

2020 Pillar 3 Disclosure

EFGAM (UK) Limited (“EFGAM” or the “Firm”) is authorised and regulated by the Financial Conduct Authority and is a London based discretionary investment manager to professional clients and regulated and unregulated investment schemes. EFGAM is a full scope Alternative Investment Fund Manager (“AIFM”) and categorised as a collective portfolio management investment firm by the FCA for capital purposes and reports on a solo basis.

EFGAM’s Pillar 3 disclosure fulfils the Firm’s obligation to disclose to market participants’ key pieces of information on a firm’s capital risk, risk exposures and risk assessment processes.

Risk Management

The Board of Directors of EFGAM determine its business strategy and the level of risk acceptable to the firm. Senior Management have designed and implemented a risk management framework that recognises the risks that the business faces and how those risks may be monitored, mitigated and assessed on an ongoing basis. The firm has in place controls and procedures necessary to manage those risks.

EFGAM considers the following as key risks to its business:

Business Risk: This risk represents a fall in assets under management of the Funds or the loss of key staff which may reduce the fee income earned by the Firm and hinder its ability to finance its operations. Business risks are assessed and mitigated as part of the Internal Capital Adequacy Assessment Process (“ICAAP”).

Market Risk: This risk includes the exposure to foreign exchange fluctuations due to investment management and performance fees being denominated in currencies other than sterling.

Operational Risk: This risk covers a range of operational exposures from risk of trading errors to risk of a breach of a Fund’s investment objectives. Legal and reputational risks are also included within the category of operational risk. Operational risks and how they can be mitigated are assessed as part of the ICAAP.

Credit Risk: This risk relates to the exposure to the Funds for non-payment of management and performance fees and counterparty exposure relating to the Firm’s bank balances and any other debtors. This is monitored by the firm’s Chief Operating Officer.

Remuneration

The FCA requires EFGAM (UK) Limited to disclose its approach to linking remuneration to risk. The remuneration policy for EFGAM is overseen by the EFGAM Remuneration Committee, a sub committee of the Board of Directors. The remuneration policy promotes sound and effective risk management and risk taking consistent with the firm’s business strategy, risk appetite and regulatory requirements. All fixed and variable remuneration is subject to review and approval by the Remuneration Committee.

Fixed remuneration comprises salary and benefits including pension, health insurance as well as a housing allowance. Remuneration is set by reference to industry data/practices, taking account of the skill and experience necessary to fulfil the required role.

Variable remuneration is awarded on a contractual or discretionary basis and is based upon factors that include non-financial performance criteria such as achievement of specific agreed objectives and a qualitative assessment of an employee’s contribution to the business. Contractual remuneration is linked to financial performance of the business. Financial performance is measured by reference to individual, team or entity level profit/loss statements. Financial performance assessment includes allocation of losses, operational errors and measures taken to encourage behaviour consistent with our business objectives and the FCA Remuneration Code.

Code staff are considered to be employees whose professional responsibilities have a material impact on the risk profile of EFGAM. EFGAM has 10 Remuneration Code staff comprising Significant Influence Functions, senior management and risk takers as at the end of 2020. The aggregate level of remuneration earned by Code staff for 2020 was £2.9 million. Further information on EFGAM’s remuneration composition and policies can be found in the 2020 Annual Report.

Regulatory Capital

The capital resources of the business currently comprise of Tier 1 capital. As a limited license firm the capital resources requirement is calculated as the higher of Pillar 1 and Pillar 2 capital. Pillar 1 capital is the greatest of:

1. the base capital requirement of 125,000 (Euro)
2. the sum of market and credit risk requirements;
3. the Fixed Overhead Requirement ("FOR"); and
4. the Funds Under Management Requirement (FUMR).

Plus

the Professional Indemnity Insurance Requirement (PII)

Further to this, EFGAM must meet the Liquid Assets Test whereby the higher of the FOR and FUMR is covered by liquid assets held.

Pillar 2 capital is calculated by the Firm as representing any capital to be maintained against any risks not adequately covered under the requirement in Pillar 1 plus the sum of the market and credit risk requirements as part of its ICAAP and internal risk assessment procedures.

It is the Firm's experience that its capital requirement normally consists of the FOR, although market and credit risks are reviewed monthly. EFGAM applies a simplified standardised approach to credit risk. Applying 8% to the Firm's risk weighted exposure amounts, consisting mainly of investment management and performance fees due but not received and cash at bank. Having performed the ICAAP, EFGAM has concluded that the Pillar 2 capital requirement is higher than Pillar 1.

As at the date of this disclosure EFGAM's consolidated regulatory capital position is:

Capital Resources Assessment	31 December 2020	
	£'000	£'000
Market and Credit Risk Requirement	4,037	
Operational Risk Requirement**	615	
Total		4,652
Financial Resources*		20,939
Surplus Capital		16,287

*- Includes interim net profits, unaudited at the time of FCA reporting deadlines. These have been audited at the date of writing. If excluding interim net profits, financial resources were £5,613k with a Surplus Capital of £961k.

** Operational Risk requirement was reassessed subsequent to the filing of Form FSA019 Pillar II Information to £653,750.

EFGAM's ICAAP assesses the adequacy of its internal capital to support current and future activities. This process includes an assessment of the specific risks to the Firm, the internal controls in place to mitigate those risks and an assessment of whether additional capital is need to further mitigate those risks.

The Firm's ICAAP is formally reviewed by the Board of Directors annually and will be revised should there be any material changes to the Firm's business or risk profile.