

Bivouac Capital LLP

Disclosure under Pillar 3 of Capital Requirements Directive

Date: 30 Jun 2020

Bivouac Capital LLP (“the Firm”) is authorised and regulated by the Financial Conduct Authority and is categorised as a BIPRU €50,000 Limited Licence Firm for regulatory purposes. The disclosure has been prepared by the firm in accordance with BIPRU 11 and summarises the material disclosures the firm is required to make under Pillar 3 of the Capital Requirements Directive.

Risk Management

The day-to-day management of the risks of the firm is carried out by two partners of the firm: Richard Adams and Catherine Blanc. Richard Adams is responsible for the oversight of the firm’s compliance and financial arrangements. The partners meet formally on a quarterly basis with a set agenda and key decisions are documented.

The firm is supported in its compliance and accounting arrangements by two independent providers. The firm receives quarterly management accounts from which it is able to monitor and project its capital resources. It has a compliance manual, a compliance monitoring programme and an ICAAP process that ensures it is able to manage the risks that it faces.

Given the nature and activities of the firm, its risk appetite is low. It does not deal in a principal capacity and therefore does not have a trading book. The key risks that it faces are as follows:

Market risk

The main market risk of the firm is foreign exchange risk as a result of its management fees being calculated in US dollars whilst the firm’s operating and reporting currency is sterling. This risk is monitored by the partners and is either converted at the time that the fees are calculated or hedged against the operating currency of the firm.

As at 31 December 2018, the firm did not incur significant market risk.

Interest rate risk

The firm is not exposed to interest rate risk as it does not rely on borrowings to meet operating expenditure and does not make loans to clients.

Credit risk

The main credit risk of the firm is a defaulting debtor. As noted above, the firm does not extend credit to its clients. The key credit exposures that the firm has are cash balances maintained with its UK clearer and management fees receivable from its clients. Cash balances are held in overnight deposit accounts and readily available. Management fees are payable within 30 days of their calculation as are consultancy fees.

Under Pillar 1, cash balances are risk weighted at 2.0% and management fees receivable at 12%. The partners believe that the Pillar 1 risk weight is adequate and that a Pillar 2 adjustment is not required.

As at 30 June 2020, the credit risk was £1,000.

Liquidity risk

The liquidity risk that the firm faces is the inability to settle its liabilities as they fall due. Part of the risk management structure noted above monitors the liquidity position of the firm at all times. Bank reconciliations and cash flows are prepared on a regular basis to ensure that all liabilities are understood and able to be settled as they fall due.

Cash resources of the firm are maintained in accounts with instant access as noted above.

Operational risk

As a BIPRU €50,000 Limited Licence firm, the firm is not subject to operational risk under Pillar 1. However the firm is aware of the reputational damage that could result from a failure in operating procedures. The firm's key policy and procedures are documented in the compliance manual and monitored via the compliance monitoring programme.

Changes to procedures are communicated to partners and staff as they occur and if significant all individuals will provide a written confirmation of their understanding and acknowledgement of the changes.

Partners and staff remain aware of the policies and procedures and periodically confirm their compliance via a biannual compliance declaration.

Remuneration

Given the nature and small size of the business, remuneration for all employees is set by the members of the Partnership. The Partnership formally reviews the performance of all employees and based thereon determines each employees overall level of remuneration and the split of that between base salary, bonus etc.

Given that Bivouac Capital LLP has only two fund management business areas and one consultancy business area, all remuneration disclosed in our audited financial statements is from these business areas. Bivouac Capital LLP has defined "Code Staff" to be the current two members of the Partnership. The aggregate level of remuneration earned by the Partners is disclosed in our audited financial statements.

The firm is a BIPRU Limited Licence firm and is therefore a "tier four" firm for the purposes of the FCA's General Guidance on proportionality in relation to its Remuneration Code. Tier four firms are permitted to disapply certain principles contained within the FCA's Remuneration Code. Where the firm has elected to disapply certain principles this has been noted below in the relevant section of the policy.

Capital Resources

As the the firm is a BIPRU €50,000 Limited Licence Firm it has calculated its capital resources in accordance with GENPRU 2.2. The firm's capital resources are detailed in the below.

	£000
Tier 1 capital resources	50
Tier 2 capital resources	0
Tier 3	0
Deductions form total capital e.g. illiquid assets	(0)
Total capital resources as at 30 st June 2020	----- 50

Capital Resource Requirements

The Firm's Pillar 1 requirement is calculated as the higher of:

1. The Base Capital Requirement (€50k)
2. The sum of :
The Credit Risk Capital Requirement; and
The Market Risk Capital Requirement.
3. The Fixed Overheads Requirement (3 months expenditure of the firm)

In the opinion of the partners, the higher of these three is likely to be the Base Capital Requirement.

Summary : Pillar 1 and Pillar 2

As at the date of this report, the Firm has a surplus of capital resources over its Pillar 1 and Pillar 2 capital resources requirements.

The Firm has undertaken an Internal Capital Adequacy Assessment Process (ICAAP) to determine whether it needs any further regulatory capital due to the risks it faces as set out above.

As a result of this the Firm has concluded that it needs no additional level of capital resources to meet its requirements under Pillar 2.