

## PGR Capital LLP

### Disclosure under Pillar 3 of Capital Requirements Directive

Date: 30<sup>th</sup> June 2011

#### Background

PGR Capital LLP ("the Firm") is authorised and regulated by the Financial Services Authority and is categorised as a BIPRU Limited Licence Firm for regulatory purposes. The disclosure has been prepared by the firm in accordance with BIPRU 11 and covers the material disclosures the firm is required to make under Pillar 3 of the Capital Requirements Directive.

#### Risk management objectives and policies

The business strategy and risk appetite are determined by the Partners. Based on this, a risk management framework, geared to the specific risks that are applicable to the firm, is devised and put into practice. The Firm's main categories of risk and its management objectives and policies for these categories are as follows:

Risk	Strategy and process to manage risk	Structure and organisation of risk management function	Risk reporting and management systems	Policy for hedging and mitigating risk
Operational risk	The firm's processes are documented in its compliance manual which is read by partners and employees.	The firm is small and has a simple operating infrastructure. Compliance is overseen by the Compliance Officer.	A report is compiled quarterly by the Compliance Officer and discussed at meetings of the partners.	The opportunity to mitigate operational risk is reviewed regularly by the partners.
Business risk	The firm's risk appetite and its willingness to accept business risk are defined by its partners.	The risk management function is overseen by the partners.	Business risk is discussed at regular partners' meetings.	Business strategy is managed and updated on a day to day basis by the firm's partners.
Credit risk	No credit is extended to clients. Credit risk occurs in the form of investment management fees receivable.	The accounting and compliance functions monitor all exposures to counterparties.	Monthly management accounts detail the firm's exposure to credit risk.	Fees are ordinarily collected within one month.
Market risk	The firm incurs foreign exchange risk on non-sterling receivable investment management fees as well as on foreign currency bank account balances. Foreign currency balances are converted into sterling as fees are received.	Foreign currency balances and fees receivable are monitored as part of the accounting function.	Foreign currency balances are monitored regularly by the partners.	If non-sterling balances were maintained, the firm would manage its exposure through foreign currency hedges when appropriate.
Liquidity risk	The risk of the firm breaching regulatory capital requirements or falling short of its cash flow obligations is monitored as part of the accounting function.	The financial risk of the firm is reviewed by partners. Where necessary external advice is sought from compliance consultants and or accountants.	Internal reporting to the partnership is on a monthly basis. Regulatory reporting to the FSA is on a quarterly basis.	Potential deficits are identified at an early stage and further capital/loans injected as necessary.

## Remuneration Risk

As a €50,000 Limited Licence firm, PGR Capital LLP falls within Tier 4 of the proportionality guidance notes issued by the Financial Services Authority in December 2010. The firm has applied the principles of proportionality in the disclosures made within this statement.

All decisions in relation to remuneration are made by the designated members of the firm. Remuneration is based on the performance of the firm as a whole and not on a single investment strategy. The firm's single business activity is investment management and the remuneration relating to that business area was for the financial year ended 30<sup>th</sup> June 2011 was approximately 13% of annual expenditure. The partners, who are also owners of the business, only receive drawings from the profits of the business and are not remunerated in any other way. Drawings will be after all other known liabilities have been settled or accrued and will never exceed current year profits or prior year retained earnings. This ensures that the capital of the firm will be preserved.

## Capital Resources

The firm is a BIPRU Limited Licence Firm and has calculated its capital resources in accordance with GENPRU 2.2. The firm's capital resources are detailed in the table below.

	£000
Tier 1 (partners' capital)	120
Tier 2	0
Tier 3	0
Deductions from total capital e.g. illiquid assets	0
Total capital resources as at 30 <sup>th</sup> June 2011	120

## Capital Resource Requirements

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

1. The Base Capital Resource Requirement (€50k)
2. The Variable Capital Resource Requirement (€30k) which is the sum of:  
The Credit Risk Capital Requirement; and  
The Market Risk Capital Requirement
3. The Fixed Overheads Requirement (3 months expenditure) (£50k)

The firm's Pillar 1 requirement is £50k as at the date of this report.

### Pillar 1

As at the date of this report the Firm has a surplus of capital resources over its Pillar 1 capital resources requirement.

### Pillar 2

The Firm has undertaken an Internal Capital Adequacy Assessment Process (ICAAP) to determine whether it needs any further regulatory capital due to the operational, business, credit and market risks it faces.

As a result of this the Firm has concluded that it does not need any further regulatory capital to meet its requirements under Pillar 2.