

AgFe Group (the “Group”) Pillar 3 Disclosure and Policy for an IFPRU Group as at 31 March 2018

Introduction

Regulatory Context

The Pillar 3 disclosure of AgFe Group (the “Group”) is set out below (the “Disclosure”) as required by the Capital Requirement Regulation Art. 431 et seq. This is a requirement which stems from Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on Prudential requirements for Credit Institutions and Investment Firms and amending Regulation (EU) No 648/2012 (“Capital Requirement Regulation” or “CRR”) which represented the European Union’s application of the Basel Capital Accord. The regulatory aim of the disclosures is to improve market discipline.

Frequency

The Group will be making Pillar 3 disclosures at least annually. The disclosures will be as at the Accounting Reference Date (“ARD”).

Media and Location

This Disclosure is published on the Group’s website at

<https://www.agfe.com/assets/IFPRUPillar3.pdf>

Verification

The information contained in this Disclosure has not been audited by the Group’s external auditors, as this is not a requirement, and does not constitute any form of financial statement and must not be relied upon in making any judgement on the Group.

Materiality

The Group regards information as material in this Disclosure if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. If the Group deems a certain disclosure to be immaterial, it may be omitted from this Disclosure.

Confidentiality

The Group 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 Group’s investments therein less valuable. Further, the Group must regard information as confidential if there are obligations to customers or other counterparty relationships binding the Group to confidentiality. In the event that any such information is omitted, we shall disclose such and explain the grounds why it has not been disclosed.

Summary

The CRR, to which the Group is subject, has 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 Group and its Regulator satisfy themselves on the adequacy of capital held by the Group in relation to the risks it faces; and Pillar 3 which deals with public disclosure of risk management policies, capital resources and capital requirements.

The regulatory aim of this Disclosure is to improve market discipline.

The Group consists of a non-trading parent company, two regulated entities and two unregulated entities. The first entity is regulated as an IFPRU firm due to it undertaking the activity of placing instruments on a non-firm commitment basis and the second entity is regulated as a Collective Portfolio Management Investment (“CPMI”) firm. The Group’s greatest risks have been identified as business and operational. The Group 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 Group has assessed relevant business and operational risks in its ICAAP and has set out appropriate actions to manage those specific risks.

The Group does not outsource any functions. The Group has an operational risk framework (described below) in place to mitigate operational risk. The Group’s main exposure to credit risk is the risk that management and performance fees cannot be collected and, therefore, credit risk is considered low. The Group holds all cash with banks assigned high credit ratings.

Market Risk exposure has been assessed by the Group and is limited to the Group’s exposure to foreign currency exchange rate risk and hence to any assets held on the Group’s balance sheet denominated in a foreign currency. The Group’s reporting currency is GBP and all foreign currency assets are converted into GBP where possible on a regular basis.

Background to the Group

Background

AgFe Advisory Limited is incorporated in the UK and is authorised and regulated by the FCA as an IFPRU Firm. This is due to the Firm placing instruments on a non-firm commitment basis and gives the Firm the category of an IFPRU Limited Licence 50K firm.

The following entities are covered by the Group’s ICAAP:

- AgFe LLP (CPMI)
- AgFe Advisory Limited (IFPRU)
- AgFe Group Limited (EEA parent holding company)
- AgFe Management Limited (non-regulated company)
- AgFe AR Limited (non-regulated company)

The Firm is a member of a UK consolidated Group with an EEA (UK) parent.

There is no current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries.

Article 435

Disclosure: Risk Management Objectives and Policies

Risk Management Objective

The Group's risk management objective is to develop systems and controls to mitigate risk to within its acceptable risk appetite.

Governance Framework

The governing body of the Group (the "Management Committee") has the daily management and oversight responsibility for the Group. The Management Committee meets monthly and is composed of:

- Richard Atterbury (Chairman)
- Paul Rolles (Chief Executive Officer)
- Brent Williams (Managing Partner)
- Gudrun Steele (General Counsel and Compliance Officer)

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 Group's risk appetite or tolerance for risk and ensures that the Group 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 Group.

Disclosures concerning the Management Committee

- Number of directorships (excluding those held in respect of Group companies) held by members of Executive Committee

The number of outside directorships held by members of the Executive Committee is as follows:

- Richard Atterbury: Soros Economic Development Fund; Draper Oakwood Royalty Capital Ltd; Better Grain Limited; NPC Trading Limited/New Philanthropy Capital; Factern Limited; With Love All Things Are Possible; GN Bank; Alta Advisers Limited; Draper Oakwood Technology Acquisition, Inc
- Paul Rolles: AgFeTe Group LLP; AgFeTe Limited; HyperJar Limited

The other members of the Management Committee do not hold any outside directorships

Risk Framework

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

- the Management Committee regularly reviews and assess risks that are applicable to the Group;
- the Group has a conservative approach to risk;
- the Group has identified its risks and recorded them in a "risk register";
- the "risk register" is reviewed at regular meetings of the Management Committee;
- the Group has undertaken scenario analysis and stress tests on the most significant risks identified. This informs the Group how risks are likely to materialise and what, if any, impact there is likely to be to the Group's financial position; and

- the Group has in place an internal control framework to govern its processes and procedures and to mitigate any risks.
- Risk committee

Due to the size of the Group a separate Risk Committee has not been set up

Article 437

Disclosure: Own Funds

The Group is an IFPRU Limited licence Group. Tier I Capital comprises of Share Capital/Share Premium Account/and Audited Reserves/Losses.

	In £'000
Share capital	£2
Share Premium account	£32
Profit and (loss) account	£4,142
Total Capital	£4,176
Deductions	£565
Tier I Capital	£3,611

Article 438

Disclosure: Capital Requirements

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

The ICAAP assessment is reviewed by the Management Committee and amended where necessary, on an annual basis or when a material change to the business occurs.

Article 112 exposure	8% of risk weighted exposure amount (£'000)
exposures to institutions;	91
exposures to corporates;	103
other items.	1
Total	195

Internal Ratings Based Approach

The Group does not adopt the Internal Ratings Based Approach and hence this is not applicable.

Article 439

Disclosure: Exposure to Counterparty Credit Risk

The Group is not subject to counterparty credit risk requirement.

Article 440

Disclosure: Capital buffers

The Group is not subject to capital buffers requirement.

Article 441

Disclosure: Indicators of Global Systemic Importance

This disclosure is not applicable as the Group is not a Global Systemic Important Institution

Article 442		
Disclosure: Credit Risk Adjustments		
There were no credit risk adjustments at the ARD.		
Article 443		
Disclosure: Unencumbered Assets		
		Carrying amount of unencumbered assets
		060
010	Assets of the reporting institution	7,538
020	Loans on demand	4,888
120	Other assets	2,650
Article 444		
Disclosure: Use of ECAIs		
The Group applies the standard association between ratings and credit quality steps as published by the EBA		
Article 445		
Disclosure: Exposure to Market Risk		
Article 92(3) b requirements for trading book business		
This disclosure is not required as the Group does not have a trading book.		
Article 92(3) c requirements		
	Item	Own fund Requirement (£'000)
	Foreign Exchange Risk	7
	Settlement Risk	
	Commodities Risk	
	Total	7
The Group does not hold securitization positions and therefore there is no Specific Interest Rate Risk to disclose.		
Article 446		
Disclosure: Operational Risk		
The Group is not subject to Operational Risk requirement.		
Article 447		
Disclosure: Exposures in Equities not Included in the Trading Book		
This disclosure is not required as the Group does not have a Trading Book Exposure to Equities.		

Article 448**Disclosure: Exposure to Interest Rate Risk on Positions not Included in the Trading Book**

Although the Group has substantial cash balances on its balance sheet, there is currently no significant exposure to interest rate fluctuations.

Article 449**Disclosure: Exposure to Securitisation Positions**

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

Article 450**Disclosure: Remuneration Policy**

The Group is a Remuneration Code Proportionality Tier 3 Firm and has applied the rules appropriate to its Proportionality Tier. The Management Committee is responsible for the Group's remuneration policy. All variable remuneration is adjusted in line with capital and liquidity requirements.

Remuneration Code Staff Remuneration by Business Area

The Group currently operates in one business area "Advisory and asset management". For the period from 1 April 2017 to 31 March 2018 the total remuneration for Code Staff in that business area amounted to £2,988k.

AgFe Group**Type of Remuneration Code Staff**

	in £'000
Senior Management (SIF)	2,835
Of which: fixed - £1,060k	
Variable - £1,775k	
Other Remuneration Code Staff	<u>153</u>
Total	<u>2,988</u>

For the period from 1 April 2017 to 31 March 2018 the average monthly number of staff designated as remuneration code staff was 10. As at 31 March 2018, there were 10 members of staff designated as remuneration code staff.

Article 451**Disclosure: Leverage**

This disclosure is not required for IFPRU Limited Licence Group.