

# Sagil Capital LLP

## Pillar 3 Disclosure and Policy

### Introduction

#### Regulatory Context

The Pillar 3 disclosure of Sagil Capital LLP (“the Firm”) is set out below as required by the FCA’s “Prudential Sourcebook for Banks, Building Societies and Investment Firms” (BIPRU) specifically [BIPRU 11.3.3 R](#). This is a requirement which stems from the UK’s CRDIII implementing Regulations which represented the European Union’s application of the Basel Capital Accord. The Firm is no longer formally subject to CRD but remain subject to the UK’s implementation Regulations of CRD III. The regulatory aim of the disclosures is to improve market discipline.

#### Frequency

The Firm will be making Pillar 3 disclosures annually. The disclosures will be as at the Accounting Reference Date (“ARD”).

#### Media and Location

The disclosure will be published on our website.

#### Verification

The information contained in this document has not been audited by the Firm’s external auditors and does not constitute any form of financial statement and must not be relied upon in making any judgement on the Group.

#### Materiality

The Firm regards information as material in disclosures if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. If the Firm deems a certain disclosure to be immaterial, it may be omitted from this Statement.

#### Confidentiality

The Firm regards information as proprietary if sharing that information with the public would undermine its competitive position. Proprietary information may include information on products or systems which, if shared with competitors, would render the Firm’s investments therein less valuable. Further, the Firm must regard information as confidential if there are obligations to customers or other counterparty relationships binding the Firm to confidentiality. In the event that any such information is omitted, we shall disclose such and explain the grounds why it has not been disclosed.

### Summary

The CRD, to which the Firm remains subject as a consequence of the UK CRDIII implementing Regulations, requirements have three pillars. Pillar 1 deals with minimum capital requirements; Pillar 2 deals with Internal Capital Adequacy Assessment Process (“ICAAP”) undertaken by a firm and the Supervisory Review and Evaluation Process through which the firm and regulator satisfy themselves on the adequacy of capital held by the Firm in relation to the risks it faces and; Pillar 3 which deals with public disclosure of risk management policies, capital resources and capital requirements.

The Firm is a Full Scope UK AIFM of a non-EEA AIF and also undertakes additional activities which result in the Firm being a BIPRU Firm. It acts solely as agent, so the main protection

to our customers is provided through client money arrangements. The Firm's greatest risks have been identified as business and operational risk. The Firm is required to disclose its risk management objectives and policies for each separate category of risk which include the strategies and processes to manage those risks; the structure and organisation of the relevant risk management function or other appropriate arrangement; the scope and nature of risk reporting and measurement systems; and the policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants.

The Firm has assessed business and operational risks in its ICAAP and set out appropriate actions to manage them.

A number of key operations are outsourced by our client, namely the AIF to which we are an AIFM, to third party providers such as administrators reducing our exposure to operational risk. The Firm has an operational risk framework (described below) in place to mitigate operational risk. The Firm's main exposure to credit risk is the risk that management and performance fees cannot be collected and therefore credit risk is low. The Firm holds all cash and performance fee balances with banks assigned high credit ratings.

Market Risk exposure has been assessed by the Firm and is limited to the Firm's exposure to any cash amounts held by the Firm in a foreign currency. All foreign currency is converted into GBP on a regular basis.

## Background to the Firm

### Background

The Firm is incorporated in the UK and is authorised and regulated by the FCA as an AIFM. In addition, the Firm undertakes MiFID activities which give it the categorisation of a "BIPRU Firm".

Sagil Capital LLP, which has a non EEA parent, is the only entity covered by the ICAAP.

## BIPRU 11.5.1 **R**

### Disclosure: Risk Management Objectives and Policies

#### Risk Management Objective

Our general risk management objective is to develop systems and controls to mitigate risk to a level that does not require the allocation of Pillar 2 capital.

#### Governance Framework

The Executive Committee is the Governing Body of the Firm and has the daily management and oversight responsibility. It meets quarterly and is composed of:

- Adrian Landgrebe
- Bradford Jones
- Mark Hendricks

The Executive Committee is responsible for the entire process of risk management, as well as forming its own opinion on the effectiveness of the process. In addition, the Governing Body decides the Firm's risk appetite or tolerance for risk and ensures that the Firm has implemented an effective, ongoing process to identify risks, to measure its potential impact and then to ensure that such risks are actively managed. Senior Management is accountable

to the Executive Committee for designing, implementing and monitoring the process of risk management and implementing it into the day-to-day business activities of the Firm.

### **Risk Framework**

Risk within the Firm is managed by use of the following:

- A Risk Committee that sets out the responsibilities and escalation procedures for the identification, monitoring, and management of operational and business risks. Capital planning takes these identified risks into account;
- Specific Personal are assigned responsibility for the risks across the Firm. The Firms Chief Financial Officer takes overall responsibility;
- The Firm has a conservative approach to risk;
- The Firm has identified its risks and recorded them in a 'Risk Register';
- The 'Risk Register' is reviewed at regular meetings of the executive committee
- Risks and mitigating controls are periodically reassessed taking into account the Firm's risk appetite;
- The Firm has undertaken scenario Analysis and Stress Tests on the most significant risks identified. This informs the Firm how risk are likely to behave and what, if any, impact there is likely to be to our balance sheet;
- The Firm has in place an internal control framework to govern its processes and procedures and to mitigate any risks;

### **BIPRU 11.5.4 R**

**Disclosure:** Compliance with BIPRU 3, BIPRU 4, BIPRU 7, and the Overall Pillar 2 Rule

### **BIPRU 3 (Credit Risk)**

For its Pillar 1 regulatory capital calculation of Credit Risk, under the credit risk capital component the Firm has adopted the Standardised approach ([BIPRU 3.4](#)) and the Simplified method of calculating risk weights ([BIPRU 3.5](#)).

As per GENPRU 2.1.46R, the Credit Risk Capital Requirement is only required to be calculated in respect of our designated investment business. This does not include our activities as an AIFM. Currently the Firm's activities are limited to managing an AIF and therefore does not have a credit risk calculation to disclose.

The ICAAP assessment is reviewed by the Executive Committee and amended where necessary, on a quarterly basis or when a material change to the business occurs. The Executive Committee presents the ICAAP document to the Governing Body of the Firm which reviews and endorses the risk management objective each quarter or when a material change to the business occurs at the same time as reviewing and signing off the ICAAP document.

### **BIPRU 11.5.8 R**

**Disclosure:** Credit Risk and Dilution Risk

The Firm is primarily exposed to Credit Risk from the risk of non-collection of advisory and sub-advisory fees. It holds all cash and performance fee balances with Banks assigned high credit ratings. Consequently risk of past due or impaired exposures is minimal. A financial asset is past due when a counterparty has failed to make a payment when contractually due. Impairment is defined as a reduction in the recoverable amount of a fixed asset or goodwill below its carrying amount.

### **BIPRU 11.5.12 R**

**Disclosure:** Market Risk

The Firm has Non Trading Book potential exposure only ([BIPRU 7.4 & 7.5](#)).

As per GENPRU 2.1.46R, the Market Risk Capital Requirement is only required to be calculated in respect of our designated investment business. This does not include our activities as an AIFM. The Firm is not undertaking designated investment business therefore it is not required to calculate its Market Risk exposure.

#### **BIPRU 11.5.2 R**

**Disclosure:** Scope of application of directive requirements

The Firm is subject to the disclosures under the UK CRD III Implementing Regulations however, it is not a member of a UK Consolidation Group and consequently, does not report on a consolidated basis for accounting and prudential purposes.

#### **BIPRU 11.5.3 R**

**Disclosure:** Capital Resources

The Firm is a BIPRU Investment Firm without an Investment Firm Consolidation Waiver deducting Material Holdings under ([GENPRU 2 Annex 4](#)). Tier I Capital comprises of LLP Members' Tier One Capital and Audited Reserves/Losses.

As a Collective Portfolio Management Investment Firm the Firm is subject to the capital requirements set out in IPRU(INV) Chapter 11 and also BIPRU/GENPRU. The Firm has the following capital resources:-

Tier 1 Capital/Initial Capital	£375,000
Deductions	£0
Tier 2 Capital	£0
Deductions	£0
<b>Total Tier 1 &amp; 2/Own Funds</b>	<b>£375,000</b>
Tier 3 Capital	£0
<b>Total Capital (GENPRU)</b>	<b>£375,000</b>

#### **BIPRU 11.5.5 R**

This disclosure is not required as the Firm has not adopted the Internal Ratings Based approach to Credit Risk and therefore is not affected by [BIPRU 11.5.4R \(3\)](#).

#### **BIPRU 11.5.6 R**

This disclosure is not required as the Firm has not adopted the Internal Ratings Based approach to Credit Risk and therefore is not affected by [BIPRU 11.5.4R \(3\)](#).

#### **BIPRU 11.5.7 R**

This disclosure is not required as the Firm does not have a Trading Book.

**BIPRU 11.5.9 R**

This disclosure is not required as the Firm does not make Value Adjustments and Provisions for Impaired exposures that need to be disclosed under [BIPRU 11.5.8R \(9\)](#).

**BIPRU 11.5.10 R**

**Disclosure:** Firms calculating Risk Weighted Exposure Amounts in accordance with the Standardised Approach

This disclosure is not required as the Firm uses the Simplified method of calculating Risk Weights ([BIPRU 3.5](#)).

**BIPRU 11.5.11 R**

**Disclosure:** Firms calculating Risk Weighted Exposure amounts using the IRB Approach

This disclosure is not required as the Firm has not adopted the Internal Ratings Based approach to Credit and therefore is not affected by [BIPRU 11.5.4R \(3\)](#).

**BIPRU 11.5.15 R**

**Disclosure: Non-trading Book Exposure in Equities**

This disclosure is not required as the Firm does not have a Non-Trading Book Exposure to Equities.

**BIPRU 11.5.16 R**

**Disclosure:** Exposures to Interest Rate Risk on the Non-Trading Book

Although the Firm has substantial cash balances on its Balance Sheet, there is currently no significant exposure to Interest Rate fluctuations.

**BIPRU 11.5.17 R Disclosures: Securitisation**

This disclosure is not required as the Firm does not Securitise its assets.

**BIPRU 11.5.18**

**Disclosure:** Remuneration

The Governing Body is responsible for the Firm's remuneration policy. All variable remuneration is adjusted in line with capital and liquidity requirements.

**Remuneration Code Staff remuneration by business area (BIPRU 11.5.18(6))**

<b>Business area</b>	<b>Total remuneration</b>
Investment Management	£2,161k

**Aggregate quantitative variable remuneration by senior management and other Remuneration Code Staff (BIPRU 11.5.18(7))**

<b>Type of Remuneration Code Staff</b>	<b>Number of staff</b>	<b>Total Remuneration</b>
Senior management	3	£2,161k
Other Remuneration Code Staff	0	£0
<b>Totals</b>	<b>0</b>	<b>£2,161k</b>