

**Revera Asset Management Ltd**  
**Pillar 3 Disclosure**  
**31 December 2010**

## **1. Introduction**

### **Background**

The European Union Capital Requirements Directive (Basel II) was introduced on 1 January 2007. Implementation of the Directive in the UK has been achieved through a series of rules introduced by the Financial Services Authority (FSA). The Basel II rules are set out in three “pillars:

**Pillar 1** – sets out the minimum regulatory capital requirements.

**Pillar 2** – describes the supervisory review process and the assessment of additional capital resources required to cover specific risks faced by the Company that have not been covered by the minimum regulatory requirements set out in Pillar 1.

**Pillar 3** – aims to encourage market discipline by providing market participants with key information on the firm’s risk exposures and risk management processes.

This document has been produced to meet the requirements arising from Pillar 3 and has been prepared in accordance with BIPRU 11. This disclosure has not been subject to audit.

### **Frequency**

These disclosures are made annually.

### **Location**

The most recent disclosure can be found on the Company’s website.

### **Review and Challenge**

This document has been approved by the Revera Asset Management Ltd Board. It has not been subject to external audit.

## **2. Company Background**

Revera Asset Management Ltd (“Revera”) is a small investment boutique managing a variety of investment products including an OEIC, a Unit Trust, and a small number of private segregated portfolios. Being classified as a small wholesale firm, the Company

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does not deal directly with retail clients, all current clients have been classified as professional clients.

Revera does not hold client money.

Revera is categorised as a limited licence firm by the FSA for capital purposes, it is not a member of a group and so reports on a stand alone basis.

The disclosures in this document complement the work already undertaken by Revera Asset Management Ltd under the FSA's Internal Capital Adequacy Assessment Process ("ICAAP").

### **3. Risk Management**

Revera's Board of Directors is responsible for identifying and evaluating risks in the Company. A risk management framework has been introduced in order that risks may be recorded, rated, monitored, and mitigated.

Revera has a low appetite for risks arising from financial control, investment administration, fraud, money laundering, credit control, health and safety, legal and compliance. The Company has a medium appetite for the risks that are inherent in developing the Company's business and those risks that arise from a business whose revenue is directly related to Stock Market performance.

### **4. Material Risks**

In Revera the most significant risks are considered to be those associated with Operational Risk and Business Risk.

#### **Business Risk**

Business Risk is the risk that the Company will not be able to carry out its current business plan. As part of the ICAAP process stress testing has been carried on the Company's budget, this has centred around the potential outcomes arising from scenarios such as a significant fall in the market and the outcome surrounding the scenario whereby new business is lower than expected and where Funds under Management fall.

#### **Operational Risk**

Operational risk, inherent in all businesses, is the potential for financial and reputational loss arising from failures in internal controls, operational processes or the systems that support them. It includes errors, omissions, disasters and deliberate acts such as fraud.

Under Pillar 1 the Company is not required to hold Capital for Operational Risk.

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Under Pillar 2 Operational Risk has been considered as part of the Company's Internal Capital Adequacy Process. The financial impact of significant risks have been assessed and then adjusted to reflect the likelihood of such a risk materialising. Where mitigating factors have been exhausted the Company has allocated capital to deal with such risks.

## **5. Further Risks**

### **Market Risk**

Market Risk is the risk of loss arising from adverse movements in the level or volatility of market prices of commodities in which the company holds a position. Revera does not hold, nor has any plans to hold any such investments for its own account. Furthermore, the company does not currently hold any assets that are directly exposed to foreign currency risk. This risk is currently assessed to be nil.

### **Credit Risk**

Due to having no Trading Book Credit Risk in Revera arises primarily from non payment of management fees and cash balances held on deposit.

We have assessed this risk having regard to impact and probability and have concluded that this is not a material risk for Revera.

### **Counterparty Risk**

There is no Trading Book, therefore this Risk is assessed to be nil.

### **Liquidity Risk**

Liquidity risk is not considered to be material as the Company has a strong cash position on its balance sheet and no bank borrowings as at 31 December 2010. Liquidity risk is monitored using the Company's Liquidity Framework which was introduced during the year.

### **Securitisation Risk**

Revera Asset Management Ltd is not involved in any Securitisation arrangements, this risk is, therefore, considered to be nil.

### **Insurance Risk**

Insurance Risk is the inherent uncertainty as to the occurrence, amount and timing of insurance liabilities. This is not considered to be a material risk.

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**Pension Obligation Risk**

Pension Obligation risk is the risk to a Company caused by contractual or other liabilities to or with respect to a pension scheme.

Revera employees are able to join a stakeholder pension scheme arranged by the Company, however all contributions are by the individual, the Company does not have any obligation to contribute to these policies at all and has no plans to add this to staff remuneration packages. Consequently this risk has been assessed as being nil.

**Interest rate risk**

This is not considered to be material to Revera.

**Residual Risk**

Revera Asset Management does not lend money. Most debtors are trade debtors. The Company has very limited exposure to credit risk.

**6. Capital Resources and Capital Adequacy**

**Capital Resources**

The capital resources comprise Tier 1 capital from which deductions for illiquid assets are made.

A summary of the Company's Total Capital Resources can be found below –

	<u>£'000s</u>
<b>Tier 1 Capital</b>	<b>145</b>
<b>Tier 2 Capital</b>	-
<b>Tier 3 Capital</b>	-
<b>Total Capital before deductions</b>	<b><u>145</u></b>

Tier 1 Capital comprises called up share capital, the share premium account, and profit and loss reserves.

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Share capital is entirely ordinary share capital of £1 per share. Individual shares rank equally and carry the same voting rights.

**Pillar 1 Requirement**

Pillar 1 capital for the Company is the greatest of:

- The base capital requirement of €50,000; or
- The sum of its market and credit risk requirements; or
- Its Fixed Overhead Requirement

Revera has adopted the standardised approach to the calculation of the credit risk requirement, being 8% of the total of its risk weighted exposure amounts for exposures falling into BIPRU 3.1.6R. The simplified method of calculating risk weights that is described in BIPRU 3.5 has been used.

Exposure arises from fixed assets, investment management fees due from UK clients, and cash held on instant access deposit at UK banks. As at 31st December 2010 no exposures were past due (i.e. debts that are 30 days or more past their due date) or considered impaired (i.e. debt that is 90 days or more past its due date). The credit risk capital requirement as at 31 December 2010 has been calculated as being £4,960 (2009: £5,951).

As noted above, Revera is not exposed directly to market risk. There is no significant exposure to foreign exchange risk.

**ICAAP (Internal Capital Adequacy Assessment Process)**

The ICAAP process pulls together the Risk Management and Budgetary processes. The ICAAP model is stress tested using various scenarios over a 1 to 3 year time horizon. The capital required to enact an orderly wind up of the Company is also assessed as part of this process.

The ICAAP process is undertaken annually and is reviewed and challenged by the Revera Board.

The ICAAP for December 2010 resulted in our assessing our ICAAP capital to be £97,250 (2009: £98,100) - as this is greater than that required for Pillar 1 we consider our ICAAP capital/ Pillar 2 capital to be the minimum capital that must be held.