

Manikay Partners UK LLP Pillar 3 Disclosure

Disclosure policy

The Capital Requirements Directive (“CRD”) is the framework for implementing Basel II in the European Union. Basel II implements a risk sensitive framework for the calculation of regulatory capital. This was implemented in the United Kingdom through changes to the Financial Conduct Authority (“FCA”) Handbook of Rules and Guidance, and specifically through the creation of the General Prudential Sourcebook (“GENPRU”) and the Prudential Sourcebook for Banks, Building Societies and Investment Firms (“BIPRU”), specifically BIPRU 11.

The framework 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”) undertaken by the Firm to assess the adequacy of capital held in relation to its material risks; and
- Pillar 3 – requires the Firm to publicly disclose its policies on risk management, capital resources and capital requirements.

The Pillar 3 disclosure of Manikay Partners UK LLP (“Manikay UK” or the “Firm”) is set out below. The regulatory aim of the disclosure is to improve market discipline.

Manikay UK makes Pillar 3 disclosures annually, via its website. The information contained in this disclosure is accurate as at the 31 December 2017.

Certain information relating to BIPRU 11.5 may be omitted on the basis that it has been deemed to be immaterial or confidential. The Firm regards information as material in the disclosure 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.

The Firm regards information as proprietary/confidential if sharing that information with the public would undermine its competitive position. Proprietary/confidential 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.

Background to the Firm

The Firm is authorised and regulated by the FCA and as such is subject to minimum regulatory capital requirements. The Firm is categorised by the FCA, for capital purposes, as a BIPRU firm. It is an investment management firm and has no trading book exposures. The Firm is not required to prepare consolidated reporting for prudential purposes.

Capital Resources Requirement

Pillar 1 - Minimum Capital Requirements

As a BIPRU firm, Manikay UK has adopted the standardised approach for the Pillar 1 regulatory capital calculation of credit risk. The Firm is not subject to Pillar 1 operational risk requirements under BIPRU 6.

The Pillar 1 capital requirement for a BIPRU firm is calculated as the higher of the:

- Fixed Overhead Requirement (“FOR”),
- the sum of market and credit risk requirements or
- the base capital requirement of €50,000.

The Firm has deemed the FOR to be the higher and this is therefore used for the Pillar 1 calculation. As Manikay UK does not deal as a principal and holds no current assets other than cash, in sterling or foreign currency, the Firm’s non-trading book market risk requirement is the Foreign Currency Position Risk Requirement for which the Firm multiplies the sum of the absolute values of its ‘open currency position’ by 8%.

Pillar 2 – ICAAP

The Firm’s ICAAP includes an assessment of the design and performance of the internal controls in place to mitigate risks, the probability of the risk occurring, the potential financial and reputational impact, and the adequacy of the Firm’s capital base.

The ICAAP is the process through which Manikay UK determines that it is able to identify and manage its key risks on an on-going basis and ensure that it has sufficient capital in respect of such risks. The process is forward looking and is an integral part of the management of the Firm. The Chief Compliance Officer is responsible for the ICAAP within Manikay UK and consulted with other appropriate members of staff to ensure the accuracy of his findings.

Certain members of the Firm’s Management formally reviews and approves a finalised ICAAP document on at least an annual basis (or more frequently if there are material changes to the Firm’s business model and risk exposures). Management, as part of its review of the ICAAP, sets the Firm’s risk appetite, validates that the Firm’s key material risks have been considered and assessed, and validates the stress testing scenarios.

Capital Resources

The main features of the Firm’s Capital Resources are as follows:

Capital Item	£’000s
Tier 1 capital	283
Tier 2 capital	
Tier 3 capital	
Total capital resources, net of deductions	99

Risk management objectives and policies

Due to the nature, size and complexity of the Firm, Manikay UK does not have an independent risk management function. The Firm's Management is responsible for the management of risk within the Firm and their individual responsibilities are clearly defined. Manikay UK has clearly documented policies and procedures, which are designed to minimise risks to the Firm and all staff are required to confirm that they have read and understood them.

Manikay UK undertakes an ICAAP, at least annually, which is the process through which Manikay UK determines that it is able to identify and manage its key risks on an on-going basis and that it has sufficient capital in respect of such risks. The process is forward looking and is an integral part of the management of the Firm.

The ICAAP identifies the major sources of risk to the regulated entity, how the Firm intends to deal with those risks and details of the stress tests and scenario analyses carried out and the resulting financial resources estimated to be required. Manikay UK also carries out regular assessments of the types and distribution of financial resources, capital resources and internal capital, which are documented in the ICAAP.

If necessary the Firm would allocate extra capital to the relevant risk, but this has not been deemed necessary. The Firm has concluded that its Tier 1 capital is sufficient to cover its Pillar 1 and Pillar 2 requirements.

Remuneration

Manikay UK must comply with the FCA's Remuneration Code ("the Code"). The purpose of the Code is to ensure that firms have risk focused remuneration policies, which are consistent with and promote effective risk management and do not expose themselves to excessive risk. The Firm has reviewed all existing employment contracts to ensure they comply with the Code.

The Firm's Management is responsible for setting the Remuneration Policy Statement for all staff and the Chief Compliance Officer is a member of Management.

The Code can be applied in a proportionate way and FCA have stated that it will normally be appropriate to disapply certain rules. As such Management has determined that the following rules are not proportionate to Manikay UK and have not implemented these detailed rules:

- SYSC 19C.3.44 – Ratios between fixed and variable components of total remuneration;
- SYSC 19C.3.47 – Retained shares and other instruments;
- SYSC 19C.3.49 – Deferral; and
- SYSC 19C.3.51 – Performance adjustment

Variable remuneration is not based solely on the financial performance of the individual. Management also considered the individuals overall (non-financial) performance to the whole team and the overall results of the fund/Firm. The performance of the individual is assessed over the entire year.

Quantitative information

The following business areas received the following aggregate amount of remuneration for senior management and members of staff whose actions have a material impact on the risk profile of the firm for the financial year ended 31 December 2017:

Business Area	Total
Investment Management	£2,957,345

Remuneration was split between senior management and other Remuneration Code Staff for the financial year ended 31 December 2017 was as follows:

	Senior Management	Other staff (with material impact)
Total remuneration for the year	£1,589,449	£308,059