

Alken Asset Management Ltd

“The Firm”

Pillar 3 Disclosure and Policy at 31 March 2022

Introduction

Regulatory Context

The Pillar 3 disclosure of Alken Asset Management Ltd (“the Firm”) is set out below as required by the FCA’s “Prudential Sourcebook for Banks, Building Societies and Investment Firm” (BIPRU) specifically [BIPRU 11.3.3 R](#). This follows the introduction of the Capital Requirements Directive (“CRD”) which represents the European Union’s application of the Basel Capital Accord. The regulatory aim of the disclosures is to improve market discipline.

The Investment Firms Prudential Regime (IFPR) is the new prudential regime for MiFID investment firms that came into force on 1 January 2022. Alken Asset Management qualifies as a SNI firm.

Frequency

The Firm is making this Pillar 3 disclosure as at the Accounting Reference Date (“ARD”).

Media and Location

The disclosure will be published on Alken’s website.

Verification

The information contained in this document has not been audited by the Firm’ external auditors and does not constitute any form of financial statement and must not be relied upon in making any judgement on the Firm.

Materiality

The Firm regard 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 making economic decisions. If the Firm deem a certain disclosure to be immaterial, it may be omitted from this Statement.

Confidentiality

The Firm regards information as proprietary if sharing that information with the public would undermine its competitive position. Proprietary information may include information on products or systems which, if shared with competitors, would render the Firm’s investments therein less valuable. Further, the Firm must regard information as confidential if there are obligations to customers or other counterparty relationships binding the Firm to confidentiality. If any such information is omitted, we shall disclose such and explain the grounds why it has not been disclosed.

Summary

The CRD requirements have three pillars. Pillar 1 deals with minimum capital requirements; Pillar 2 deals with Internal Capital Adequacy Assessment Process (“ICAAP”) undertaken by a firm and the Supervisory Review and Evaluation Process through which the Firm and regulator satisfy themselves on the adequacy of capital held by the Firm in relation to the risks they face and; Pillar 3 which deals with public disclosure of risk management policies, capital resources and capital requirements. The regulatory aim of the disclosure is to improve market discipline.

Alken Asset Management is an Investment Management Firm. The Firm act solely as agent. The Firm’ greatest risks have been identified as business and operational risk. The Firm is required to disclose its risk management objectives and policies for each separate category of risk which include the strategies and processes to manage those risks; the structure and organisation of the relevant risk management function or other appropriate arrangement; the scope and nature of risk reporting and measurement systems; and the policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants.

The Firm has assessed business and operational risks in its ICARA Process and set out appropriate actions to manage them.

Several key operations are outsourced to third party providers such as administrators reducing our exposure to operational risk. The Firm has an operational risk framework (described below) in place to mitigate operational risk. The Firm’ main exposure to credit risk is the risk that fees cannot be collected and therefore credit risk is low. The Firm hold all cash and performance fee balances with banks.

Market Risk exposure has been assessed by the Firm and is limited to the Firm’ exposure to any cash amounts held by the Firm in a foreign currency. All foreign currency is converted into GBP on a regular basis.

Background to the Firm

Background

Alken Asset Management Ltd is incorporated in the UK and is authorised and regulated by the FCA. The Firm’ activities give them both the categorisation of a €50k Limited Licence BIPRU Investment Firm.

BIPRU 11.5.1

Disclosure: Risk Management Objectives and Policies

Risk Management Objective

The Firm has a risk management objective to develop systems and controls to mitigate risk to within its risk appetite.

Governance Framework

The Management Committee is the Governing Body of the Firm and has the daily management and oversight responsibility.

The Management Committee 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 Management Committee decides the Firm’ risk appetite or tolerance for risk and ensures that the Firm has implemented an effective, ongoing process to identify risks, to measure its potential impact and then to ensure that such risks are actively managed. Senior

Management is accountable to the Management Committee for designing, implementing and monitoring the process of risk management and implementing it into the day-to-day business activities of the Firm.

Risk Framework

Risk within the Firm is managed by use of the following:

- The Compliance and operational Committee that concentrates on risks associated with failures in internal processes, people, systems and external events;
- The Firm has a conservative approach to risk;
- The Firm has undertaken scenario Analysis and Stress Tests on the most significant risks identified. This informs the Firm how risk are likely to behave and what, if any, impact there is likely to be to the consolidated balance sheet;
- The Firm has in place an internal control framework to govern its processes and procedures and to mitigate any risks;
- In order to mitigate this risk the Firm provide staff with regular training on identifying and preventing market abuse and insider dealing.

BIPRU 11.5.4

Disclosure: Compliance with BIPRU 3, BIPRU 4, BIPRU 6, BIPRU 7, BIPRU 10 and the Overall Pillar 2 Rule

BIPRU 3

For the Pillar 1 regulatory capital calculation of Credit Risk, under the credit risk capital component the Firm has adopted the Standardised approach ([BIPRU 3.4](#)) and the Simplified method of calculating risk weights ([BIPRU 3.5](#)).

Credit Risk Calculation

		GBP
Credit Risk Capital Requirement	Rule	
Credit Risk Capital Component	BIPRU 3.2	£ 1,950,067.38
Counterparty Risk Capital Component (likely to apply only to Firms dealing as Principle)	BIPRU 13 & 14	£ -
Concentration Risk Capital Component (likely to apply only to Trading Book)	BIPRU 10	£ -
Total		£ 1,950,067.38

BIPRU 4

The Firm did not adopt the Internal Ratings Based approach and hence this is not applicable.

BIPRU 6

The Firm, being Limited Licence Firm are not subject to the Pillar 1 Operational Risk Requirement and, therefore, this is not applicable.

BIPRU 7

The Firm has Non-Trading Book potential exposure only ([BIPRU 7.4](#), [7.5](#)).

BIPRU 10

The Firm is not subject to the Large Exposure Rules at BIPRU 10 and, therefore, no disclosure on this is required.

Overall Pillar 2 Rule

The Firm has adopted the “Standardised” approach to the calculation of its ICAAP Capital Resources Requirement as outlined in the Committee of European Banking Supervisors Paper, 25 January 2006.

The ICARA Process is reviewed by the Management Committee and amended where necessary when a material change to the business occurs. The Director of Finance and Operations presents the ICARA Process to the Management Committee of the Firm which reviews and endorses the risk management objective each quarter or when a material change to the business occurs at the same time as reviewing and signing off the ICARA Process.

BIPRU 11.5.8

Disclosure: Credit Risk and Dilution Risk

The Firm is primarily exposed to Credit Risk from the risk of non-collection of fees. They hold all cash with Banks . Consequently risk of past due or impaired exposures is minimal. A financial asset is past due when a counterparty has failed to make a payment when contractually due. Impairment is defined as a reduction in the recoverable amount of a fixed asset or goodwill below its carrying amount.

BIPRU 11.5.12

Disclosure: Market Risk

The Firm has Non Trading Book potential exposure only ([BIPRU 7.4](#) & [7.5](#)).

Market Risk Calculation	Rule				
Interest Rate Positional Risk Requirement (IRPRR) (Trading Book)	BIPRU 7.2	£	-	8%	£ -
Equity Positional Risk Requirement ("EPRR") (Trading Book)	BIPRU 7.3	£	-	8%	£ -
Commodity Positional Risk Requirement ("CPRR") (Trading Book and Non-Trading Book)	BIPRU 7.4	£	-	8%	£ -
Foreign Currency Positional Risk Requirement ("FCPRR") (Trading Book and Non-Trading B	BIPRU 7.5	£	16,204,317.46	8%	£ 1,296,345.40
Option Positional Risk Requirement ("OPPRR") (Trading Book)	BIPRU 7.6	£	-	8%	£ -
Collective Investment Undertaking Positional Risk Requirement ("CIUPRR") (Trading Book)	BIPRU 7.7	£	-	32%	£ -
Total		£	16,204,317.46		£ 1,296,345.40
Market Risk Capital Requirement					£ 1,296,345.40

BIPRU 11.5.2

Disclosure: Scope of application of directive requirements

The Firm is subject to the disclosures under the [Banking Consolidation Directive](#) and as members of a UK Consolidation Group they report on a consolidated basis for accounting and prudential purposes.

BIPRU 11.5.3

Disclosure: Capital Resources

The Firm is a BIPRU Firm. Tier I Capital comprises of Firm' Capital and Audited Reserves.

Tier I Capital

£24,166,096

Deductions	£0
Tier 2 Capital	£0
Deductions	£0
Capital Resources	£0
Tier 3 Capital	£0
Deductions	£0
Total Capital	<u>£24,166,096</u>

BIPRU 11.5.5

This disclosure is not required as the Firm has not adopted the Internal Ratings Based approach to Credit Risk and therefore are not affected by [BIPRU 11.5.4R \(3\)](#).

BIPRU 11.5.6

This disclosure is not required as the Firm has not adopted the Internal Ratings Based approach to Credit Risk and therefore are not affected by [BIPRU 11.5.4R \(3\)](#).

BIPRU 11.5.7

This disclosure is not required as the Firm do not have a Trading Book.

BIPRU 11.5.9

This disclosure is not required as the Firm do not make Value Adjustments and Provisions for Impaired exposures that need to be disclosed under [BIPRU 11.5.8R \(9\)](#).

BIPRU 11.5.10

Disclosure: Firm calculating Risk Weighted Exposure Amounts in accordance with the Standardised Approach

This disclosure is not required as the Firm use the Simplified method of calculating Risk Weights ([BIPRU 3.5](#)).

BIPRU 11.5.11

Disclosure: Firm calculating Risk Weighted Exposure amounts using the IRB Approach

This disclosure is not required as the Firm has not adopted the Internal Ratings Based approach to Credit and therefore is not affected by [BIPRU 11.5.4R \(3\)](#).

BIPRU 11.5.13

Disclosure: Use of VaR model for calculation of Market Risk Capital Requirement

This disclosure is not required as the Firm do not use a VaR model for calculation of Market Risk Capital Requirement.

BIPRU 11.5.14

Disclosure: Operational Risk

The Firm's Fixed Overhead Requirement (FOR) is disclosed as a proxy for the Pillar I Operational Risk Capital calculation. The Firm's Pillar I Capital Resources Requirement is the Sum of Credit Risk and Market Risk which is the higher of FOR and the sum of Market Risk and Credit Risk Requirement.

Fixed Overhead Requirement	GENPRU 2.1.53	<u>£2,045,740</u>
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BIPRU 11.5.15**Disclosure: Non-Trading Book Exposures in Equities**

This disclosure is not required as the Firm do not have a Non-Trading Book Exposure to Equities.

BIPRU 11.5.16**Disclosures: Exposures to Interest Rate Risk in the Non-Trading Book**

Although the Firm has substantial cash balances on its consolidated Balance Sheet, there is currently no significant exposure to Interest Rate fluctuations.

BIPRU 11.5.17 Disclosures: Securitisation

This disclosure is not required as the Firm does not securitise its assets.

BIPRU 11.5.18**Disclosure: Remuneration**

The Firm is Remuneration Code Proportionality Tier 4 Firm and has applied the rules appropriate to this Proportionality Tier. The Management Committee is responsible for the Firm's remuneration policy. All variable remuneration is adjusted in line with capital and liquidity requirements.

The numbers below include any Code Staff person in the group which is/was an employee of the Firm or which has contributed to the Firm through a secondment/service agreement.

Remuneration Code Staff Remuneration by Business Area (BIPRU 11.5.18(6)) for accounting year 2021-2022**Remuneration including profit shares***

Business Area	Total Remuneration
Investments	£5,560,274
Other	£1,206,010
	<u>£6,766,284</u>

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

Type of Remuneration Code Staff	Total Remuneration
SMF	£1,049,254
Other Remuneration Code Staff	£5,717,030
Totals	<u>£6,766,284</u>

* Includes vestings from previous years / excludes current year potential differed remuneration.