



## ABSOLUTE FUND MANAGERS LLP

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### PILLAR 3 DISCLOSURE

Absolute Fund Managers LLP (AFM) is authorised and regulated by the Financial Services Authority (FSA) and as such is subject to minimum regulatory capital requirements. AFM is categorised as a limited licence firm by the FSA for capital purposes. AFM is not a member of a group and so is not required to prepare consolidated reporting for prudential purposes.

The Members of AFM determine its business strategy and risk appetite along with designing and implementing a risk management framework that recognised the risks that the business faces. They also determine how those risks may be mitigated and assess on an ongoing basis the arrangements to manage those risks. The Members meet on a regular basis and discuss current projections for profitability and regulatory capital management, business planning and risk management. The Members manage the firm's risks and business through a framework of policy and procedures having regard to relevant laws, standards, principles and rules (including FSA principles and rules) with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required.

The Members have identified that business, operational, market and credit risks are the main areas of risk to which the company is exposed. Annually the Members formally review their risks, controls and other risk mitigation arrangements and assess their effectiveness. Where the Members identify material risks they model the financial impact of these risks as part of our business planning and capital management and conclude whether the amount of regulatory capital is sufficient.

AFM is small with a simple operational infrastructure. It carries no market risk, other than foreign exchange risk on its accounts receivable and cash balances, and credit risk from its management and performance fees receivable from its clients. AFM follows a standardised approach to market risk and the simplified standard approach to credit risk. AFM is subject to the Fixed Overhead Requirement and is not required to calculate an operational risk capital charge.

AFM is a limited liability partnership and its capital arrangements are established in its Members Agreement

As discussed above the firm is a limited licence firm and as such its capital requirements are the greater of:

- Its base capital requirement of €50,000; or
- The sum of its market and credit risk requirements; or
- Its Fixed Overhead Requirement

It is the firm's experience that the Fixed Overhead requirement establishes its capital requirements and hence market and credit risks are considered not to be material.