BANOR
CAPITAL LTD

PILLAR 3 DISCLOSURE

31 DECEMBER 2019

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RISK MANAGEMENT AND CAPITAL ADEQUACY

INTRODUCTION

The Capital Requirements Directive ('CRD') and Alternative Investment Fund Management Directive ('AIFMD') of the European Union established 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 CRD and AIFMD 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 Interim Prudential Sourcebook for Investment Business ("IPRU (INV)").

The CRD of three 'Pillars':

- Pillar 1 sets out the minimum capital amount that meets a firm's credit, market and operational risk capital requirement.
- Pillar 2 requires firms to assess whether capital reserves, processes, strategies and systems are adequate to meet Pillar 1 requirements and further determine whether additional capital, processes, strategies or systems should be applied to cover exposure to any other risks.
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position to encourage market discipline.

The AIFMD adds further capital requirements based on the Alternative Investment Fund ('AIF') assets under management and professional liability risks.

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

The Pillar 3 disclosure document has been prepared by Banor Capital Limited ("The Firm") in accordance with the requirements of BIPRU 11 and is verified by the board and senior management. Unless otherwise stated, all figures are as at the 31 December 2019 financial year-end.

Pillar 3 disclosures will be issued on an annual basis after the year-end and published as soon as practical when the audited annual accounts are finalised.

We are permitted to omit required disclosures if we believe that the information is immaterial such that omission would be unlikely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions about the Firm.

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 confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties.

We have made no omissions on the grounds that it is immaterial, proprietary or confidential.

SCOPE AND APPLICATION OF THE REQUIREMENTS

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 Collective Portfolio Management Investment Firm ('CPMI') by the FCA for capital purposes.

It is an investment management firm and as such has no trading book exposures.

The Firm is a member of a group which in classified as a UK Consolidation Group in accordance with BIPRU 8 of the FCA Handbook. The group consists of the Firm's parent undertaking, Soloma Srl, and the Firm's subsidiary undertaking, Casa4Funds SA (collectively the "Group"). As such, the Group is supervised on a consolidated basis by the FCA and the Firm is required to prepare consolidated reporting to the FCA. As per the Firm's liquidity policy, we do not foresee any impediment to the prompt transfer of capital between group entities should the need arise. There are no differences in the basis of consolidation for accounting and prudential purposes.

GOVERNANCE ARRANGEMENTS, THE MANAGEMENT BODY AND COMPETENCE

The Board of Directors meet on a regular basis and at least quarterly. Such meetings have a formal agenda, which countenances enterprise wide issues and the risk appetite of the business. The meetings demonstrate how the Board of Directors oversees and is accountable for the implementation of governance arrangements and ensures the effective and prudent management of the Group, with due consideration to the appropriate and proportionate segregation of duties and the prevention of conflicts of interest.

The Board considers that appropriate policies are in place to ensure the fitness and propriety of all staff, including the members of the senior management body. All members of the Board of Directors are experienced industry professionals and any senior appointments are subject to the approval of the management body with due consideration to the reputation, fitness and experience of the candidate as well as the long-term strategic goals targets of the business.

All members of the Board of Directors are full time and have disclosed any outside business interests.

Initial and ongoing assessments of the competence of staff are conducted, and all members of the Board of Directors and other FCA approved persons are required to attest to their ongoing compliance with the fitness and properness obligations of the FCA approved persons' process.

On an ongoing basis, all staff including the Board of Directors undergo training on a variety of regulatory topics on an annual basis.

RISK MANAGEMENT

The Board has established a risk management process in order to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising in the business. The risk management process is overseen by Senior Management, with the Board of Directors taking overall responsibility for this process and the fundamental risk appetite of the Group. The team has responsibility for the implementation and enforcement of the Group's risk principles.

Senior Management meet on a regular basis and discuss current projections for profitability, cash flow, regulatory capital management, business planning and risk management. Senior Management engage in the Group's risks through a framework of policy and procedures having regard to the 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.

The Board of Directors has identified that business, operational, market, credit and liquidity are the main areas of risk to which the Group is exposed. Annually the Board of Directors formally review the risks, controls and other risk mitigation arrangements and assess their effectiveness.

A formal update on operational matters is provided to the Board of Directors on a regular basis. Management accounts demonstrate continued adequacy of the Group's regulatory capital are reviewed on a regular basis.

Appropriate action is taken where risks are identified which fall outside of the Board's tolerance levels or where the need for remedial action is required in respect of identified weaknesses in the mitigating controls.

MATERIAL RISKS

Specific risks applicable to the Group come under the headings of business, operational, credit and market risks.

Business risk

The Group's revenue is reliant on the performance of the existing funds under management and its ability to launch new funds, raise more capital and obtain new mandates. As such, the risk posed to the Group relates to underperformance resulting in a decline in revenue and adverse market conditions hindering the launch of new funds and ultimately the risk of redemptions from the funds managed by the Group. This risk is mitigated by:

- a diversified product range covering different asset classes and geographies; and
- significant levels of capital held by the Group, which will continue to cover all the expenses of the business.

OPERATIONAL RISK

The Group places strong reliance on the operational procedures and controls that it has in place in order to mitigate risk and seeks to ensure that all personnel are aware of their responsibilities in this respect.

The Board has identified a number of key operational risks to manage. These relate to systems failure, key man, potential for serious regulatory breaches, market abuse. Appropriate polices are in place to mitigate against these risks, which are discussed in detail in the ICAAP document.

Credit risk

The Group is exposed to credit risk in respect of its debtors, investment management fees billed and cash held on deposit.

The number of credit exposures relating to the Group's investment management clients is limited. Management fees are drawn quarterly from the funds managed and performance fees are drawn annually or quarterly where applicable. The Board considers that there is little risk of default by its clients. All bank accounts are held with large international credit institutions.

Given the nature of the Group's exposures, no specific policy for hedging and mitigating credit risk is in place. The credit risk capital requirement is calculated using the standardised approach detailed in BIPRU 3.5 of the FCA Handbook. When calculating risk weighted exposures, weightings of 1.6% (Cash in Bank) and 8% (other assets) are used.

Credit risk summary

Exposure class	Total exposure £'000	Risk requirement	Risk requirement £'000
Current assets	6,161	8%	493
Fixed assets	382	8%	31
Cash at bank	10,398	1.6%	166
VAT receivable	15	0%	-
Total	**16,956**		**690**

Market risk

The Group takes no market risk other than foreign exchange risk in respect of its accounts receivable and cash balances held in currencies other than GBP.

Since the Group takes no trading book positions on its balance, it has only indirect market risk exposure via the clients' portfolios. The Group's foreign exchange risk therefore would only arise in respect of its accounts receivable and cash balances held in currencies other than GBP. Non-GBP cash balances are kept to a minimum.

No specific strategies are adopted in order to mitigate the risk of currency fluctuations.

The Group calculates its foreign exchange risk by reference to the rules in Article 92(3) of the CRR and applies an 8% risk factor to its foreign exchange exposure.

Market risk summary:

Market risk exposure	Total exposure £'000	Risk requirement £'000
USD		
• Receivables	671	54
• Payables	(204)	(16)
• Cash balance	28	2
NET LONG/(SHORT) USD	**495**	**40**
EUR		
• Investments	253	20
• Receivables	2,720	222
• Payables	(2,387)	(191)
• Cash balance	323	26
NET LONG/(SHORT) EUR	**959**	**77**
Total (absolute)	**1,454**	**117**

Liquidity risk

The Group is required to maintain sufficient liquidity to ensure that there is no significant risk that its liabilities cannot be met as they fall due or to ensure that it can secure additional financial resources in the event of a stress scenario.

The Group retains an amount it considers suitable for providing sufficient liquidity to meet the working capital requirements under normal business conditions. The Group has always had sufficient liquidity within the business to meet its obligations and there are no perceived threats to this given the cash deposits its holds. Additionally, it has historically been the case that all management fee debtors are settled promptly, thus ensuring further liquidity resources are available to the Group on a timely basis. The cash position of the Group is monitored by senior management on a regular basis.

The Group maintains a Liquidity risk policy, which formalises this approach.

CAPITAL RESOURCES

The main features of the Group's capital resources for regulatory purposes are as follows:

	31 December 2019 £000
Tier 1	10,107
Tier 2	-
Tier 3	-
Deductions from Tiers 1 and 2	-
Total capital resources	**10,107**

The Group is small with a simple operational infrastructure.

CAPITAL REQUIREMENTS

Its market risk is limited to foreign exchange risk on its accounts receivable in foreign currency, and credit risk from management and performance fees receivable from the funds under its management.

The Group 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 outlined above the Firm is a CPMI firm and as such, the capital requirements of the Group are the HIGHER OF:

- €125,000 + 0.02% of Firm's AIF FUM above €250 million ('FUM Requirement'); or
- The Fixed Overhead Requirement ('FOR'), being 25% of the Group's operating expenses less certain variable costs.

Plus

- Either the Professional Negligence Capital Requirement or the PII Capital Requirement, whichever is applicable;

OR

- The sum of the market & credit risk requirements.

0.02% is taken on the absolute value of all assets of all AIFs managed by the Firm, including assets acquired through the use of leverage, whereby derivative instruments shall be valued at their market value, including AIFs where the Firm has delegated the management function but excluding AIFs that it is managing as a delegate.

The FOR is calculated, in accordance with FCA rules, based on the Group's previous years audited expenditure.

Professional Negligence Capital Requirement is calculated as at least equal to 0.01% of Firm's AIF FUM. PII Capital Requirement is calculated as the amount equal to the defined excess of the Firm's eligible professional indemnity insurance.

The Group is not subject to an operational risk requirement.

CAPITAL ADEQUACY SUMMARY

A summary of the Group's capital requirements and resources as at 31 December 2019 is as follows:

	31 December 2019 £000
Base Capital Requirement (GBP Equiv.)	106
Credit Risk	690
Market Risk	116
Fixed Overhead Requirement	1,818
Total Capital Requirement	**1,818**
Eligible Regulatory Capital Total	10,107
Surplus	**8,289**

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UK FINANCIAL REPORTING COUNCIL'S STEWARDSHIP CODE

Under Rule 2.2.3R of the FCA's Conduct of Business Sourcebook, the Firm is required to include on its website a disclosure about the nature of its commitment to the UK Financial Reporting Council's Stewardship Code (the "Code") or, where it does not commit to the Code, its alternative investment strategy.

The Firm grows funds under management, keeping focus on new opportunities for collaborations and partnership with institutions and professionals of proven value and keeps fixed costs under control in order to build a sound business, capable to stand long and recurring adverse market conditions. Consequently, while the Firm supports the objectives that underlie the Code, the provisions of the Code are not relevant to the type of trading currently undertaken by the Firm.

If the Firm investment strategy changes in such a manner that the provisions of the Code become relevant, the Firm will amend this disclosure accordingly.

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REMUNERATION CODE DISCLOSURE

INTRODUCTION

As a CPMI firm, the Firm is subject to FCA Rules on remuneration. These are contained in the FCA's Remuneration Code located in the SYSC Sourcebook of the FCA's Handbook. The Remuneration Code ("the RemCode") covers an individual's total remuneration, fixed and variable. The Firm incentivises staff through a combination of the two.

The Firm's business is to provide investment management services to funds and individual portfolios managed by the Firm (the "**Fund(s)**").

Our policy is designed to ensure that we comply with the RemCode and our compensation arrangements:

1. are consistent with and promotes sound and effective risk management;
2. do not encourage excessive risk taking;
3. include measures to avoid conflicts of interest; and
4. are in line with the Firm's business strategy, objectives, values and long-term interests.

PROPORTIONALITY

Enshrined in the European remuneration provisions is the principle of proportionality. The FCA has sought to apply proportionality in the first instance by categorising firms into three levels. The Firm falls within the FCA's proportionality level three and as such, this disclosure is made in line with the requirements set out therein.

APPLICATION OF THE REQUIREMENTS

We are required to disclose certain information on at least an annual basis regarding our Remuneration policy and practices for those staff whose professional activities have a material impact on the risk profile of the firm. Our disclosure is made in accordance with our size, internal organisation and the nature, scope and complexity of our activities.

1. Summary of information on the decision-making process used for determining the firm's remuneration policy including use of external benchmarking consultants where relevant.
    - The Firm's policy has been agreed by the Senior Management in line with the RemCode principles laid down by the FCA.
    - Due to the size, nature and complexity of the Firm, we are not required to appoint an independent remuneration committee.
    - The Firm's policy will be reviewed as part of annual process and procedures, or following a significant change to the business requiring an update to its internal capital adequacy assessment.

- The Firm's ability to pay bonus is based on the performance of Firm overall and derived after its fund's managed returns have been calculated by client appointed third party administrators.
- There is limited involvement of the Firm in deriving asset prices as the majority of assets held are in liquid securities.

2. Summary of how the firm links between pay and performance (SEE REM CODE).
   - Individuals are rewarded based on their contribution to the overall strategy of the business.
     a. Investment Generation
     b. Investment Trading
     c. Sales & Marketing
     d. Operations
   - Other factors such as performance, reliability, effectiveness of controls, business development and contribution to the business are taken into account when assessing the performance of the senior staff responsible for the infrastructure of the firm.
3. The Firm has two business areas: fund management and individual accounts management.
4. Aggregate quantitative information on remuneration, for staff whose actions have a material impact on the risk profile of the firm.

Code Staff	Aggregate compensation expense in 2019
	£'000
Senior Management	£1,965
Others (If applicable)	£1,223

5. Amounts of remuneration for the financial year and the number of beneficiaries (Tier 3 only).

Code Staff (Number)	16
	Total amounts of remuneration £'000
Fixed Remuneration	£1,228
Variable Remuneration	£1,960

We may omit required disclosures where we believe that the information could be regarded as prejudicial to the UK or other national transposition of General Data Protection Regulation.

We have made no omissions on the grounds of data protection.