

# **TRAFALGAR CAPITAL MANAGEMENT (UK) LLP**

## **Pillar 3 disclosure under Pillar 3 of Capital Requirements Directive: March 2012**

The Pillar 3 disclosure will be kept at the firm's registered office and sent to whosoever requests it.

The Partner's report states once a year "The firm has documented the disclosures required by the FSA under BIPRU 11.3, which are available from the registered office."

### **Background**

Trafalgar Capital Management (UK) LLP ("the Firm") is authorised and regulated by the Financial Services Authority and is categorised as a BIPRU Limited Licence Firm for regulatory purposes. The disclosure has been prepared by the firm in accordance with BIPRU 11 and summarises the material disclosures the firm is required to make under Pillar 3 of the Capital Requirements Directive.

### **Risk management objectives and policies**

The business strategy and risk appetite are determined by the Partners. Based on this, a risk management framework, geared to the specific risks that are applicable to the firm, is devised and put into practice.

The Firm's main categories of risk and its management objectives and policies for these categories are as follows:

<b>RISK</b>	<b>STRATEGY/ PROCESS TO MANAGE RISK</b>	<b>STRUCTURE OF RISK MANAGEMENT FUNCTION</b>	<b>RISK REPORTING AND MANAGEMENT SYSTEMS</b>	<b>POLICY FOR HEDGING AND MITIGATING RISK</b>
<b><i>Operational risk</i></b>	All of the firm's procedures are documented in its compliance manual which is read by all key staff.	The firm is small and has a simple operating infrastructure. Compliance is overseen by the Compliance Officer.	Report to the board compiled quarterly by the Compliance Officer and discussed at meetings of the partners.	The opportunity to mitigate operational risk is reviewed regularly by the partners.
<b><i>Business risk</i></b>	The firm's risk appetite and its willingness to accept business risk are defined by its partners	The risk management function is overseen by the partners.	Business risk is discussed at regular board meetings.	Business strategy is managed and updated on a day to day basis by the firm's partners.

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<i><b>Credit risk</b></i>	No credit is extended to clients.	A list of the firm's exposures to counterparties is maintained as part of the accounting function.	Monthly management accounts detail the firm's exposure to credit risk.	Management fees are collected within one month.
<i><b>Market risk</b></i>	The main market risk relates to the Firm's monthly management fees which are denominated in dollars.	Risk is monitored as part of accounting function.	Monthly management accounts reviewed regularly by directors.	Foreign currency hedges are entered into when deemed appropriate.
<i><b>Financial risk</b></i>	The risk of firm breaching regulatory capital requirements or falling short of its cash flow obligations is monitored as part of accounting function.	Reviewed by partners. Where necessary external advice is sought from compliance consultants and or accountants.	Internal reporting to the partnership is on a monthly basis. Regulatory reporting to the FSA is on a quarterly basis.	Potential deficits are identified at an early stage and further capital/loans injected as necessary.

### **Capital Resources**

The firm is a BIPRU Limited Licence Firm and has calculated its capital resources in accordance with GENPRU 2.2. The firm's capital resources are detailed in the table below.

	<i>£000</i>
<i>Tier 1 capital resources (y/e 31/03)</i>	980
<i>Tier 2 capital resources</i>	0
<i>Tier 3</i>	0
<i>Deductions from total capital e.g. illiquid assets</i>	(26)
<b><i>Total capital resources</i></b>	<b>954</b>

## **Capital Resource Requirements**

The Firm's Pillar 1 requirement is calculated as the higher of:

1. The Base Capital Requirement (€50k)
2. The sum of :
  - The credit risk capital requirement (0); and
  - The market risk capital requirement £49k.
3. The Fixed Overheads Requirement £255k

In the opinion of the directors the higher of these three is always likely to be the Fixed Overhead Requirement and therefore none of the Base Capital Requirement, the Credit Risk Capital Requirement or the Market Risk Capital Requirement are material to the Firm.

### **Pillar 1**

As at the date of this report the Firm has a surplus of capital resources over its Pillar 1 capital resources requirement.

### **Pillar 2**

The Firm has undertaken an Internal Capital Adequacy Assessment Process (ICAAP) to determine whether it needs any further regulatory capital due to the operational, business, credit and market risks it faces.

As a result of this the Firm has concluded that it does not need any further regulatory capital to meet its requirements under Pillar 2.