

**Pillar 3 Disclosure**  
**Patronus Partners Limited**

**Principal activities and review of the business**

The principal activities of Patronus Partners Limited ('Patronus' or 'Firm') are that of providing advisory stockbroking and investment management services.

**Pillar 3 Disclosures**

The Firm is authorised and regulated by the UK Financial Conduct Authority ("FCA").

Patronus, in common with most investment managers is a BIPRU firm under the rules of the FCA. BIPRU firms are subject to the European Capital Adequacy Directive ("CRD"). BIPRU firms are effectively subject to CRD III and are not subject to the rules of CRD IV which were implemented on 1 January 2014.

These disclosures are made in accordance with the rules of the FCA as set out in Section 11 of the Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU").

The information contained in this disclosure is not required to be and has not been audited.

The prudential framework for BIPRU firms consists of three pillars:

- Pillar 1 sets out the minimum capital requirements for the investment manager;
- Pillar 2 deals with the Internal Capital Adequacy Assessment Process ("ICAAP") which is a document produced by Patronus that assesses the risks faced by the Patronus, the controls on those risks and the capital required to sustain such risks;
- Pillar 3 requires the investment manager to publish its objectives and policies in relation to risk management, and information on its risk exposures and capital resources.

The disclosures below apply solely to the Patronus. The disclosures do not cover any funds that may be managed by the Patronus which are exposed to different risks.

**Background to the Patronus**

The Patronus is an investment manager based in London.

Under the FCA rules the Patronus is classified as a BIPRU 50k firm. This means that the Patronus' capital requirement under Pillar 1 is the higher of:

- i. a base capital requirement of €50,000.
- ii. a fixed overhead requirement which is one quarter of the relevant fixed expenditure for the previous financial year.
- iii. the sum of the credit risk and market risk capital requirements as calculated under FCA rules.

As required by FCA rules Patronus undertook an 'Internal Capital Adequacy Assessment Process' ("ICAAP") prior to its FCA authorisation. The ICAAP will then be reviewed annually or whenever there is a material change to the business, whichever is sooner. The most recent ICAAP review was undertaken during the FCA authorisation process in April 2015. The ICAAP process considered the

risks that Patronus is exposed to, and the controls that exist to mitigate those risks. It further considered whether additional capital was required to meet the risks that Patronus faces including, as required by the FCA rules, the potential cost of closing Patronus down in the unlikely event that such action was necessary. The ICAAP process identified that no additional capital was required in order to provide sufficient capital to cover the worst case risks that the firm is exposed to.

Due to the nature of Patronus' business the sum of the credit risk and market risk capital requirements is always expected to be significantly below the fixed overhead requirement.

### **Governance & Risk Management**

Day to day oversight for the operation and risks is undertaken by the Patronus' Board of Directors.

Patronus is an adviser and manager and does not risk its own capital in the financial markets. The Firm does not have regulatory permission to take proprietary trading risk and does not take such risk. Accordingly the risks that Patronus faces are more limited in scope than for other types of regulated firms. The risks and controls detailed below are, in accordance with the BIPRU rules, risks that Patronus faces in respect of its own activities. The risk management processes and controls for monies managed by the Firm are not part of these disclosures.

### **Capital**

The firm's capital is in the form of Patronus' initial capital and its retained earnings. The amounts disclosed as shareholder capital in these Pillar 3 disclosures meet the criteria for eligibility of shareholder capital under the rules of the FCA GENPRU 2.2.94.

### **Approach to risk**

Patronus has identified and performed an assessment of the key risks that may impact its business. The Firm is an advisory investment manager and does not undertake proprietary trading. The material risks to Patronus largely fall within the "Business Risk" and "Operational Risk" categories.

#### Market risk

For the purposes of these disclosures, market risk is the risk value of, or income arising from Patronus' assets and liabilities varying as a result of changes in the market price of financial assets, changes in exchange rates or changes in interest rates.

The Firm does not take proprietary trading risk. Patronus' risk management activities are on behalf of clients and Patronus' own money is not at risk. The only market risks that Patronus faces are risks related to the short term investment of surplus cash belonging to Patronus and currency risk.

For capital adequacy purposes, in accordance with the rules, Patronus monitors its current exposure. The Firm also consider potential future exposures as part of its overall risk monitoring.

#### Credit risk

Credit risk refers to the potential risk that Patronus' bankers, customers or the persons with whom the Firm has invested monies, fail to meet their obligations as they fall due.

Patronus has credit risk on fees earned but not received. The Firm has appropriate policies to monitor this exposure.

The Patronus has credit exposure to its bankers and monitors this risk regularly.

#### Liquidity risk

Patronus' liquidity policy is to maintain sufficient liquid resources to cover cash flow imbalances and fluctuations in fees received/receivable. The Firm maintains cash balances at its bank to cover liquidity risk.

#### Operational risk

Operational risk is the risk of loss arising from failed or inadequate internal processes or systems, human error or other factors. The risk is managed by the Board who have responsibility for putting in place appropriate controls for the business. The firm documents the risks that it is exposed to and the compensating controls in its ICAAP.

#### Business risk

Business risk is the risk that Patronus may not be able to carry out its business plan and could therefore suffer losses if its income falls. This is a risk that all businesses face. The Board continuously monitor income and expenditure levels and adjust their plans accordingly.

#### Concentration risk

Concentration risk is the risk that Patronus is overly dependent upon any one customer or any one group of connected customers either in terms of income dependency or in terms of credit risk. The Firm is satisfied that it does not have a concentration risk.

#### Pension obligation risk

Patronus has no defined benefit schemes and thus has no pension obligation risk.

#### Residual risk

Residual risk is any risk not covered by the specific risk categories outlined above.

The Firm does not consider that there are any residual risks that require Patronus to maintain any additional capital.

### **Remuneration disclosures**

Under the Remuneration Code (the "Remuneration Code"), Patronus, as is standard for an investment management firm, is classified as a Proportionality Level three firm. Proportionality Level Three firms are permitted to disapply many of the technical requirements of the Remuneration Code and proportionately apply the Remuneration Code's rules and principles in establishing the Firm's policy.

As at FCA authorisation Patronus had 3 Code Staff.

### **The Decision Making Process**

Patronus has concluded that, on the basis of its size, the nature, scale and complexity of its legal structure and business and the nature of the risks that it takes on behalf of clients, it does not need to appoint a remuneration committee. The Firm feels that its Remuneration Policy appropriately addresses potential conflicts of interest and that Patronus' authorised persons are not rewarded for taking inappropriate levels of risk. The policy will be reviewed at least annually and will be amended, as and when required due to changes in regulation as well as the Firm's own decision making process.

### **The link between pay and performance**

Patronus sets the variable remuneration of its Code Staff primarily based on performance of the individuals, however adjustments may be made depending on the overall performance of the Firm. This policy is consistent with the way in which Patronus generates its income.

### **Quantitative Remuneration Data**

As Patronus has only one business area, all Code Staff are deemed to be members of senior management. The Firm are in their first year of operation so therefore the total amounts paid as profit shares to Code Staff cannot be determined and disclosed at this time.

This Pillar 3 Disclosure will be updated in due course.