

Tudor Capital Europe LLP Pillar 3 Disclosure and Policy

Introduction

Regulatory context

The Pillar 3 disclosure of Tudor Capital Europe LLP (“TCE”) is set out below as required by the FCA’s “Prudential Sourcebook for Banks, Building Societies and Investment Firms” (BIPRU), specifically [BIPRU 11.3.3 R](#). This is a requirement which stems from the UK’s CRDIII implementing Regulations which represented the European Union’s application of the Basel Capital Accord. The Firm is no longer formally subject to CRD but remain subject to the UK’s implementation Regulations of CRD III. The regulatory aim of the disclosures is to improve market discipline.

Frequency

TCE makes its Pillar 3 disclosure at least annually.

Media and location

The disclosure will be published on TCE’s website.

Verification

The information contained in this document has not been audited by TCE’s external auditors and does not constitute any form of financial statement and must not be relied upon in making any judgement on the Group¹.

Reference Date

31 March 2021

Summary

The CRD, to which the Firm remains subject as a consequence of the UK CRDIII implementing Regulations, has three pillars;:

- Pillar 1 deals with Minimum Own Funds Requirements;
- Pillar 2 deals with the 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 it faces; and
- Pillar 3 which deals with public disclosure of risk management policies, Own Funds and Own Funds Requirements.

TCE is a BIPRU Collective Portfolio Management Investment Firm and, as such, is required to make this disclosure. It acts as investment advisor and portfolio manager to various AIF and Managed Accounts as well as AIFM to Alternative Investment Funds, TCE does not hold client

¹ TCE is a member of the Tudor group (“Tudor” or the “Group”) of companies, and its ultimate parent is Tudor Investment Corporation, a corporation organised in the United States of America.

money. TCE's greatest risks have been identified as business and operational risk. TCE 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; the policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants.

TCE has assessed business and operational risks in its ICAAP and set out actions to manage them where appropriate. A number of key operations are outsourced by TCE's clients to third party providers such as administrators reducing the Firm's exposure to operational risk. TCE has a risk management framework (described below) in place to mitigate risk.

TCE's main exposure to credit risk is the risk that management and incentive fees cannot be collected. TCE holds all cash and incentive fee balances with top tier, major institutions, with a global presence, strong operations and high credit ratings.

Market risk exposure has been assessed by TCE and is limited to the Firm's non-trading book exposure to any non-dollar denominated asset and liability balances.

Background to the Firm

TCE is organised and formed in the UK and is authorised and regulated by the FCA as a BIPRU Collective Portfolio Management Investment Firm.

TCE is a solo regulated BIPRU Collective Portfolio Management Investment Firm.

BIPRU 11.5.1 R – Disclosure: Risk management objectives and policies

Risk management objective

TCE's general risk management objective is to develop systems and controls to mitigate risk to a level that does not require the allocation of Pillar 2 Own Funds.

Governance framework

The UK Management Committee ("UKMC") is the governing body of TCE and has management and oversight responsibility. It meets quarterly or more frequently if circumstances dictate and is composed of senior members of Tudor staff.

The UKMC is responsible for the process of risk management, as well as forming its own opinion on the effectiveness of this process. In addition, the UKMC decides TCE's risk appetite or tolerance for risk.

TCE's Chief Executive Officer ("TCE CEO") is accountable to the UKMC for designing, implementing and monitoring the process of risk management and incorporating this into the day-to-day business activities of TCE.

The UKMC is responsible for ensuring that the tools used to identify, assess, monitor and escalate operational risk events, as designed by TCE CEO, are appropriate and are being implemented effectively.

The UK Operating Group is a group of senior personnel providing advice and support to the TCE CEO in respect of the day to day management and control of TCE and the affairs of the partnership. The UK Operating Group meets bi-weekly to ensure the effective operation of the firm on behalf of the UKMC.

Risk framework

TCE has a conservative approach to risk. Risk within TCE is managed by use of the following:

- TCE has in place an internal control framework to govern its processes and procedures and to mitigate any risks, made up of the following components:
 - statement of responsibilities;
 - baseline assumptions;
 - risk appetite statement;
 - risk identification and documentation;
 - scenario analyses and stress tests;
 - event data collection; and
 - risk reporting.
- The risks identified by TCE have been recorded in “the TCE Risk Register”;
- The TCE Risk Register is reviewed at UKMC meetings; and
- Scenario analysis and stress testing have been undertaken on the most relevant risks to TCE in order to assist in the process of risk management and capital planning.

BIPRU 11.5.4 R – Disclosure: Compliance with BIPRU 3, BIPRU 4, BIPRU 6, BIPRU 7 and the overall Pillar 2 rule.

BIPRU 3 (Credit Risk)

For its Pillar 1 regulatory capital calculation of credit risk which emanate from its non-AIF Management Activities, under the credit risk capital component, TCE has adopted the standardised approach ([BIPRU 3.4](#)) and the simplified method of calculating risk weights ([BIPRU 3.5](#)).

TCE holds sufficient capital to meet its credit risk requirement, which is marginally under \$3.9m.

BIPRU 4

TCE does not adopt the internal ratings based approach and hence this is not applicable.

BIPRU 6

TCE, being a BIPRU Collective Portfolio Management Investment Firm is not subject to the Pillar 1 operational risk requirement and, therefore, this is not applicable.

BIPRU 7 (Market Risk)

TCE has non-trading book market risk exposures which emanates from its non-AIF Management Activities conducted under ([BIPRU 7.4](#) & [7.5](#)). As of the Reference Date of this Disclosure TCE's, market risk is approximately \$0.09m. Please also see 11.5.12, this is disclosed in this section as well.

Overall Pillar 2 rule

TCE has adopted the "Pillar 1 Plus" approach to the calculation of its ICAAP capital resources requirement.

The UKMC usually undertakes an annual assessment of the ICAAP's adequacy to ensure that the risk management process, statement of risk appetite, capital planning and the stress testing remain appropriate. This review is also undertaken whenever there is a material change to the business. As mentioned above, the UKMC performs a quarterly review of the TCE Risk Register.

BIPRU 11.5.8 R – Disclosure: Credit risk and dilution risk

TCE is primarily exposed to credit risk from the risk of non-collection of management fees. It holds all cash and incentive fee balances with top tier, major institutions, with a global presence, strong operations and high credit ratings.

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, which is \$0.

BIPRU 11.5.12 R – Disclosure: Market risk

TCE has non-trading book potential exposure only ([BIPRU 7.4](#) & [7.5](#)).

TCE holds a sufficient surplus of capital to meet its market risk requirement, which is approximately \$0.09m.

BIPRU 11.5.2 R – Disclosure: Scope of application of directive requirements

The Firm is subject to the disclosures under the UK CRDIII Implementing Regulations.

BIPRU 11.5.3 R – Disclosure: Own Funds

TCE is a BIPRU Collective Portfolio Management Investment Firm. Tier 1 capital comprises of partners' capital and audited reserves.

As of the Reference Date of this Disclosure TCE holds over \$30.7m in net Own Funds all of which is Tier 1 capital with no deductions.

BIPRU 11.5.5 R

This disclosure is not required as TCE has not adopted the internal ratings based approach to credit risk and therefore is not affected by [BIPRU 11.5.4 R \(3\)](#).

BIPRU 11.5.6 R

This disclosure is not required as TCE has not adopted the internal ratings based approach to credit risk and therefore is not affected by [BIPRU 11.5.4 R \(3\)](#).

BIPRU 11.5.7 R

This disclosure is not required as TCE is not permitted to hold a trading book.

BIPRU 11.5.9 R

This disclosure is not required as TCE does not make value adjustments and provisions for impaired exposures that need to be disclosed under [BIPRU 11.5.8 R \(9\)](#).

BIPRU 11.5.10 R – Disclosure: Firms calculating risk weighted exposure amounts in accordance with the simplified approach

This disclosure is not required as TCE uses the simplified method of calculating risk weights ([BIPRU 3.5](#)).

BIPRU 11.5.11 R – Disclosure: Firms calculating risk weighted exposure using the IRB approach

This disclosure is not required as TCE has not adopted the internal ratings based approach to credit risk and therefore is not affected by [BIPRU 11.5.4 R \(3\)](#).

BIPRU 11.5.13 R – Disclosure: Use of VaR model for calculation of market risk capital requirement

This disclosure is not required as TCE does not use a VaR model for calculation of market risk capital requirement.

BIPRU 11.5.14 R – Disclosure: Fixed overhead requirement

TCE's fixed overheads requirement ("FOR") is disclosed as a proxy for the Pillar 1 operational risk capital calculation.

TCE's Pillar 1 capital resources requirement is the FOR which is higher than the sum of the market risk and credit risk requirement.

The FOR is approximately \$9.3m.

BIPRU 11.5.15 R – Disclosure: Non-trading book exposures in equities

This disclosure is not required as TCE does not have a non-trading book exposure to equities.

BIPRU 11.5.16 R – Disclosure: Exposures to interest rate risk in the non-trading book

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

BIPRU 11.5.17 R – Disclosure: Securitisation

This disclosure is not required as TCE does not securitize its assets.

BIPRU 11.5.18 R – Disclosure: Remuneration

TCE has adopted a remuneration policy that complies with the requirements of chapter 19B of the FCA's Senior Management Arrangements, Systems and Controls Sourcebook ("SYSC"), and the FCA's Remuneration Code for BIPRU firms as set out in SYSC 19C.

As a BIPRU Collective Portfolio Management Investment Firm, TCE falls within Proportionality Level 3 in regard to SYSC 19C and the whole of SYSC 19B which is designed specifically for AIFM. TCE has concluded, on the basis of its size and the nature, scale and complexity of its legal structure and business that it does not need to appoint a remuneration committee. Instead, the UKMC sets, and oversees compliance with, the Firm's remuneration policy including reviewing the terms of the policy at least annually.

As at the date of posting, TCE currently sets the variable remuneration of its staff in a manner which takes into account staff and firm performance, by reference to:

- the overall results of the LLP;
- performance of the individual's business unit or department; and
- individual employee performance.

As permitted for AIFM under SYSC 19B and firms falling within Proportionality Level 3 under SYSC 19C, TCE takes into account the specific nature of its own activities (including the fee based nature of its revenues) in conducting any ex-ante risk adjustments to awards of variable remuneration and, given the nature of its business, has disapplied the requirement under the Remuneration Code to make ex-post risk adjustments.

TCE only has one "business area", namely its Collective Portfolio Management Investment business. All of TCE's Code Staff fall into the "senior management" category of Code Staff (rather than the "risk taker" category) for the purposes of the Remuneration Code. The aggregate "remuneration" (as defined in the FCA Rules) awarded to TCE's Code Staff during the financial year ending on 31 March 2021 was GBP £30,223,317.31.