BENNELONG
ASSET MANAGEMENT LLP
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Bennelong Asset Management LLP
(the "Firm")
Pillar 3 disclosure requirements

The Capital Requirements Directive ('the Directive') of the European Union establishes a revised regulatory capital framework across Europe governing the amount and nature of capital credit institutions and investment firms must maintain.

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').

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 capital requirement;
- Pillar 2 requires the firm to assess whether its its capital reserves, processes, strategies and systems are adequate to meet pillar 1 requirements and further determine whether it should apply additional capital , processes, strategies or systems to cover any other risks that it may be exposed to; and
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position to encourage market discipline.

The rules in BIPRU 11 set out the provision for Pillar 3 disclosure. This document is designed to meet our Pillar 3 obligations.

The Pillar 3 disclosure document has been prepared by Bennelong Asset Management LLP ("The Firm") in accordance with the requirements of BIPRU 11 and is verified by the members of the Firm. Unless otherwise stated, all figures are as at the 31 December 2020 financial year-end.

Pillar 3 disclosures will be issued on an annual basis after the year end and published as soon as practical when the audited annual accounts are finalized.

We are permitted to omit required disclosures 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 for the purpose of making economic decisions about the firm.

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 customers, suppliers and counterparties.

We have made no omissions on the grounds that it is immaterial, proprietary or confidential.

Scope and application of the requirements

The Firm is authorised and regulated by the FCA and as such is subject to minimum regulatory capital requirements. The Firm is categorised as a "BIPRU Firm" by the FCA for capital purposes. It is an investment management firm and as such has no trading book exposures.

The Firm is not a member of a group and so is not required to prepare consolidated reporting for prudential purposes.

Risk management

The Firm has established a risk management process in order to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising in the business. The risk management process is overseen by the members of the Firm, with the Senior Management team taking overall responsibility for this process and the fundamental risk appetite of the firm. The Senior Management team has responsibility for the implementation and enforcement of the Firm's risk principles.

The Senior Management meet on a regular basis and discuss current projections for profitability, cash flow, regulatory capital management, and business planning and risk management. Senior Management engage in the Firm's risks though a framework of policy and procedures having regard to the relevant laws, standards, principles and rules (including FCA principles and rules) with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required.

The Senior Management team has identified that business and operational matters are the main areas of risk to which the Firm is exposed. Annually the Senior Management team formally review their risks, controls and other risk mitigation arrangements and assess their effectiveness.

A formal update on operational matters is provided to the Senior Management team on a regular basis. Management accounts demonstrate continued adequacy of the firm's regulatory capital and are reviewed on a regular basis.

Appropriate action is taken if risks are identified which fall outside of the Firm's tolerance levels or if the need for remedial action is required in respect of identified weaknesses in the firm's mitigating controls.

Specific risks applicable to the Firm come under the headings of business, operational, credit, market and liquidity risks.

Business risk

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The Firm's revenue is reliant on the performance of the existing funds under management and its ability to launch new funds/obtain new mandates. As such, the risk posed to the Firm relates to underperformance resulting in a decline in revenue and adverse market conditions hindering the launch of new funds and ultimately the risk of redemptions from the funds managed by the firm. This has been identified as a key risk in the Frim's ICAAP assessment.

This risk is mitigated by the ongoing review review of the business and the stress testing of the ICAAP assessment on a regular basis and management of the Firm's liquidity risk as identified below.

Operational risk

The Firm places strong reliance on the operational procedures and controls that it has in place in order to mitigate risk and seeks to ensure that all personnel are aware of their responsibilities in this respect.

The Firm has identified a number of operational risks to manage. Appropriate polices are in place to mitigate against these risks, which includes taking out adequate professional indemnity insurance.

The Firm has clear reporting lines in place and a robust infrastructure to manage AUM well in excess of current levels.

Credit risk

The Firm is not exposed to material credit risk in respect of its debtors and cash held on deposit.

All bank accounts are held with large international credit institutions.

Market risk

The Firm takes no market risk other than foreign exchange risk in respect of its accounts receivable, accounts payable and cash balances held in currencies other than GBP.

As market risk is not considered material to the Firm, no specific hedging strategies are adopted in order to mitigate the risk of currency fluctuations.

Liquidity risk

The Firm is required to maintain sufficient liquidity to ensure that there is no significant risk that its liabilities cannot be met as they fall due or to ensure that it can secure additional financial resources in the event of a stress scenario.

The Firm retains an amount it considers suitable for providing sufficient liquidity to meet the working capital requirements under normal business conditions. The firm has always had sufficient liquidity within the business to meet its obligations and monitors its cash position on a regular basis. There are no perceived threats to this given the cash deposits its holds.

Regulatory capital

The Firm is a Limited Liability Partnership and its capital arrangements are established in its Limited Partnership Agreement. The members' capital at 31 December 2020 is £5,470,898.

The main features of the Firm's capital resources for regulatory purposes are as follows:

	31 December 2020 £000
Tier 1 capital*	170
Tier 2 capital	0
Tier 3 capital**	0
Deductions from Tiers 1 and 2	0
Total capital resources	**170**
* No hybrid tier one capital is held **Note: Tier 3 capital is to be removed under the CRD IV	

Our Firm is small with a simple operational infrastructure. The Firm is not exposed to any material credit risk or market risk.

The Firm is subject to the Fixed Overhead Requirement and is not required to calculate an operational risk capital charge though it considers this as part of its process to identify the level of risk based capital required.

As discussed above the firm is a BIPRU firm and as such its capital requirements are:

- €50,000; and
- The sum of the operational and business risk requirements; or
- The fixed overheads requirement ('FOR') which is essentially 25% of the firm's operating expenses less certain variable costs.

The FOR is calculated, in accordance with FCA rules, based on the firm's previous years audited expenditure. The Firm is not exposed to material credit and market risk and the Firm is not subject to an operational risk requirement. It is the Firm's experience that the Fixed Overhead Requirement establishes its capital requirements.

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Capital requirement

The Firm's Pillar 1 capital requirement has been determined by reference to the Firm's Fixed Overheads Requirement ("FOR") and calculated in accordance with the FCA's General Prudential Sourcebook ("GENPRU") at GENPRU 2.1.53. The requirement is based on the FOR since this exceeds the total of the credit and market risk capital requirements it faces and also exceeds its base capital requirement of €50,000.

The FOR is based on annual expenses net of variable costs deducted. The Firm monitors its expenditure on a monthly basis and takes into account any material fluctuations in order to determine whether the FOR remains appropriate to the size and nature of the business or whether any adjustment needs to be made intra-year.

This is monitored on a regular basis and reported to the members on a regular basis.