



Waystone Management (UK) Ltd

Pillar 3 Disclosure

As at March 2022

INTRODUCTION AND SCOPE

The Capital Requirements Directive ('CRD') establishes a regulatory capital framework governing the amount and nature of capital that must be maintained by investment firms. In the United Kingdom, the CRD has been implemented by the Financial Conduct Authority ('FCA') with rules and guidance within the General Prudential Sourcebook (GENPRU) and the Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU).

The FCA framework comprises three Pillars:

- **Pillar 1** which sets out a firm's minimum capital requirement. A BIPRU firm must maintain capital resources which are at least equal to the base capital resources requirement. A firm must also meet the variable capital requirement which is the higher of a) the capital required to cover a firm's credit, market and operational risk or b) the firm's fixed overhead requirements. The base capital can be used to meet the variable capital requirement.
- **Pillar 2** requires a firm to regularly assess the amount of internal capital it considers adequate to cover all the risks to which it is exposed, within the context of its overall Risk Management Framework. This Internal Capital Adequacy Assessment Process (ICAAP) is the firm's responsibility and is the key document reviewed by the FCA as part of their Supervisory Review and Evaluation Process (SREP).
- **Pillar 3** requires public disclosure of specified information about a firm's capital position and the underlying risk management controls. (BIPRU).

This Pillar 3 disclosure document covers Waystone Management (UK) Ltd ('WMUK' or the 'Firm') and has been prepared on an individual (unconsolidated) company basis.

Figures are based on the financial year ended 31 December 2020 and the ICAAP completed in September 2021.

WMUK operates independently as a UK Authorised Corporate Director ('ACD') and Authorised Fund Manager ('AFM'), servicing clients in the UK financial market. The Firm is authorised by the FCA, categorised as a Collective Portfolio Management Investment ('CPMI') firm, and is also authorised as an Alternative Investment Fund Manager ('AIFM').

WMUK publishes its Pillar 3 disclosure annually on its website (www.waystone.com) based on the financial statements for the previous year ended 31 December and the associated ICAAP document. Information will not be disclosed if it is not regarded as material or if it is regarded as proprietary or confidential.

RISK MANAGEMENT

The Board of Waystone Management (UK) Ltd determines the business strategy and risk appetite for the Firm and is the governing body ultimately responsible for the Firm's Risk Management Framework. The Board is responsible for ensuring an appropriate governance regime is in place, including ensuring effective processes are in place to identify, monitor, report and manage the risks that the Firm is, or may be, exposed to.

Risk management is viewed as the responsibility of all employees and Directors within the Firm.

The Firm maintains a risk register which monitors key risks and controls on an ongoing basis. Risks are assessed in terms of the probability of the risk occurring and likely impact. Reasonable steps are taken to reduce the probability of any risk crystallising and any impact arising. Regular Management Information is produced to ensure key risks can be monitored.

MATERIAL RISKS

The following are the main risks considered within the Risk Management Framework:

- Market Risk/Credit Risk - WMUK does not trade on its own account and income is generated from the investment products that it manages, so Market Risk and Credit Risk are assessed as not applicable and low, respectively.
- Interest Rate Risk - WMUK does not have any borrowings so Interest Rate Risk is assessed as low.
- Liquidity Risk – Liquidity risk management is in place to ensure that liquidity is sufficient to enable liabilities to be met as they fall due.
- Operational Risk – This is the risk that losses could be sustained through inadequate or failed internal processes, people or systems. As outlined above, the risk register is designed to assist in capturing all material operational risks and identify mitigating factors (e.g existing controls) and action points.
- Business Risk – This relates to being able to generate fee income and control costs on an ongoing basis in line with the business plan. The risk is assessed and mitigated as part of the ICAAP process.

CAPITAL ADEQUACY AND ICAAP

WMUK is required to prepare an internal assessment of its capital adequacy, the ICAAP.

The main purpose of the ICAAP is to set out how the Firm manages its risks, what the key risks are and how the Firm has satisfied itself that it has sufficient capital in respect of those risks. The ICAAP includes a series of stress tests and scenarios which are used to help assess whether WMUK is adequately capitalised to withstand a range of adverse circumstances and scenarios.

Where risks can be mitigated by capital, we have adopted a “Pillar 1 plus” approach whereby the Pillar 1 capital calculations are assessed. Where the Board considers that the Pillar 1 calculations do not adequately reflect the risk, we provide additional capital in Pillar 2.

Whilst the ICAAP is formally reviewed by the Board once a year, the Risk Committee and Senior Management Committee review risks and the required capital more frequently as part of their routine controls.

The Firm also models a wind down over 6-18 months to demonstrate that sufficient capital is maintained to ensure that such a wind down can be conducted in an orderly manner.

CAPITAL RESOURCES

WMUK is a BIPRU firm and must hold a minimum level of capital, at all times. The Pillar 1 requirement is the higher of the following numbers:

Starting position - last year end audited	Value at 31 Dec 2020 £
Base Capital Requirement	50,000
Credit Risk	107,038
Market Risk	0
Aggregate of credit and market risk(A)	107,038
Fixed Overheads Requirement(B)	443,947
Pillar 1 (Higher of A or B)	443,947

The Fixed Overheads Requirement is higher than either the Base or the Market & Credit risk requirements; accordingly, the Firm's Pillar 1 requirement is £443,947.

In addition to the minimum level of Pillar 1 capital, the Firm must hold sufficient additional capital as necessary based on the risks faced by the business as determined by the ICAAP (Pillar 2 capital). WMUK has determined that an adjustment to the Pillar 1 capital requirement is required as per the ICAAP.

WMUK's capital position is summarised in the table below.

	Value at 31 Dec 2020 £
Regulatory Capital (Tier 1 and Tier 2)	858,784
Capital Requirement(Pillar 1+Pillar 2)	680,197
Capital Surplus	178,587

We had £858,784 of Regulatory Capital after deductions in place as at 31st Oct 2021, compared with an ICAAP capital requirement of £680,197, resulting in a £178,587 (26.3%) surplus.

REMUNERATION CODE

The Firm is subject to a Remuneration Policy which is consistent with the principles outlined in the European Securities and Markets Authority guidelines on sound remuneration policies under the Directive.

The fixed remuneration paid by the ACD to its staff in respect of all funds it manages in the year ended 31 December 2020 was £838,691 and was shared among 12 members of staff. All 12 ACD staff members were fully or partially involved in the activities of the Company.

The ACD did not pay any variable remuneration. The ACD staff remuneration is established with reference to the market remuneration of each equivalent position and is not linked to the performance of the Company or any other alternative investment fund the ACD is the AIFM of. None of the ACD's staff actions had a material impact on the risk profile of the Company.

The remuneration policies were reviewed during the year and were judged to continue to be appropriate and had been implemented throughout the period.

This Remuneration Policy is also published on our website.