

Fair Oaks Capital Limited

Pillar 3 Disclosure

Disclosure policy

The Pillar 3 disclosure of Fair Oaks Capital Limited (“Fair Oaks”) is set out below as required by the Financial Conduct Authority’s (“FCA”) Prudential Sourcebook for Banks, Building Societies and Investment Firms (“BIPRU”), specifically BIPRU 11. The regulatory aim of the disclosure is to improve market discipline.

Fair Oaks makes Pillar 3 disclosures annually, via its audited financial statements. The information contained in this disclosure is accurate as at the 30 November 2017. It has not been audited by Fair Oaks’ external auditors and does not constitute any form of financial statement.

Certain information relating to BIPRU 11.5 may be omitted on the basis that it has been deemed to be immaterial or confidential. The Firm regards information as material in the disclosure if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.

The Firm regards information as proprietary/confidential if sharing that information with the public would undermine its competitive position. Proprietary/confidential information may include information on products or systems which, if shared with competitors, would render the Firm’s investments therein less valuable. Further, the Firm must regard information as confidential if there are obligations to customers or other counterparty relationships binding the Firm to confidentiality.

Introduction

The Firm is authorised and regulated by the FCA and as such is subject to minimum regulatory capital requirements. The Firm is categorised by the FCA, for prudential purposes, as a BIPRU firm. It is authorised by the FCA as a sub-threshold alternative investment fund manager (“sub-threshold AIFM”) and performs activities comprising investment management of segregated accounts and funds and the provision of investment advisory services. Fair Oaks does not conduct proprietary trading and thus has no trading book exposures. Fair Oaks is not required to prepare consolidated reporting for prudential purposes.

As a BIPRU firm, Fair Oaks has adopted the standardised approach for the Pillar 1 regulatory capital calculation of credit risk.

The Pillar 1 capital requirement for a BIPRU firm is calculated as the higher of the:

- Fixed Overhead Requirement (“FOR”),
- the sum of market and credit risk requirements or
- the base capital requirement of €50,000.

The Firm has deemed the FOR to be the higher and this is therefore used as the driver for the Firm’s minimum capital requirement under the Pillar 1 calculation.

As Fair Oaks does not deal as a principal and holds no current assets other than cash, in sterling or foreign currencies, the Firm's non-trading book market risk requirement is the Foreign Currency Position Risk Requirement. This is typically 8% of the sterling equivalent (calculated at the spot rate) of the open foreign currency position.

Capital resources

The main features of the Firm's Capital Resources, as at 30 November 2017, were as follows:

Capital Item	£'000s
Tier 1 capital	608
Tier 2 capital	0
<i>Deductions from total of Tier 1 and Tier 2 capital:</i>	
Material holdings	(33)
Tier 3 capital	0
Total capital resources, net of deductions	575

Risk management objectives and policies

Due to the nature, size and complexity of the Firm, Fair Oaks does not have an independent risk management function. The Board is responsible for the management of risk within the Firm and their individual responsibilities are clearly defined. The relevant internal personnel report to the Firm's Board on a frequent basis regarding applicable risks. Fair Oaks has clearly documented policies and procedures, which are designed to minimise risks to the Firm and all staff are required to confirm that they have read and understood them.

Fair Oaks undertakes an Internal Capital Adequacy Assessment Process ("ICAAP"), at least annually, which is the process through which Fair Oaks determines that it is able to identify and manage its key risks on an on going basis and that it has sufficient capital in respect of such risks. The process is forward looking and is an integral part of the management of the Firm.

The ICAAP identifies the major sources of risk to the regulated entity, how the Firm intends to deal with those risks and details of the stress tests and scenario analyses carried out and the resulting financial resources estimated to be required. Fair Oaks also carries out regular assessments of the types and distribution of financial resources, capital resources and internal capital, which are documented in the ICAAP.

As a result of the ICAAP process, the Firm Identified operational risk and business risk as the material risks to the Firm's business. The Firm's analysis led it to the conclusion that these risks are appropriately mitigated. If necessary, the Firm would allocate extra capital to the relevant risk, but this has not been deemed necessary. The Firm has concluded that its Tier 1 capital is sufficient to cover its Pillar 1 and Pillar 2 requirements.

Remuneration

Fair Oaks must comply with the FCA's Remuneration Code ("the Code"). The purpose of the Code is to ensure that firms have risk focused remuneration policies, which are consistent with and promote effective risk management and do not expose themselves to excessive risk.

Fair Oaks' Board is responsible for setting the Remuneration Policy Statement for all staff.

The Code can be applied in a proportionate way and Fair Oaks has taken into account FCA guidance on proportionality in developing its remuneration policy and procedures. As such, the Firm's Board has determined that the following rules are not proportionate to Fair Oaks and have not implemented the associated requirements:

- *SYSC 19C.3.47 – Retained shares and other instruments;*
- *SYSC 19C.3.49 – Deferral; and*
- *SYSC 19C.3.51, 19C.3.52 – Performance adjustment*

Variable remuneration at Fair Oaks is not based solely on the quantitative, investment-related performance of relevant individuals. Fair Oaks' Board also considers the individuals overall (non-financial) performance to the whole team and the overall financial results and capital position of the firm. The performance of the individual is assessed over the entire year.

Quantitative information

The Firm has one "business area", being its investment management and advisory business. All of the Firm's Code Staff fall into the "senior management" category, since it does not have any Code Staff that are risk takers whom are not also senior managers. The aggregate remuneration awarded to the Firm's Code Staff during the financial year ended on 30 November 2017 in respect of the 2017 performance year was £715,483.