

## Pillar 3 Disclosure

### **INTRODUCTION AND BACKGROUND**

#### **Regulatory Context**

The Pillar 3 Disclosure of Tenaron Capital Management UK LLP ('Tenaron' or the 'Firm') is required by the Financial Conduct Authority's ('FCA') 'Prudential Sourcebook for Banks, Building Societies and Investment Firms' (BIPRU), specifically BIPRU 11.3.3 R. The disclosure has been prepared in accordance with the Capital Requirements Directive ('CRD IV') and the Capital Requirements Regulation ('CRR'), which represent the implementation of Basel III in the European Union.

The Basel framework consist of three pillars detailed below:

- Pillar 1: Defines the minimum capital resource requirement firms are required to maintain to meet credit, market and operational risks.
- Pillar 2: Requires firms to assess firm-specific risks not covered by the minimum regulatory capital resources requirement set out under Pillar 1 and, where necessary, maintain additional capital. This is implemented through the Internal Capital Adequacy Assessment Process (ICAAP) undertaken by the firm.
- Pillar 3: Aims to improve market discipline by requiring banks to publish information on their principal risks, capital structure and risk management.

#### **Background to Tenaron**

Tenaron is a limited liability partnership domiciled in the United Kingdom (UK) and is authorised and regulated by the FCA as a MiFID investment manager. It is a solo regulated entity, with its activities giving it the prudential categorisation of a BIPRU Firm. The Firm is not permitted to hold client money or assets, trade as principal or deal with retail clients.

Tenaron provides MiFID investment services of order execution and investment management services to Tenaron Capital Management LP ('Tenaron US'), its sole client, pursuant to a sub-investment management agreement. Tenaron US is the alternative investment fund manager to Tenaron Capital Macro Master Fund Ltd., Tenaron Capital Macro Offshore Fund Ltd., Tenaron Capital Macro Partners LP, Tenaron Capital Relative Value Master Fund Ltd., Tenaron Capital Relative Value Offshore Fund Ltd. and Tenaron Capital Relative Value Partners LP.

#### **Location and Frequency of Publication**

Tenaron's Pillar 3 Disclosure will be published on the Firm's website and updated on an annual basis as of Tenaron's accounting reference date, 31 December.

#### **Verification**

The information contained in this document has not been audited by Tenaron's external auditors, does not constitute any form of financial statement and must not be relied upon in making any judgement about Tenaron.

## Materiality

Tenaron regards information as material in disclosures if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. If the Firm deems a certain disclosure to be immaterial, it may be omitted from this statement.

## **RISK MANAGEMENT OBJECTIVE AND FRAMEWORK**

Tenaron has established a risk management framework, which includes systems and controls to identify, measure, monitor, report and mitigate risks. The risk management framework covers risks which impact Tenaron as a sub-investment manager, such as operational risks. Risks identified through the operation of the risk management framework are assessed annually through the ICAAP process.

### **Governance Framework**

Tenaron has a Governing Body responsible for management and oversight of the Firm. The Governing Body meets quarterly.

The Governing Body determines Tenaron's appetite or tolerance to the impact of risk. In addition, the Governing Body ensures that Tenaron has implemented an effective, on-going process to identify risk, to measure its potential impact against a broad set of assumptions and then to ensure that such risks are actively managed.

The Governing Body will, at least annually, conduct a review of the effectiveness of Tenaron's system of internal controls. This review will cover all material controls, including financial, operational and compliance controls, and risk management systems.

The Governing Body has responsibility for ensuring that Tenaron's processes and controls are properly implemented and followed.

## **INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ('ICAAP')**

The Firm has assessed business and operational risks in its ICAAP and set out appropriate actions to manage them. The ICAAP is formally reviewed and approved by the Governing Body on an annual basis. If necessary, the ICAAP is amended to reflect any material change to the business.

### **Disclosure: Capital Resources**

As part of its ICAAP, Tenaron has concluded that over the next year it has adequate capital to face its key risks, its capital resources are sufficient to support its operations and no additional injections of capital are necessary.

The Firm's Tier 1 Capital comprises of LLP Members' Capital as at 31 December 2020.

Tier 1 Capital	£ 860,000
Tier 2 Capital	£ -
Tier 3 Capital	£ -
Deductions	<u>£ -</u>
<b>Total Capital</b>	<b><u>£ 860,000</u></b>

The Pillar 1 Capital Resources Requirement is calculated as the higher of the Fixed Overhead Requirement ('FOR'), the sum of Market Risk and Credit Risk requirements and the base capital requirement of €50,000. As at 31 December 2020, Tenaron's Pillar 1 requirement was £340,000, which was its Credit Risk Capital Component because its Market Risk component was nil.

## Summary of Capital Requirement as at 31 December 2020

### Capital Requirement

Fixed Overhead Requirement	£ 207,000
Credit Risk Requirement	£ 340,000
Market Risk Requirement	£ -
Capital Requirement	£ 340,000
Current Total Capital	<u>£ 860,000</u>
<b>Surplus</b>	<b><u>£ 520,000</u></b>

### **REMUNERATION**

Tenaron has established a remuneration policy in accordance with the FCA's Remuneration Code. Tenaron's Governing Body has responsibility for approving the remuneration policy, which it formally reviews and approves on an annual basis. The review takes into account current and future risks, the costs and quantity of capital and liquidity required, and its financial forecasts.

#### **Code Staff**

Tenaron classifies those staff who are senior management, perform a significant influence function or are risk takers as 'Code Staff' in line with the FCA's Remuneration Code. The Firm has classified six individuals as Code Staff during the financial year ending 31 December 2020.

Remuneration comprised base salary, pension contributions and benefits in kind. Code Staff also received a bonus compensation during the period. When determining remuneration, the Firm's Governing Body considers the individuals' and the Firm's performance. There is no code staff in fee or commission earning roles.

#### **Aggregate Quantitative Remuneration by Senior Management and other Remuneration Code Staff (BIPRU 11.5.18(7))**

<b>Type of Remuneration</b>	
Senior Management (SIF)	£ 463,244
Other Remuneration Code Staff	<u>£ 322,620</u>
<b>Total Remuneration</b>	<b><u>£ 785,864</u></b>