



TEJARA CAPITAL LIMITED

BIPRU11: PILLAR 3 DISCLOSURES 2019

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BIPRU11: Disclosure (Pillar 3)

Introduction

The Basel II Accord has been implemented in the European Union through the Capital Requirements Directive, as revised from time to time (“CRD”). The CRD details the standard regulatory capital framework for the financial services industry within the EU and consists of three pillars:

- **Pillar 1** specifies the minimum capital requirements of firms to cover credit, market and operational risk;
- **Pillar 2** requires firms to assess the need to hold additional capital to cover risks not covered under Pillar 1; and
- **Pillar 3** requires a set of disclosures to be made which enable market participants to assess information on firms’ capital, risk exposures and risk management procedures.

The Financial Conduct Authority (FCA) and the Prudential Regulatory Authority (PRA) hold responsibility for implementing the CRD within the UK. The FCA, the regulatory authority for Tejara Capital Limited (the “Company”), has set out its minimum disclosure requirements in its handbook under Chapter 11 of the Prudential Source Book for Banks, Building Societies and Investment Companies (BIPRU 11).

The disclosure requirements in BIPRU 11 aim to complement the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2) and aim to encourage market discipline by allowing market participants to assess key pieces of information on risk exposures and the risk assessment processes of the firm. This disclosure represents the Company Pillar 3 disclosures.

Frequency and Basis of Disclosures

Due to the scale of the Company’s operations and activities the Board has decided that disclosures shall be published annually. The Company has prepared the disclosures on an unconsolidated basis.

Location of Disclosures

Disclosures will be published on the Company’s website www.Tejaracapital.com. Details of the disclosures location will be given in the risk management section of the Company’s Annual Report and Accounts.

Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company’s risk management framework and approves the risk management policies implemented by the Company. The Company’s risk management policies are established by the Board to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company’s competitiveness, flexibility and return on capital employed. Risk management policies and systems are reviewed regularly by the Board to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations. In

fulfilling its responsibilities, the Board of Directors could choose to delegate some of these responsibilities to the Chief Executive Officer, Chief Finance Officer and Executive Committee. Due to the limited no of office employees it is not considered proportionate for the Company to have a separate risk management function.

Capital Resources as at 31 December 2019 (unaudited)

Tier 1 Capital	£'000
Permanent Share Capital	35,000
Retained Earnings	<u>33,547</u>
Total Tier 1 Capital	<u>68,547</u>

Upper Tier 2 Capital

Available-for-sale reserve	<u>0</u>
Total Regulatory Capital	<u>68,547</u>

Permanent share capital is composed entirely of ordinary shares that have been allotted, called up and fully paid. There are no special or unusual terms and conditions attached to this class of stock.

The Company does not have any Tier 3 capital resources.

Company's Approach to Capital Adequacy

The Company monitors its compliance with capital adequacy requirements and continues to be adequately capitalised.

Risk Management Policies

The Company has exposure to the following risks:

- Credit Risk
- Market Risk
- Operational Risk
- Liquidity Risk

Credit Risk Policy

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk arises principally from its financing and investment activities.

The Company regards 'past due' any payment for accounts receivable which is outstanding for more than 90 days. The Company will impair any accounts receivable outstanding from non related parties for more than 150 days. Adequate provisions have been set aside for 'past due' or impairment of current exposures.

The Company seeks to manage credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and assessing the creditworthiness of counterparties. Credit risks arising from commitments, if any, are mitigated by counter commitments and securities received. The

following table shows the Company's maximum exposure to credit risk for the components of the balance sheet as at 31 December 2019.

The Company calculates credit risk using the standardised approach as follows (£'000):

<u>Industry</u>	<u>Exposure</u>	<u>Credit risk Requirement</u>
Institutions	284	8
Corporates	72,655	5,812
Other	292	23
Total	<u>73,231</u>	<u>5,843</u>

<u>Geography</u>	
UK	68,774
Europe	255
Others	4,202
Total credit Risk	<u>73,231</u>

Maturity Analysis

<u>Exposure Class</u>	<u>1 Month</u>	<u>1-3 Months</u>	<u>3 Months-1 Year</u>	<u>1-5 Years</u>	<u>Total</u>
Institutions	284				284
Corporates		291	683	71,681	72,655
Other	163	79	50		292
Total	<u>447</u>	<u>369</u>	<u>733</u>	<u>71,681</u>	<u>73,231</u>

Market Risk Policy

Market risk is the risk that changes in market prices will affect the Company's income. The objective of market risk management is to manage and control exposures within acceptable parameters, whilst optimising returns. Given the Company's current profile of financial instruments, the principle exposure is the risk of loss arising from fluctuations in the future cash flows or fair values of these financial instruments because of a change in achievable profit/ interest rates.

Profit/ interest rate risk arises from the possibility that changes in those rates will affect future cash flows or the fair value of financial instruments. Positions are monitored on a monthly basis and no hedging instruments are currently used. The Company manages the profit/ interest rate risk by using variable and fixed rates of return.

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's main foreign exchange risk is in respect of Euro assets and liabilities otherwise it does not take significant foreign exchange positions. The foreign exchange positions are monitored on a monthly basis and hedging instruments, if any, are used on a limited basis.

The Company had a total market risk requirement of £743,000 at 31 December 2019, which is related to foreign currency risk.

Operational Risk Policy

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks.

The Company's objective in managing operational risk is to implement an integrated internal control structure that supports process efficiency and business needs, whilst effectively reducing the risk of error and financial loss in a cost effective manner. The overall operational risk framework is set by the Board of Directors. Primary responsibility for the development and implementation of internal controls is assigned to senior management within each business department and centrally coordinated by the Executive Committee.

The Company prepares its operating risk requirement on budgeted 3 months fixed overhead requirement of £540,000 as at 31 December 2019.

Liquidity Risk Policy

The aim of liquidity risk management is to ensure that the Company maintains adequate liquidity to meets its liabilities in the normal course of business as well as under market stress conditions. The Board of Directors are ultimately responsible for ensuring that the liquidity objective is met. The Board has assigned to the Executive Committee the responsibility to establish liquidity limits for both normal business operations and under stress conditions.

Given the relatively simple business model for the Company, and funding mainly from the capital provided by the parent company, quarterly and annual liquidity limits are set that are monitored on a day to day basis by senior management. The Company also ensures that it maintains sufficient realisable investments that under conditions of market stress can generate sufficient cash to meet the operating expenses for at least six months.

Capital Management Policy

The Company's policy in respect of capital adequacy is to maintain a strong capital base so as to retain investor, creditor and market confidence. The Company's capital requirements are set and monitored by the FCA. Regulatory capital consists of Tier 1 and Tier 2 capital, which includes ordinary share capital, retained earnings and revaluation on available-for-sale financial assets.

The Company holds its cash with a number of reputable financial institutions. All cash and cash equivalents, other than pledged assets, are short-term, highly liquid investments that are readily convertible into known amounts of cash.

The Company's Internal Capital Assessment for Pillar 2 is £8,232,000 as at 31 December 2019.

Remuneration Disclosures

In compliance with FCA requirement regarding the disclosure of the Company's Remuneration Code (the Code), set out below is the Company's approach to linking remuneration to risk.

The Company has a Remuneration Policy which, among other factors, addresses potential conflicts of interest and which ensures that the Company's employees are not rewarded for taking inappropriate levels of risk.

In accordance with the proportionality principle, based on the Company's profile under the Code, it is able to dis-apply many of the technical requirements of the Code in establishing the Company's policy. The Company is satisfied that the policies in place are appropriate to its size, internal organisation and the nature, the scope and the complexity of its activities.

The Decision Making Process: The Company's Remuneration Policy is set by the Board of Directors as the size of the Company does not warrant a separate remuneration committee. The Board of Directors ensures that each staff is remunerated appropriately and adequately for their contribution to the Company's success whilst ensuring that the firm maintains a strong capital base.

The link between pay and performance: Remuneration is based on competitive market-based wages that fairly compensate employees in view of skills provided, work performed and responsibility undertaken. Overall remuneration includes an annual discretionary bonus that reflects the individual performance and overall corporate results.

Incentive Compensation: The award of incentive compensation is a qualitative decision where employee and supervisory input are significant components. Each year the Board reviews the results and sets aside a bonus pool after taking into consideration the amount of capital required to run the Company's business. There are no guaranteed compensations, other than a suitable minimum performance payment that may be approved by the Board of Directors for senior staff, provided that certain conditions as set out in the Code have been met. Otherwise, the bonus pool is allocated to members and staff based on the individual's contribution to the Company.

Remuneration Code Staff (Code Staff): The FSA defines Code Staff as senior management, risk takers, staff engaged in control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as other Code Staff and whose professional activities have a material impact on the Company's risk profile. The Board Directors of the Company and those individuals responsible for investment decision making are the only Code Staff. The Company has assessed its members and staff and concludes that only 3 qualify as Code Staff.

Quantitative Remuneration Data: The aggregate remuneration of Code Staff was £779,000. This includes both fixed and variable elements of the remuneration.