Revera Asset Management Ltd
Pillar 3 Disclosure
31 December 2020

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 Conduct Authority ('FCA'). 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 a 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 a company'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 of Directors. It has not been subject to external audit.

2. Company Background

Revera Asset Management Ltd ('Revera' or 'the Company') is a small investment boutique managing a variety of investment products including an OEIC and a Unit Trust. Being classified as a small wholesale firm, Revera 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 BIPRU firm by the FCA 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 under the FCA's Internal Capital Adequacy Assessment Process ('ICAAP').

3. Risk Management

Revera's Board of Directors ('the Board') 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. Revera has a medium appetite for the risks that are inherent in developing its 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 those associated with business risk and operational risk.

Business Risk

Business risk is the risk that a company will not be able to carry out its current business plan. As part of the ICAAP process, stress testing has been carried out on Revera's forecast. This testing has centred on the potential outcomes arising from scenarios such as a significant fall in the market, 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, Revera is not required to hold capital for operational risk.

Under Pillar 2, operational risk has been considered as part of Revera's ICAAP process. Using a scenario-based approach, key risk categories have been assessed and capital allocated where mitigating factors have been exhausted.

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 a company holds a position. Revera does not hold, nor has any plans to hold any such investments for its own account. Furthermore, Revera does not currently hold any assets that are directly exposed to foreign currency risk. No capital is held against this risk.

Credit Risk

Since Revera does not have a Trading Book, credit risk arises primarily from non-payment of management fees and cash balances held on deposit.

Revera has had no instances of bad debts and the likelihood of default from current client relationships is considered to be minimal.

Cash is deposited with UK clearing banks, or other UK banks within the FSCS guarantee limit.

No Pillar 2 capital is specifically held against Credit Risk.

Counterparty Risk

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

Liquidity Risk

Liquidity risk is the risk that a firm will not be able to meet its obligations as they fall due.

Current and future cash requirements are monitored closely and reported to Board members on a periodic basis in accordance with the current Liquidity Framework. Revera has a strong cash position on its Balance Sheet and no bank borrowings as at 31 December 2020.

No capital is currently held against Liquidity Risk.

Securitisation Risk

Revera is not involved in any securitisation arrangements. No capital is held against this risk.

Insurance Risk

Insurance risk is the inherent uncertainty as to the occurrence, amount and timing of insurance liabilities. No capital is held against this risk.

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 is obliged to make pension contributions into a pension scheme for each employee. The contributions are made to defined contribution schemes, and as such is captured in the Company's Pillar 1 obligations relating to its fixed overhead requirement.

Interest Rate Risk

Revera currently has no borrowings, therefore capital is held against this risk.

Residual Risk

Revera does not lend money and most debtors are trade debtors. Revera has very limited exposure to credit risk. No capital is held against this risk.

6. Capital Resources and Capital Adequacy

Capital Resources

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

A summary of Revera's Total Capital resources can be found below –

	£'000s
Tier 1 Capital	**485**
Tier 2 Capital	-
Tier 3 Capital	-
Total Capital before deductions	**485**

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

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

Pillar 1 Requirement

Pillar 1 Capital for Revera 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, as 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 31 December 2020 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 2020 has been calculated as being £14,671 (2019: £14,469).

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

The fixed overhead requirement for Revera has been calculated as £172,000 which is greater than the credit risk requirement noted above. Therefore, the Pillar 1 Capital for Revera is equal to its fixed overhead requirement of £172,000.

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 Revera is also assessed as part of this process.

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

The ICAAP for December 2020 resulted in an assessment of the ICAAP capital to be £276,000 (2019: £244,000). As this is greater than the capital required for Pillar 1, the ICAAP capital/ Pillar 2 capital is considered to be the minimum capital that must be held.

Remuneration Code

Revera is a BIPRU firm, as defined by the FCA, but due to its investment management activities for UCITS funds through a delegated arrangement with a UK UCITS management company, it is required to meet its Remuneration Code ('the Code') obligations under SYSC 19C (for BIPRU firms) and SYSC 19E (for UCITS firms) by complying with SYSC 19E.

Revera's Remuneration Policy is governed and directly implemented by its Board. Remuneration is structured to achieve the aims of the Remuneration Policy, that is;

- To attract and retain the best available staff for the business;
- To align staff interests with those of the long-term objectives of Revera's shareholders; and,
- To promote effective risk management throughout Revera

Remuneration is based on a fixed element which is appropriate for the size and variability of Revera's income, and a variable element that is dependent on the profitability of Revera as a whole. Specifically, Revera will not pay variable remuneration, if doing so would put the Company in a loss-making position.

In the year to 31 December 2020, Revera had 4 Code staff whose total remuneration was £425,000. £33,000 of this remuneration was variable.