VALIDUS

Pillar 3 and Remuneration Disclosure

2020

PILLAR 3 DISCLOSURE

The Firm is authorised and regulated by the Financial Conduct Authority (the “FCA”). The Firm is a UK domiciled BIPRU firm that can advise professional client as well as execute on their behalf. Validus Risk Management is not allowed to hold client money and/or assets in general. The Firm is categorised as a “BIPRU firm” by the FCA for capital purposes. The Firm reports on a solo basis. The Firm’s Pillar 3 disclosure fulfils the Firm’s obligation to disclose to market participants’ key information on a firm’s capital, risk exposures and risk assessment processes.

We are permitted to omit required disclosures if we believe that the information is immaterial i.e. where 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. 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 such omissions.

RISK MANAGEMENT

The Firm’s Senior Management determines its business strategy and the level of risk acceptable to the Firm. In conjunction with the Compliance Officer, they have designed and implemented a risk management framework that recognises the risks encountered by the business, defines 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.

The Firm considers the following risks to the business:

Market Risk – the Firm does not operate a trading book and therefore the Firm’s market risk solely relates to fluctuations in foreign exchange pertaining to the Firm’s Balance Sheet.

Credit Risk – this relates to the extent the Firm may suffer a financial loss due to failure of one of the Firm’s counterparties, the only significant credit risk for the Firm is failure of the clients to pay fees due;

Operational Risk – this is defined by the FCA as ‘the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk’; and

Business (Strategy) Risk – the Firm considers this to be any risk arising from changes in the Firm’s business and includes risks to earnings posed by falling or volatile income, risks relating to the Firm’s business strategy and risks arising from the Firm’s remuneration policy.

All members of staff are responsible for identifying any current or emerging risks. Once the risk is identified, the staff should define the risk, consider the possibility of being materialised and its impact on the Firm. After completing this process, the issue is addressed to the Firm’s Senior Management. The Firm maintains a record of the identified risks, which is reviewed regularly by the Senior Management.

REGULATORY CAPITAL

The Firm is a Limited Private Company. Its capital comprises share capital.

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

Capital Item	**£'000**
Tier 1 capital Requirement	50
Total capital resources, net of deductions	1,300

PILLAR 1 CAPITAL REQUIREMENT

The Firm is subject to quantitative rules-based capital adequacy calculations which set out the minimum capital requirements for the Firm. This is called the Pillar 1 capital requirement.

Pillar 1 capital is the higher of:

1. the base capital requirement of €50,000;
2. the sum of market and credit risk requirements; and
3. the Fixed Overhead Requirement ("FOR").

It is the Firm's experience that its Pillar 1 capital requirement normally consists of the base capital requirement.

The Firm's market risk is limited to foreign exchange risk on its accounts receivable on a foreign currency. The Firm applies a standardised approach to credit risk, applying 8% to the Firm risk weighted exposure amounts, consisting mainly of investment management and performance fees due but not paid, and cash balances held at top tier banks.

PILLAR 2 CAPITAL REQUIREMENT

Pillar 2 capital is calculated by the Firm as representing any additional capital to be maintained against any risks not adequately covered under the requirement in Pillar 1 as part of its Internal Capital Adequacy Assessment Process ("**ICAAP**").

The Firm'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 mitigates those risks.

Having performed the ICAAP, the Firm has concluded that no additional capital is required in excess of its Pillar 1 capital requirement.

Our capital requirements are currently £57,500 which is well within the level of regulatory capital held.

The Firm's ICAAP is formally reviewed by the Senior Management annually but is reviewed and revised more frequently should there be any material changes to the Firm's business or risk profile.

REMUNERATION

Remuneration for employees is set by the Senior Management of the Firm and our Senior Management remuneration are determined by the board. The Firm formally reviews the performance of all employees and based thereon determines each employee's overall level of remuneration and the split of that between base salary, bonus, etc. in compliance with the FCA Rules on remuneration.

We may omit required quantitative disclosures in relation to remuneration where we believe that the information could be regarded as prejudicial to our adherence to the EU General Data Protection Regulation ((EU) 2016/679) on the protection on natural persons with regard to the processing of personal data and on the free movement of such data.

Due to the size of the Firm and limited number of "Code Staff", quantitative disclosures in relation to remuneration have not been included.

The Firm is subject to the BIPRU Remuneration Code ("the Code"), has applied proportionality and, pursuant to this application and where relevant, has disapplied various provisions of the Code