisions of the Code.