

PILLAR 3 DISCLOSURE

31 March 2018

Pillar 3 disclosure fulfils the obligation of Columbus Point LLP (“Columbus Point”) to publicly disclose key information on its capital, risk exposures and risk assessment, and remuneration arrangements in accordance with the FCA’s Prudential Sourcebook for Banks, Building Societies and Investment Firms (“BIPRU”), Chapter 11.

Columbus Point was incorporated as a limited liability partnership in England and Wales on 9 June 2017 and is authorised and regulated by the Financial Conduct Authority (the “FCA”) as a full scope Alternative Investment Fund Manager providing discretionary investment management services to alternative investment funds and segregated, managed accounts. Columbus Point is categorised by the FCA as a collective portfolio management investment firm (“CPMI”) and a BIPRU investment firm for regulatory capital purposes.

I. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Designated Members of Columbus Point determine its business strategy and risk appetite. They have designed and implemented a risk management framework that recognizes the risks that the business faces. The Designated Members also determine how those risks may be mitigated and assess on an ongoing basis the controls and procedures necessary to manage those risks. The Designated Members of Columbus Point (including the Compliance Officer) meet on a regular basis, generally monthly, to discuss projections for profitability, liquidity, regulatory capital, business planning and risk management.

As an investment manager, Columbus Point considers the following to represent the key risks to its business:

1. Corporate Governance Risks

In order to manage its business affairs effectively, Columbus Point operates internal arrangements including a proper organisational structure and well defined lines of responsibility for its staff; and the ability to oversee any outsourced functions and identify and manage conflicts of interests. The Designated Members, who are responsible for the day-to-day management of Columbus Point, are all experienced in their area of expertise and are closely involved with all aspects of the business.

2. Business & Market Risks

Columbus Point considers that its key resource is the quality and experience of its staff and therefore is exposed to the business risk inherent in staff turnover. This risk is mitigated as the founder (the “Chairman”) and key staff are all Members of Columbus Point so their interest is aligned with Columbus Point’s performance.

Columbus Point relies upon the investment performance of its client portfolios in order to retain business and generate revenue; consequently Columbus Point is exposed to the risk of obtaining and retaining investor subscriptions for the funds that it manages and client mandates. It is also exposed to a material decline in the value of client portfolios due to adverse market conditions. Columbus Point mitigates these risks by maintaining adequate levels of capital relative to its operating costs.

3. Operational Risks

Columbus Point is exposed to risks inherent in a possible failure of its operational controls resulting for example in trading errors or incorrect client valuations; failure or errors of a third party service provider, systems failures and cybersecurity threats. Columbus Point mitigates these risks through the ongoing review of its operational procedures, holding professional indemnity insurance (“PII”) and implementing business continuity arrangements and taking appropriate information security measures.

4. Legal and Reputational Risks

Columbus Point operates in regulated markets and is exposed to the potential risk of a material regulatory breach and/or market abuse. It aims to mitigate such risks through its compliance policies and procedures and ensuring that its staff are aware of their responsibilities in this respect. All investment decisions are taken by the Lead Portfolio Manager, an experienced investment manager. Columbus Point also holds PII which will mitigate, if not remove, legal risks arising.

5. Prudential and Credit Risks

Columbus Point is exposed to the risk of non-payment of management fees by its clients and counterparty exposure relating to Columbus Point’s trade debtors, bank accounts and exposure to any other debtors. Management fees are paid monthly and Columbus Point maintains appropriate cash levels to mitigate against a possible default by a client. Columbus Point banks with a large regulated UK bank. See II. Capital Resources below for Columbus Point’s approach to calculating its risk weighted exposures as part of its Pillar 1 calculation.

6. Liquidity Risks

Columbus Point is required to maintain sufficient levels of liquidity to ensure that it can meet its liabilities as they fall due. Columbus Point has a formal written Liquidity Risk Policy. Columbus Point maintains sufficient cash reserves to meet its working capital requirements in case of an unexpected shortfall. Debtors, where arising, are pursued to settle promptly and Columbus Point considers the risk of a cash flow deficit to be minimal. Cash positions are monitored by senior management monthly.

The above risks are assessed and mitigated as part of Columbus Point’s Internal Capital Adequacy Assessment Process (“ICAAP”).

II. CAPITAL RESOURCES

As a CPMI firm, Columbus Point is subject to both the regulatory capital regimes of the Alternative Investment Fund Managers Directive (“AIFMD”), in respect of its Alternative Investment Funds (“AIFs”), and relevant provisions applicable to investment firms contained in the Capital Requirement Directive (“CRD”), as amended.

Capital requirements arising from the Pillar 1 and Pillar 2 of the CRD are compared to any higher requirements arising from the AIFMD asset based and PII elements to derive the total regulatory capital required by Columbus Point.

Pillar 1 capital requirement is the greatest of:

1. a base capital requirement of Euro 50,000;
2. the sum of the Credit Requirement and Market Risk Requirements (“MRR”); and
3. the Fixed Overhead Requirement (“FOR”), representing a quarter of Columbus Point’s audited fixed annual expenditure.

Columbus Point applies a standardised approach to credit risk, applying 8% to Columbus Point’s risk weighted exposure amounts, consisting mainly of management fees due but not paid and bank balances. The Position Risk Requirement arising on Columbus Point’s foreign currency exposures, excluding assets attributable to its AIFs, constitutes Columbus Point’s MRR element.

Pillar 2 capital requirement is calculated by Columbus Point as representing any additional capital to be maintained against any risks not adequately covered under the requirement in Pillar 1 as part of its ICAAP. Based on its ICAAP, Columbus Point has assessed that no additional capital is required in excess of its Pillar 1 capital requirement.

As at the 31 March 2018 Columbus Point’s combined regulatory capital position is:

Capital item	£000
Tier 1 Capital: Partnership capital adjusted for reserves	679
Total Capital Requirement (FOR and PII capital requirement)	299

III. MANAGEMENT OF THE ICAAP

The approach of Columbus Point to assessing the adequacy of its internal capital to support current and future activities is contained in the ICAAP. This process includes an assessment of the specific risks to Columbus Point and the internal controls in place to mitigate those risks. Finally, an assessment is made of the probability of occurrence and the potential impact, in order to arrive at a level of required capital, as relevant.

Columbus Point’s ICAAP is formally reviewed by the Designated Members of Columbus Point annually or in the event of any material change to Columbus Point’s business or risk profile.

IV. THE REMUNERATION CODE

The aim of the Remuneration Code (the “Code”) is to ensure that firms have risk focussed remuneration policies which promote and are consistent with effective risk management, and do not expose firms to excessive risk.

Under the Code, Columbus Point is classified as a Proportionality Level 3 firm, the lowest risk category, as Columbus Point does not manage or trade proprietary positions, nor does it hold client money. This means that Columbus Point can dis-apply many of the technical requirements of the Code and proportionately apply the Code’s rules and principles.

In accordance with BIPRU 11 (Pillar 3), Columbus Point is required to disclose its remuneration policy and practices, as well as aggregate quantitative disclosure for staff whose actions are deemed to have a material impact on the firm’s risk, including senior management (“Code Staff”). The disclosure obligation

applicable to remuneration subject to the Code (“Remuneration”) includes all forms of fixed remuneration and variable remuneration but excludes return on partnership capital (equity).

1. Remuneration Policies

Columbus Point has established a Remuneration Policy which addresses potential conflicts of interest arising from remuneration arrangements by taking into account the controls in place to guard against Columbus Point’s authorised persons being rewarded for taking inappropriate levels of risk. Columbus Point is satisfied that the policies in place are appropriate to its size, internal organization and the nature, scope and complexity of its activities.

2. The Decision Making Process

The Chairman determines the initial Share of Profits percentage for new Members, subject to the oversight of the Designated Members, including the Compliance Officer, as the governing body. Subsequent changes to the percentage Share of Profits and drawings, are made by the Designated Members, subject to the agreement of the Chairman. The Compliance Officer is tasked with oversight of the overall remuneration arrangements to ensure that they are consistent with Columbus Point’s level of tolerated risk and the Code.

3. Code Staff and Senior Management

From 1 November 2017, the date of FCA authorisation of Columbus Point, to the end of its financial year ending 31 March 2018, Columbus Point had a total of 4 Code Staff all of whom are Designated Members and senior managers, as defined in the Code.

4. Link between Pay and Performance

Partnership Code Staff, all Designated Members, are eligible to receive a Share of Profits in respect of each financial year pro rata to their Current Profits Percentage. Members may also receive monthly drawings in anticipation of a Member’s Share of Profits for the relevant financial year, and any further interim drawings, as agreed by the Designated Members, with the Chairman’s consent. The Designated Members are to determine how Partnership losses arising are to be allocated between Members, with a rebuttable presumption that allocation will be pro rata to a Member’s partnership capital interest.

The remuneration arrangements ensure that the long term interests of Code Staff are aligned with the overall profitability of Columbus Point and are not directly tied to individual financial metrics or the performance of any client portfolio. Due to the size, nature and complexity of Columbus Point’s business (including operating a single investment strategy and the fact that it does not charge any performance fees to its clients) relevant Code Staff do not earn variable Remuneration attributable to any single client.

4. Quantitative Remuneration Data

For Columbus Point’s financial year ended 31 March 2018 Code Staff received no Remuneration subject to the Code.

Updated: 14 May 2018