Menhaden Capital Management LLP ('The Firm')
PILLAR 3 DISCLOSURE

Financial Year ending 31 March 2020

The Capital Requirements Directive ('the Directive') of the European Union establishes a revised regulatory capital framework across Europe governing the amount and nature of capital credit institutions and investment firms must maintain. In the United Kingdom, the Directive has been implemented by the Financial Conduct Authority ('FCA') in its regulations through the General Prudential Sourcebook ('GENPRU') and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU').

Frequency of Disclosure

It is the intention of the Firm to update its Pillar 3 on an annual basis (after the previous year's annual accounts have been audited and finalised), unless circumstances warrant a more frequent update. Disclosures will be published as soon as practicable following any revisions. The Firm makes its Pillar 3 disclosure via its financial statements.

The FCA Framework consists of three 'Pillars':
- Pillar 1 sets out the minimum capital amount that meets the Firm's credit, market and operational risk;
- Pillar 2 requires the Firm to assess whether its Pillar 1 capital is adequate to meet its risks and is subject to annual review by the FCA; and
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position.

The rules in BIPRU 11 set out the provision for Pillar 3 disclosure. This document is designed to meet the Firm's Pillar 3 obligations.

The Firm is permitted to omit required disclosures if the Firm believe that the information is immaterial such that omission would be likely to change or influence the decision of a reader relying on that information.

In addition, the Firm may omit required disclosures where it believes that the information is regarded as proprietary or confidential. In the Firm's view, proprietary information is that which, if it were shared, would undermine its competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with its customers, suppliers and counterparties.

The Firm has made no omissions on the grounds that it is immaterial, proprietary or confidential.

Scope and Application of the Requirements

Menhaden Capital Management LLP ("the Firm") is authorised and regulated by the Financial Conduct Authority and as such is subject to minimum regulatory capital requirements. The Firm is categorised as a BIPRU investment firm by the FCA for capital purposes. It is an investment management firm and as such has no trading book exposures.

The Firm is not a financial holding company as defined by FCA regulations and so is not required to prepare consolidated reporting for prudential purposes.

Satisfaction of Capital Requirements

The Firm's approach to assessing the adequacy of its internal capital to support its current and future activities is documented in its Internal Capital Adequacy Assessment Process ("ICAAP"), which includes an assessment of each of the risks faced by the firm and the internal controls in place to mitigate those risks. This is then stress-tested against various scenarios. The ICAAP is carried out annually.

Risk Management

The Firm is governed by its members ("Principals") who determine its business strategy and risk appetite. They are also responsible for establishing and maintaining the Firm's governance arrangements along with designing and implementing a risk management framework that recognises the risks that the business faces.

The Principals also determine how the risk the Firm faces may be mitigated and assess on an ongoing basis the arrangements to manage those risks. The Principals meet on a regular basis and discuss current projections for profitability, cash flow, regulatory capital management, and business planning and risk management. The Principals manage the Firm's risks through a framework of policy and procedures having regard to relevant laws, standards, principles and rules (including FCA principles and rules) with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required.

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

Regulatory Capital

The Firm is a Limited Liability Partnership and its capital arrangements are established in the Limited Liability Partnership Agreement. Its capital contains only members' capital contributions.
The Firm is small with a simple operational infrastructure. Its market risk is limited to loss of key staff, poor investment performance and lack of client diversification, and credit risk from cash and performance fee balance from counterparties. The Firm follows the standardised approach to market risk and the simplified standard approach to credit risk. The Firm is subject to the Fixed Overhead Requirement ('FOR').

The Firm is a BIPRU investment 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

The Firm has not identified credit risk exposure classes or the minimum capital requirements for market risk as it believes that they are immaterial in the context of this business.

The Firm believes that the FOR adequately defines its capital requirements and hence market and credit risks are considered to be immaterial. The Firm's capital requirements are currently £64,221 which is well within the level of regulatory capital held. The Firm considers this amount to be sufficient regulatory capital to support the business and it has not identified any areas which give rise to a requirement to hold additional risk based capital.

Remuneration

The Firm is required to make regular at least annual disclosures of its remuneration policy and practices for those categories of staff whose professional activities have a material impact on its risk profile.

The Firm does not have any employees and the staff members consist of the Partners. The remuneration of the Partners, therefore, consists of the distribution of the Firm's profits in line with partnership agreement. The Partners receive non-contractual drawings against these profits over the course of the year.