

Pillar 3 Disclosure Statement

May 2017

1. Introduction

This document has been produced to meet CRUX's "Pillar 3" obligations.

CRUX is permitted to omit certain disclosures if it is believed that the information is:

- **Immaterial:** This concerns an omission that would be unlikely to change or influence any decision anyone relying on that information may make;
- **Proprietary:** This is information that if shared can cause CRUX's competitive position to be undermined; and
- **Confidential:** This applies where CRUX is bound by obligations of confidentiality by clients, counterparties or suppliers.

CRUX has not made any omissions on the grounds listed above.

2. Scope

CRUX is authorised and regulated by the FCA. It is categorised as a "BIPRU Euro 50,000 firm". Among other things, this allows CRUX to:

- Manage investments
- Advise on investments
- Arrange deals in investments
- Make arrangements with a view to transactions in investments

The details of CRUX's FCA permissions are available in the FCA register on its website at www.fca.org.uk.

3. Risk Management Overview

CRUX is owned by its employees, and therefore there is a keen awareness of risks.

The shareholder employees govern CRUX and they meet as a Board of Directors or an Executive Committee as the formalities require.

The Chief Executive is responsible for ensuring that CRUX has an appropriate risk management and governance process, and the Chief Operating Officer is responsible for devising, implementing and maintaining it.

CRUX manages its risks through a framework of policies and related procedures that take into account relevant laws, principles, and regulations. These make up a defined and transparent risk management framework, and they are updated as required.

The employee shareholders review and approve how the CEO and the COO are identifying, mitigating and managing risks CRUX may face. This is achieved via monthly reviews of summary risk reports, and by a formal annual review process.

A Risk Assessment Matrix ("RAM") and an Internal Capital Adequacy Assessment Process ("ICAAP") are used to ensure the process uses objective and consistent criteria.

The CEO reports regularly to the Board / Executive Committee on current and forecast cash flow, profitability, regulatory capital and any other relevant matters.

CRUX is a small business with an operational infrastructure appropriate to its size and its immediate aspirations. It does not have any financial market or transactions or credit exposure as principal, other than credit risk arising from its own funds in a bank. CRUX therefore follows the simplified standard approach to credit risk, and its regulatory capital is calculated by the “Fixed Overhead Requirement”.

4. Credit Risk

Credit risk is typically defined as the risk that a party will default on a financial arrangement.

CRUX does not provide loans or credit facilities, nor does it maintain positions or deal in investments of any kind. The only credit risk incurred by CRUX arises from its own cash in a bank, and to a limited extent the fee debtor (the Authorised Corporate Director of the CRUX OEIC) which is accrued daily but collected monthly.

No calculation for concentration risk is calculated under Pillar 1 as CRUX does not have a trading business or exposure.

CRUX has exposure to its UK bank in the form of current and deposit accounts, but does not have any non-UK geographical exposure.

CRUX’s credit risk regulatory capital requirement is £255,000.

5. Market Risk

CRUX does not have any market risk, and therefore its market risk regulatory capital requirement is nil.

6. Business and Operational Risk

CRUX conducts an assessment of its operational risks on a regular basis via the ICAAP.

The limited scope and low-risk nature of the activities undertaken by CRUX do not justify a separate risk management function. However, the CEO and the COO do assess all risks on an ongoing basis.

CRUX has assessed its Pillar 2 capital requirements arising from operational risk using its Risk Assessment Matrix. It has estimated both a probability of an issue arising and the impact it would have if it did arise, and then addressed what can be done to mitigate the probability and the impact. The resulting mitigated risks have a capital sum assigned to each, and this has been used to determine CRUX’s Pillar 2 capital requirement of £270,000.

7. Fixed Overhead Requirement

This is calculated as 13 weeks of CRUX’s fixed costs, representing the estimated cost of an orderly wind-down of the business over 3 months.

CRUX monitors its expenditure regularly and decides whether there have been any material fluctuations that would cause CRUX to adjust the fixed overhead requirement.

CRUX’s Fixed Overhead Requirement regulatory capital requirement is £863,795.

8. Regulatory Capital Conclusion

CRUX is required to have regulatory capital that is the greater of:

The base capital requirement (Euro 50,000)	£45,000
The sum of its Credit and Market (nil) risk requirements	£255,000
The Fixed Overhead Requirement	£863,795
The Business and Operational Risk Requirement	£270,000

CRUX's regulatory capital resources requirement is therefore **£863,795**.
