



Roxbury Asset Management Ltd Pillar 3 Disclosures 2018

**Roxbury Asset Management Ltd
Pillar 3 Disclosures
Year ended 31st December 2018**

This document has been prepared for informational purposes only by Roxbury Asset Management Ltd (authorised and regulated by the Financial Conduct Authority). The information in this document is provided as at 31st December 2018.



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Contents

1.	Introduction.....	3
1.1	Purpose	3
1.2	Regulatory context	3
1.3	Disclosure Policy.....	3
1.4	The ICAAP Process	4
2.	Corporate Background	4
2.1	Structure.....	4
2.2	Business Model	4
3.	Risk Management Framework.....	5
3.1	Market Risk.....	5
3.2	Credit Risk.....	5
3.3	Business Risk	6
3.4	Key Individual Risk.....	6
4.	Capital Requirement.....	6
4.1	Solvency Ratio	7
5.	Capital Stress Tests	7
6.	Remuneration Disclosures	7
6.1	Aggregate quantitative information on remuneration for Code Personnel.....	7

1. Introduction

1.1 Purpose

The purpose of this document is to set out the Pillar 3 Disclosures for Roxbury Asset Management Ltd, (“Roxbury”).

1.2 Regulatory context

The Basel II Accord, implemented in the European Union through the European Capital Requirements Directive (‘the Directive’, or ‘CRD’) establishes a revised regulatory capital framework across Europe governing the amount and nature of capital that must be maintained by credit institutions and investment firms. In the United Kingdom, the Directive has been implemented by the Financial Conduct Authority (‘FCA’) in its regulations through the General Prudential Sourcebook (‘GENPRU’) and the Prudential Sourcebook for Banks, Building Societies and Investment Firms (‘BIPRU’). This is done following an Internal Capital Adequacy Assessment Process (ICAAP), and this Pillar 3 Disclosure document is the key output of this process which has been based on the audited Accounts for the year ending 31st December 2018.

The FCA framework consists of three ‘Pillars’:

- Pillar 1 sets out the minimum capital amount that meets the Firm’s credit, market and operational risk. These comprise: Base capital resources requirements; credit risk and market risk capital requirements; and the fixed overhead requirements;
- Pillar 2 requires that firms undertake an overall assessment of their capital adequacy, taking into account all risks to which the firm is exposed and whether additional capital should be held to cover risks not adequately covered by Pillar 1 requirements;
- Pillar 3 complements Pillar 1 and 2 and requires firms to disclose information on their capital resources and requirements, risk management framework and remuneration policy.

Regulatory Capital for Roxbury	
Total Capital & Reserves	2,562,894
Deductions from Tier 1 Capital	-1,833,712
	729,182
Total Tier 2 & Tier 3	0
Total available Capital	729,182

1.3 Disclosure Policy

The FCA’s BIPRU 11 rules set out the requirements for Pillar 3 disclosures and permit non-disclosure of information considered by the Directors to be immaterial, to the extent that any such non-disclosure would be unlikely to change or otherwise influence decisions made by a reader relying on such non-disclosed information. The BIPRU 11 rules additionally permit non-disclosure of information of a proprietary and/or confidential nature. Proprietary and confidential information includes non-public information that is confidential and/or proprietary to the Company and/or to parties with whom the Company transacts business. Disclosure of information that would prove detrimental to the Company’s competitiveness would also constitute confidential information.



Roxbury Asset Management Ltd Pillar 3 Disclosures 2018

Additional disclosures will be made should Roxbury's Directors deem it necessary as a result of any material change to the Firm's scale of operations or range of activities or where the Directors are otherwise of the opinion that the impact of events requires disclosure, in accordance with the provisions of BIPRU 11.

1.4 The ICAAP Process

Roxbury's Individual Capital Adequacy Assessment Process (ICAAP) methodology has drawn on the existing Risk Management Framework, focusing on the identification of all Risks facing the business, and the translation of these Risks into a quantitative framework, with the objective of ascertaining the level of capital to maintain and grow the business.

In addition, negative scenarios were considered to evaluate the impact of a reduction in future revenue on capital, to the extent of considering a wind-down analysis to ascertain whether additional capital would be required during the period it would take to wind down the business.

2. Corporate Background

2.1 Structure

Roxbury is incorporated in the UK and is authorised and regulated by the FCA as an Investment Management Firm. Roxbury's activities fall under the category of a "Limited Licence BIPRU" firm. Roxbury is not part of a Group, and as such, this Pillar 3 Disclosure has been produced from the ICAAP process on a stand-alone basis.

The Governing Body of Roxbury (the "Board of Directors") is currently comprised of Stephen Zinser and Sohail Malik. The Board of Directors is responsible for the entire process of risk management, as well as forming its own opinion on the effectiveness of the process. In addition, the Board decides Roxbury's risk appetite or tolerance for risk and ensures that Roxbury has implemented an effective, ongoing process to identify risks, to measure their potential impact and then to ensure that such risks are actively mitigated and/or managed.

2.2 Business Model

Roxbury, a BIPRU €50K Limited Licence Firm, acts as an investment manager and adviser. It does not hold or control client money. The Firm may only deal on an agency or riskless principal basis with clients and affiliated Group entities. Accordingly, Roxbury does not deal for its own account or underwrite issues on a firm commitment basis.

Roxbury's target client base is professional institutions and investors. Roxbury has two Clients, the Roxbury Fund ICAV which is domiciled in Ireland and a managed account domiciled in the Cayman Islands. Roxbury manages absolute return oriented event driven investment strategies typically with a credit bias, where investments are made primarily in European debt and equity securities.

3. Risk Management Framework

The Governing Body of Roxbury forms the Risk Committee of the Firm, and accordingly has the responsibility for approving –

- The Risk Appetite, in terms of parameters and tolerances.
- The Risk Matrix or Register for identifying and monitoring Risk.
- The Risk Management Policy for the application of Risk Management.

Roxbury has incorporated all of the identified Risks into the Risk matrix and applied a scoring to quantify these risks. The key Risks facing the business are Market Risk, Credit Risk, Business Risk and Key Individual Risk.

3.1 Market Risk

Market risk is defined as the risk of adverse movements of markets, and in relation to Roxbury this would consist of the following:

- Roxbury is exposed to market movements as a market downturn will have an impact on the value of funds advised and accordingly, management and performance fees would be affected.
- Roxbury is exposed to foreign exchange risk due to its fees being denominated principally in Euros and Dollars whilst the functioning currency of Roxbury is in Sterling.

Notwithstanding the above, Roxbury went through an extensive remediation of its market risk which entailed injecting further capital. Accordingly, the Board does not believe it should allocate further capital to this area.

3.2 Credit Risk

The Firm neither holds client money nor assets. The Firm’s exposure to Credit Risk is the risk that investment management fees are not paid and it’s exposure to banks where surplus cash is deposited. The Firm’s cash is with Banks which have high credit ratings. Notwithstanding this, Roxbury applies a standardised approach to credit risk, applying 8% to Roxbury's risk weighted exposure amounts.

Credit Risk Component	Exposure	Risk	Weighted
Cash at Bank and in Hand	313,062	20%	62,612
Director's Loan	158,500	100%	158,500
Vat	15,374	100%	15,374
Other debtors	78,959	100%	78,959
Prepayments & Accrued income	158,989	100%	158,989
Total	724,884		474,434
Credit Risk Component		8%	£37,955

3.3 Business Risk

Business risk is defined as uncertainty in revenues due to unforeseen changes in the competitive and regulatory environment. Key Performance indicators and tolerances are monitored by the Governing Body which highlight any remedial actions where necessary.

The current uncertainty around Brexit puts a ‘hard Brexit’ and a “soft Brexit” as equally plausible at this point. Contingency actions are continually being considered insofar as this is possible without a firm understanding of the status of a definitive withdrawal agreement.

3.4 Key Individual Risk

Key Individual Risk is the loss of Key Individuals within the business which may have a material impact on growth, business development and reputation. All personnel are direct employees and shareholders. This remains a substantial risk although it is somewhat unavoidable in a small company. The major risk is the death or departure of the majority shareholder, in particular the CEO and majority shareholder Stephen Zinser. This risk is mitigated by the adequate capitalisation of the firm. The Board has not allocated any extra capital to Key Individual Risk.

4. Capital Requirement

A BIPRU firm must maintain at all times capital resources equal to or in excess of the capital requirement. The variable requirement for a BIPRU Limited Licence Firm, or the capital requirement is the higher of the credit risk capital requirement and the market risk capital requirement, or the Fixed Overhead Requirement (FOR) (i.e. one quarter of the firm’s relevant fixed expenditure). A BIPRU firm must maintain at all times capital resources equal to or in excess of the variable requirement. The FOR has been calculated, in accordance with FCA rules, based on the firm’s previous years audited expenditure net of variable costs for 13 weeks of the year, ($\frac{1}{4} \times \text{Fixed Costs}$), as £271,356.

In accordance with the Pillar 1 capital regime (GENPRU 2.1.53 – 59), the minimum capital requirement is calculated as the higher of the Fixed Overhead Requirement, the sum of market and credit requirement and the base capital requirements. The Fixed Overhead Requirement is the higher and is therefore Roxbury’s Minimum capital.

Calculation of Minimum Capital		Pillar 1
Base Capital (GBP Equiv.)		£44,921
Credit & Market Risk		£37,955
Fixed Overhead Requirement		£271,356
Minimum Capital Requirement		£271,356

4.1 Solvency Ratio

Based on the above, and deducting the calculated minimum capital from the regulatory capital, there is a surplus of £457,826.

Solvency ratio	
Tier 1, 2, 3 Capital after Deductions	729k
Minimum Capital Requirement	271k
Surplus capital over Pillar 1 Requirement	458k
Solvency ratio (%) (Fixed Overhead Requirement)	169%

5. Capital Stress Tests

5.1 Wind-down costs are based on such a scenario taking three months to complete. The Liquidity Risk Tolerance (Local Liquidity Reserve) is defined as the Wind-Down Requirement from the ICAAP and this is calculated at £414,289.

5.2 Roxbury is funded as follows:

Ordinary shares	3,408
Preference shares "A"	2,250,000
Preference shares "B"	<u>5,626,413</u>
	<u>7,879,821</u>

As at 31st December 2018, total capital and reserves were valued at £ 2,562,894. Roxbury has no long-term debt, nor off-balance sheet funding.

5.3 Roxbury has modelled the effects of a fall in Revenue based on the audited Accounts for the year ended 31st December 2018. In all scenarios, Roxbury meets the liquidity requirement.

6. Remuneration Disclosures

Under the FCA's remuneration code, Roxbury is classified as a Tier 3 firm, which allows it to proportionately apply the Code's rules and principles.

6.1 Aggregate quantitative information on remuneration for Code Personnel

Remuneration	2018
Total number of code staff during the year	4
Total fixed remuneration	£ 491,872
Total variable remuneration	0
Total Remuneration	£ 491,872