



PILLAR 3 RISK DISCLOSURE

Introduction

The Capital Requirements Directive ('the Directive') of the European Union establishes a revised regulatory capital framework across Europe governing the amount and nature of capital credit institutions and investment firms must maintain.

In the United Kingdom, the Directive has been implemented by the Financial Conduct Authority ('FCA') in its regulations through the General Prudential Sourcebook ('GENPRU') and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU').

The FCA framework consists of three 'Pillars':

- Pillar 1 sets out the minimum capital amount that meets the firm's credit, market and operational risk;
- Pillar 2 requires the firm to assess whether its Pillar 1 capital is adequate to meet its risks and is subject to annual review by the FCA; and
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position.

The rules in BIPRU 11 set out the provision for Pillar 3 disclosure. This document is designed to meet our Pillar 3 obligations.

We are permitted to omit required disclosures if we believe that the information is immaterial such that omission would be likely 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. In our view, 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.

Scope and application of the requirements

Mason Capital Europe LLP ("the Firm") is authorised and regulated by the FCA and as such is subject to minimum regulatory capital requirements. The Firm is categorised as a limited licence firm by the FCA for capital purposes. It is an investment management firm and as such has no trading book exposures nor does it hold any securities for itself.

The Firm is not a member of a group and so is not required to prepare consolidated reporting for prudential purposes. We foresee no impediments to prompt transfer of capital between entities



should the need arise and there are no differences in the basis of consolidation for accounting and prudential purposes.

Risk management

The Firm is governed by its members (“Principals”) who determine its business strategy and risk appetite. They are also responsible for establishing and maintaining the Firm’s governance arrangements along with designing and implementing a risk management framework that recognises the risks that the business faces. The Firm’s Chief Compliance Officer is the Firm’s leader in identifying, monitoring, and managing risks within the business.

The Chief Compliance Officer and her department (“Compliance”) also determine how the risk our business faces may be mitigated and assessed on an on-going basis the arrangements to manage those risks. Compliance manages the Firm’s risks business through a framework of policy and procedures having regard to relevant laws, standards, principles and rules (including FCA principles and rules) with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required, and Compliance provides regular updates to the Firm’s Principals with respect to material risks and controls.

The Firm’s Principals have identified that business, operational, market and credit risks are the main areas of risk to which the Firm is exposed. Annually the Firm formally reviews risks, controls and other risk mitigation arrangements and assess their effectiveness. Where the Principals identify material risks they consider the financial impact of these risks as part of our business planning and capital management and conclude whether the amount of regulatory capital is adequate.

Regulatory capital

The Firm is a Limited Liability Partnership and its capital arrangements are established in its Partnership deed.

As mentioned, our Firm is small with a simple operational infrastructure. Its market risk is limited to foreign exchange risk on its accounts receivable in foreign currency, and credit risk from advisory fees receivable from its parent company. The Firm follows the standardised approach to market risk and the simplified standard approach to credit risk. The Firm is subject to the Fixed Overhead Requirement and is not required to calculate an operational risk capital charge though it considers this as part of its process to identify the level of risk based capital required.

As discussed above the firm is a limited licence firm and as such its capital requirements are the greater of:

- Its base capital requirement of €50,000; or
- The sum of its market and credit risk requirements; or
- Its Fixed Overhead Requirement.

We have not identified credit risk exposure classes or the minimum capital requirements for market risk as we believe that they are immaterial. It is the Firm’s experience that the fixed overhead requirement is the greatest and therefore establishes its minimum capital requirement of £225,000.



The approach of the business to assessing the adequacy of its internal capital to support current and future activities is contained in the Internal Capital Adequacy Assessment Process. The fixed overhead requirement under Pillar 1 is deemed by the Firm to be sufficient capital to meet its current needs. All known risks, including operational risks, have been assessed. No additional capital is currently required.

The main features of the Firm's capital resources for regulatory purposes are as follows (all figures represented in GBP):

| Capital Adequacy as of 31 December 2015 | | | |
|--|---------|---------|-----------|
| Pillar 1 Capital (greatest of the following) | | | |
| -BIPRU Base Capital | 42,000 | | |
| -Fixed Overhead Requirement | 192,000 | | |
| -Sum of Credit & Market Risk | | | |
| Final Pillar 1 Capital Requirement | | 469,000 | |
| Additional Capital Required Under Pillar 2 | | | |
| -Operational Risk | | -- | |
| -Business Risk | | -- | |
| -Market Risk | | -- | |
| -Allowable Adjustments | | -- | |
| Additional Capital Required by Stress Test (if Greater Than Pillar Capital) | | -- | |
| ICAAP Requirements | | | 469,000 |
| Total Capital Resources, Net of Deductions | | | 2,008,000 |

Since the Capital Resources Requirement of the Firm is its Fixed Overhead Requirement and not the total of the credit risk and market risk requirements, disclosures relating to credit risk and market risk are considered to be immaterial in assessing the risk exposures assessment processes of the Firm.

Our ICAAP was prepared by Chief Compliance Officer Meredith Simmons in January 2015, and is reviewed with senior management annually each December.



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REMUNERATION CODE DISCLOSURE

(AS OF 31 DECEMBER 2016)

The Firm has adopted a remuneration policy that complies with the requirements of Chapter 19A of the FCA's Senior Management Arrangements, Systems and Controls Sourcebook ("SYSC"), as interpreted with the FCA's guidance publication entitled "General Guidance on Proportionality: The Remuneration Code (SYSC 19A) & Pillar 3 Disclosures on Remuneration (BIPRU 11)" and subsequent items of guidance issued by the FCA, including its document entitled "Frequently Asked Questions on the Remuneration Code."

As a limited licence firm, the Firm is identified for purposes of the Remuneration Code as a Tier 4 firm, and the Firm has therefore concluded – on the basis of its small size, simple legal structure, and the nature of its licenced business – that it does not need to appoint a remuneration committee. Instead, the Firm's Partners set, and oversee compliance with, the Firm's remuneration policy, reviewing the policy at least annually.

As of the accounting reference date (31 December 2015), the Firm sets the variable remuneration of its Code Staff in a manner which takes into account staff and firm performance by reference to individual employee performance, along with the Firm's overall results. As permitted for firms falling within Tier 4, the Firm takes into account the specific nature of its own activities (including the fee-based nature of its own revenues) in conducting any ex-ante risk adjustments to awards of variable remuneration and, given the nature of its business, has dis-applied the requirement under the Remuneration Code to make ex-post risk adjustments.

The Firm has only one "business area" and all of its Code Staff fall into the "senior management" category of Code Staff – none are classified as "risk takers" for Remuneration Code purposes, and one such member of staff is compensated by the parent company. The aggregate remuneration awarded to the Firm's Code Staff during the financial year ending on the accounting reference date was £603,000.