

# WHITMAN

## ASSET MANAGEMENT

### Pillar 3 Disclosure

#### BACKGROUND

Whitman Asset Management Limited (“Whitman” or “the Firm”) is incorporated in England and is authorised and regulated by the FCA as an investment firm. At the time of the Internal Capital Adequacy Assessment Process (“ICAAP”) dated 31<sup>st</sup> August 2020, according to the FCA’s “Prudential Sourcebook for Banks, Building Societies and Investment Firms” (“BIPRU”), Whitman was a €50k firm. This disclosure has been prepared on that basis.

#### SUMMARY

The Capital Requirements Directive (CRD) has three Pillars:

- Pillar 1 sets out the minimum capital requirements that the firm is required to meet based on regulator-determined risk weights;
- Pillar 2 requires the firm to carry out the ICCAP to assess the amount of capital that would be adequate to meet Pillar 1 requirements based on its policies, procedures, systems controls and risk management framework and further determine whether it needs additional capital to cover risks that it may be exposed to; and
- Pillar 3 requires the firm to disclose relevant specific information about the underlying risk management framework, capital adequacy and remuneration to encourage market discipline.

Whitman has identified its principal risks as Credit Risk, and Operational Risk. Whitman is required to disclose its risk management objectives and policies for each separate category of risk, which include the strategies and processes to mitigate those risks. Whitman has assessed Operational and Reputational Risk in its ICAAP and sets out appropriate actions to manage them. Whitman will make Pillar 3 disclosures on an annual basis.

#### CONFIDENTIALITY

This document is designed to meet the Pillar 3 obligations under BIPRU 11. The FCA permits exemptions from disclosures in cases of immateriality, proprietary or confidential information. In the event that any information is omitted, we shall disclose such and explain the grounds why it has not been disclosed.

#### RISK MANAGEMENT OBJECTIVE

The Board of Whitman is responsible for determining the level of risk that it considers acceptable for Whitman to operate at (i.e. the firm’s risk appetite). Whitman overall has a conservative approach to risk.

Risks are mitigated through the application of limits and controls and a monitoring process at operational level. On a day-to-day basis, it is the responsibility of the Compliance Officer to monitor risks and determine the firm’s appetite.

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### **GOVERNANCE FRAMEWORK**

On at least an annual basis Whitman meets to review the assessment and consider whether the level of risk that Whitman is operating at (i.e. the firm's risk appetite) is acceptable.

### **RISK MANAGEMENT FRAMEWORK**

A core objective of the Risk Management Framework is the consistent identification and reporting of risk. This is achieved via the following:

- Understanding the business environment
- Setting business objectives
- Risk identification
- Risk evaluation
- Developing risk response
- Assessing control activities
- Ensuring appropriate and timely risk information and communication
- On-going monitoring of the risk

### **RISK MANAGEMENT METHODOLOGY**

The firm determines the risks it faces and policies and procedures to manage and mitigate those risks where they exceed acceptable levels. This is based on the impact and likelihood of occurrence for each risk.

Whitman completes risk assessments using risk maps in order to identify significant risks relating to Whitman's activities, documents the responsibility for those risks and how they are being reported upon and the management and mitigation of those risks where they exceed acceptable levels.

### **RISK APPETITE**

The firm aims to maintain a low risk profile and has set its risk appetite such that no risk identified in its risk assessment process should have a high potential impact after controls. Whitman recognises that there is a degree of subjectivity in this approach and the firm therefore has set appropriate additional risk appetite targets.

### **CATEGORISATION OF RISKS**

Whitman recognises it is principally exposed to Credit, Operational and Reputational Risk.

#### **Credit Risk**

There is little exposure to credit risk, with its principle exposure being to its non-trading book debtors and cash held at banks. The exposure calculated in accordance with Pillar I charge is £11,000. This was deemed to be sufficient to cover any Pillar 2 charges.

#### **Operational Risk**

One quantitative evaluation of Operational Risk is to assess the potential cost of an Orderly Wind-Down. This has been considered under Section 6 of the ICAAP. The scenario outcome identified that additional capital be held to mitigate against this risk.

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Such operational risks include:

- Key man risk
- Suitability error risk
- Investment Performance
- Cyber security risk and data loss risk
- GDPR Risk
- Employee performance risk
- Additional Key women / man risk
- Force Majore

Whilst not a proxy for the Operational Risk Requirement, the Whitman Board recognises that the Fixed Overhead Requirement (FOR) is the minimum regulatory capital that must be held and considers it appropriate for the FOR to meet Whitman's provision for operational risk. Therefore, Whitman's Operational Risk Capital Requirement on 31 August 2020 was £167,000, which was considered sufficient capital for Pillar 2.

### Reputational Risk

This is one of the key risks to any Investment Manager, and can be triggered by events both internally, such as poor investment performance, and externally. The quantification of this risk is not easy and the firm has no loss data available internally to judge the impact that this might have. Based upon the output of the ICAAP scenario analysis, sufficient capital exists to maintain a sufficiently robust capital ratio.

### CAPITAL RESOURCES AND REQUIREMENTS

The Pillar 1 capital requirement is defined as the higher of the following:

- Base Capital Requirement (€50,000); OR
- Fixed Overhead Requirement; OR
- Variable Capital Requirement (the sum of Market and Credit Risk Requirements).

Whitman's Pillar 1 requirement as of 31 August 2020, based on the Variable Capital Requirement, was **£167,000**:

The firms Total Capital Resources as of 31<sup>st</sup> August 2020 are:

	£'000
Tier 1 capital	466
Tier 2 capital	0
Tier 3 capital	0
Deductions from Tiers 1 and 2	0
<b>Total capital resources</b>	<b>466</b>

Whitman's Pillar 2 capital requirement is calculated by the Firm in accordance with its ICAAP.

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This includes an assessment of the adequacy of capital resources to support current and future activities and to cover the key risks faced by the business, including relevant stress scenarios. The ICAAP is reviewed and approved at least annually by the Whitman board.

Based on its ICAAP assessment, the Whitman Board considers that an appropriate level of capital to support current and future business requirements, taking into consideration stress events and various key risk scenarios, is **£167,000**.

### **REMUNERATION POLICY**

The Whitman Board determines the Remuneration Policy, based on an established agreement with the Whitman operating team. In determining the Remuneration Policy, the Whitman Board may consider, amongst other things, the short- and long-term financial position of Whitman along with other appropriate risk assessments.

As per the Remuneration Policy, the performance related remuneration is subject to Whitman being profitable and is based on the agreed split between the partners of Whitman and its staff.

It has determined that there are 2 employees that are identified as Code Staff as of 31<sup>st</sup> December 2019. In line with the proportionality guidance aggregate remuneration has been provided below for Code Staff:

Total remuneration for Code staff in 2019 was:

	<b>£'000</b>
Fixed compensation	100
Variable compensation	0
<b>Total</b>	<b>100</b>