

## Tideway Investment Partners LLP Pillar 3 Disclosure and Policy



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## Introduction

The Pillar 3 disclosure for Tideway Investment Partners LLP (“Tideway”) as at 31 March 2018 is set out below as required by the FCA’s “Prudential Sourcebook for Banks, Building Societies and Investment Firms” (BIPRU) specifically BIPRU 11.3.3 R.

This is a requirement which stems from the UK’s CRD III implementing Regulations which represented the European Union’s application of the Basel Capital Accord. Tideway is no longer formally subject to CRD but remain subject to the UK’s implementation Regulations of CRD prior to CRD IV. The regulatory aim of the disclosures is to improve market discipline.

Tideway was authorised by the Financial Services Authority on 16 April 2009. The data contained within this disclosure covers the period from 1 April 2016 to the financial year end. The Firm is a member of a UK Consolidated Group comprising Tideway Investment Partners LLP and its parent Tideway Investment Group Limited.

## Frequency

Tideway makes Pillar 3 disclosures annually. The disclosures will be as at the Accounting Reference Date (“ARD”) which is 31 March. However, where there is a material change Tideway will make interim Pillar 3 disclosures. This disclosure is published on the company website.

The accuracy of the Pillar 3 disclosures is the responsibility of and have been reviewed by the Board. The FCA framework consists of three Pillars:

- Pillar 1 sets out the minimum capital requirements that we need to retain to meet our credit, market and operational risk;
- Pillar 2 requires us, and the FCA, to take a view on whether we need to hold additional capital against firm

specific risks not covered by Pillar 1; and

- Pillar 3 requires us to develop and publish a set of disclosures which will allow market participants to assess key information about our underlying risks, risk management controls and capital position.

## Verification

The information contained in this document has not been audited by Tideway’s external auditors, as this is not a requirement, and does not constitute any form of financial statement and must not be relied upon in making any judgement on Tideway.

## Confidentiality and Materiality

The rules in BIPRU 11 set out the provision for Pillar 3 disclosure. We are permitted to omit required disclosure if we believe that the information is immaterial such that omission would be unlikely to change or influence the decision of a reader relying on that information. In addition, we may omit required disclosures where we believe that the information is regarded as proprietary or confidential. In our view, proprietary information is that which, if it were shared, would undermine our competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with our clients, suppliers and counterparties. We have made no omissions on the grounds that it is immaterial, proprietary or confidential.

## Scope and Application of the requirements

Tideway is authorised and regulated by the Financial Conduct Authority and as such is subject to minimum regulatory capital requirements. It is categorised as a BIPRU €50,000 Limited Licence Investment Firm for regulatory purposes.

The disclosures in this document are made with respect to Investment Advice and Discretionary Fund Management services to clients. Tideway acts solely as agent and does not hold client money or client assets so the main protection to our clients is provided through their own client asset arrangements.

### Risk management

Tideway's approach to risk management is predicated on the need to manage the full range of risks facing Tideway including operational, business, liquidity, credit and market risks. Tideway's overriding aim in this area is to minimise the risks to its clients, its counterparties and other stakeholders and to ensure it remains in full compliance with regulatory and legal requirements.

Tideway's Board determines its business strategy and risk appetite; accordingly, it is responsible for the oversight the implementation of a risk management framework that recognises the risks which the business faces. The Board meets on a regular basis and discusses current projections for profitability and regulatory capital management, business planning and risk management.

Tideway's risk management framework incorporates analysis of the impact of each material risk on the business, the probability of each risk occurring and the procedures in place for its mitigation. The relevant risks applicable to Tideway are categorised as operational, business, credit, market and liquidity risks. These are

quantified in our Internal Capital Adequacy Assessment Process (ICAAP) and Pillar 3 disclosure.

### Governance Framework

The Partners are the Governing Body of the Firm and have daily management and oversight responsibility. They meet at least quarterly and include:

- Peter Doherty
- James Baxter

### Risk Framework

Risk within the Firm is managed by use of the following:

- The Firm has a conservative approach to risk;
- The Firm has identified its risks and recorded them in a 'Risk Register';
- The 'Risk Register' is reviewed at regular Board meetings;
- The Firm has undertaken scenario analysis and stress tests on the most significant risks identified. This informs the Firm how risks are likely to behave and what, if any, impact there is likely to be to its balance sheet; and
- The Firm has in place an internal control framework to govern its processes and procedures and to mitigate any risks

### Operational risk

Operational risk is defined by Tideway as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Tideway's risk management framework emphasises operational risk. The Board reviews all aspects of the business on a regular basis to ensure operational risks have been identified and effective controls put in place to mitigate the risks identified, so the combination of the impact assessment and probability of each risk is kept to an acceptable level. Tideway has identified a number of key operational risks; amongst these are key man risk,

client concentration risk, staff errors and IT security or system failures.

## **Business risk**

Business risk is the risk of loss inherent in Tideway's operating, business and industry environment.

Tideway's main business risks relates to a possible fall in pension transfer enquiries and assets under management and a consequent diminution in investment management fees. As such, poor performance, service and or adverse market conditions could also impact revenues and hinder the ability to acquire new clients.

Business risk exposure is mitigated, to a certain extent by the high levels of capital held by Tideway, which ensure operating expenses coverage for a meaningful period.

## **Credit risk**

Credit risk is the risk of financial loss if a client, fund or counterparty fails to meet its contractual obligations. As Tideway does not provide credit to clients, its credit exposure to clients is limited to accrued fees. The mitigation of these risks is governed by the terms and conditions of individual agreements with clients.

Tideway is also exposed to the credit risk in respect of Tideway's own cash held on deposit and for the fees owed from clients to Tideway. Tideway constantly monitors and actively attempts to diversify its counterparties and jurisdiction risks.

## **Market risk**

Market risk is categorised as the impact that adverse market conditions could have on Tideway's revenues. Tideway focuses on wealth preservation; consequently, the market risk profile of clients' portfolios has historically limited the Firm's market risk when adverse market conditions occurred.

Tideway is focused on increasing assets under management, client retention and client satisfaction.

Tideway takes no proprietary market risk.

The only potential exposures are Non-Trading Book Exposures, i.e. to Foreign Currency held on deposit and assets or liabilities denominated in Foreign Currency, such as Debtors, on Tideway's Balance Sheet. Tideway does not currently have any exposures denominated in a Foreign Currency.

## **Liquidity risk**

We have consistently maintained sufficient liquid resources to meet our obligations. Cash flow and capital forecasting is performed on a regular basis and quantified in our ICAAP.

Excess cash is held on deposit or in interest bearing accounts at institutions with an investment grade credit rating.

## **Capital resources and requirements**

(audited as at 31 March 2018)

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

- The Base Capital Requirement (€50K); or
- The sum of the Credit Risk Capital Requirement and the Market Risk Capital Requirement; or
- The Fixed Overheads Requirement.

In the opinion of the Senior Management the highest of these three is always likely to be the Fixed Overheads Requirement and therefore none of the Base Capital Requirement, the Credit Risk Capital Requirement or the Market Risk Capital Requirement are material to Tideway. Tideway is a BIPRU Investment Firm without an Investment Firm Consolidation



Waiver deducting Material Holdings under (GENPRU 2 Annex 4).

Tier 1 Capital	£1,000,000
Deductions	£0
Tier 2 Capital	£0
Deductions	£0
Capital Resources	£0
Tier 3 Capital	£0
Deductions	£0
Total Capital	<u>£1,000,000</u>

Tideway has undertaken an ICAAP to determine whether it needs any further regulatory capital due to the operational, business, credit, market and other risks it faces, this is Tideway's Pillar 2 requirement. As part of the ICAAP, Tideway considered risks to capital combined with stress testing and scenario analysis of operational and business risks as well as an assessment of costs to wind down the business. This analysis concluded that Tideway has adequate capital to withstand unexpected losses arising from these risks. As at the date of this report Tideway has a surplus of capital resources over its Pillar 1 and Pillar 2 capital resources requirement.

## Remuneration Disclosure

The Company is subject to the remuneration rules, which are contained in the FCA's BIPRU Remuneration Code ('Code') within SYSC Chapter 19C.

The code covers all aspects of remuneration, including both fixed and variable remuneration. The Company understands fixed remuneration to consist of payments or benefits without consideration of any performance criteria, whilst variable remunerations refers to additional payments or benefits dependant on performance or contractual criteria.

Under the Code, the Board must review its remuneration policy and practice annually

for partners and employees termed Code Staff. Code Staff are those "who perform a significant influence function, senior management and risk takers whose professional activities could have a material impact on a firm's risk profile". An annual review of the firm's risk profile is conducted in order to allow the Board to determine the 'Code Staff' population and a record is kept by the Compliance team.

Tideway's Remuneration Policy (the "Policy") is determined by the Board, which comprises the managing partners. The Policy provides a framework to attract, retain and reward employees to achieve Tideway's strategic and business objectives within its risk appetite and risk management framework. The remuneration of all partners and employees, including senior management, is reviewed annually by the Board.

The Policy itself is reviewed by the Board to ensure that it remains consistent with the Remuneration Code Principles and Tideway's objectives. The Board will use all information available to it in order to carry out its responsibilities under the Code, including information on risk and financial performance. In addition, the Compliance team, as part of Tideway's regulatory monitoring, will include a review of the implementation of this Policy.

### Link between pay and performance

Remuneration includes, but is not restricted to, salaries, fixed allocations, bonuses, variable allocations, long-term incentive plans, options, pension and other benefits. Salaries/fixed allocations are set in the context of market data and the knowledge and skills required for the particular role and at a level to retain, and when necessary attract, skilled individuals.

Any bonus or variable allocation paid is designed to both reflect the performance of a person in contributing to the success of Tideway and their success in meeting, or exceeding, targets that have been set by

Tideway on an individual basis. Where remuneration is performance-related then in addition to the performance of the individual Tideway will also take into account the performance of the business unit concerned and the overall results of Tideway. Performance assessment will not relate solely to financial criteria but will also include compliance with regulatory obligations and adherence to effective risk management. In keeping with Tideway's long term objectives, the assessment of performance will take into account longer-term performance and payment of any such performance related bonuses/variable allocations may need to be spread over more than one year to take account of the firm's business cycle. The balance between fixed and variable remuneration both for Code Staff and for other income generating partners or employees is focused on ensuring that there remains an appropriate link between overall remuneration and performance. The measurement of financial performance will be based principally on profits and not on revenue or turnover.

#### **Quantitative remuneration information**

Tideway is required to disclose aggregate information on remuneration in respect of its Code Staff, broken down by business area and by senior management and other

Code Staff. The relatively small size and lack of complexity of its business is such that Tideway does not regard itself as operating or needing to operate separate 'business areas' and the following aggregate remuneration data should be read in that context. Tideway had 7 Remuneration Code staff during the financial year to 31 March 2018.

#### **Aggregate Remuneration**

Senior Management\*: £1,391,400

Other Code Staff: £218,000

\*Senior Management is comprised of Tideway's partners and senior managers during all or part of the financial year. This remuneration disclosure is made under the Basel Pillar 3 framework.

During the year and as part of the year-end review process Compliance reports to the Board on any activities, incidents or events that warrant consideration in making compensation decisions.

**Approved: Board**

**Date: 31 March 2018**