

# Casteel Capital LLP

## Pillar 3 Disclosure

15 September 2020

## 1. Overview

Casteel Capital LLP, (“Casteel” or the “Firm”) is associated with the group of companies which are owned or controlled by Alvarium Investment Limited under the overall trading name of Alvarium (the “Alvarium Group”).

Casteel is authorised and regulated by the Financial Conduct Authority, (FCA number 455718). The Firm is registered in England and Wales and has its registered office and place of business at 10 Old Burlington Street, W1S 3AG (Company Number OC320694).

Casteel Capital manages the White Fleet - Casteel Diversified Fund, a global multi-strategy fund of funds in a regulated format (UCITS) offering weekly liquidity with a capital preservation philosophy. The allocation is managed proactively and dynamically based on an ongoing assessment of risk and global macro-economic factors. Accordingly Casteel is authorised and regulated by the FCA and categorised as a Limited Licence Firm and a “BIPRU €50K” firm for capital purposes.

Casteel is a Limited Liability Partnership incorporated in England & Wales with two designated members.

Casteel is required by the Financial Conduct Authority ("FCA") to disclose information relating to the capital it holds and each material category of risk it faces in order to assist users of its accounts and to encourage market discipline. This is done following an Internal Capital Adequacy Assessment Process (ICAAP), and this Pillar 3 Disclosure document is the key output of this process which has been based on the Accounts for the year ending 31 December 2019.

The capital adequacy framework consists of three Pillars:

**Pillar 1** requires the Firm to calculate the capital requirements figure, and for Casteel, as a “BIPRU €50K” firm, this is based on the higher of:

- a) Its base capital requirement of the sterling equivalent of €50,000; or
- b) The sum of its market and credit risk requirements; or
- c) Its fixed overhead requirement (FOR).

**Pillar 2** requires the Firm to assess whether additional capital should be held to cover risks that are not covered by the Pillar 1 requirements.

**Pillar 3** deals with public disclosure of risk management, capital resources, capital requirements and remuneration.

In applying the Pillar 1 testing to Casteel’s Accounts for the year-end 31st December 2019, the results were as follows:

- a) The sterling equivalent of the € Base Capital equivalent is £43,000
- b) The total of credit and market risk requirements, or Credit Risk Component is £17,586.
- c) 25% of fixed overheads (FOR) for the year is £72,000

In respect of Pillar 2, the ICAAP process has not identified capital to be held over and above the Pillar 1 requirement.

The FOR of £72,000, is the regulatory minimum capital. As per the Accounts of 31 December 2019, the regulatory capital is £99,000. Accordingly, Casteel has a surplus over its regulatory capital requirement.

## 2. Identified Risks

### Risk Management

The Partners of Casteel have established a framework for the management of risk and have overall responsibility for risk management systems and related controls and for reviewing their ongoing effectiveness. The Partners take overall responsibility for this process. The Partners have recognised the following risks:

**Credit Risk** The exposure to credit risk is limited to receivables in respect of Investment management together with exposure to banking counterparties. The principle banking relationship is with an investment grade institution with significant reserves. The standardised approach to credit risk has been adopted, applying 8% to the Firm's risk weighted exposure amounts with the exception of cash at bank, where 8% x 20% of the exposure is calculated.

**Liquidity Risk** Liquidity risk as the risk arising from the Firm's inability to meet its obligations as and when they fall due. This is managed as follows:

- Maintaining a strong capital base with significant surplus cash.
- Forecasting future cash flow requirements on a monthly basis.

**Operational Risk:** Operational risk is defined as the risk of loss to the Firm resulting from inadequate or failed internal processes, people and systems, or from external events; it includes legal and financial crime risk. All critical operational outsourcing of regulated activities is undertaken within the Alvarium Group. Where necessary, Casteel instructs professional advisers on legal and regulatory matters. There is also an indemnity policy.

**Business Continuity Risk:** Casteel, as an associate of Alvarium, falls under the Alvarium Group business continuity plan, which is tested periodically at Alvarium Group level and reviewed annually.

## 3. Capital Resources

### Regulatory Capital

The capital qualifies as Tier 1 capital. The Firm's capital position as at 31 December 2019 is summarised as follows:

<b>CORE TIER ONE CAPITAL</b>	<b>£</b>
Total tier one capital after deductions	99,000
Upper tier two capital	0
Lower tier two capital	0
Total tier two capital after deductions	0
Total tier one capital plus tier two capital after deductions	99,000
Total tier three capital	0
Total capital resources after deductions	<b>99,000</b>

### Minimum Capital Requirement

The minimum capital requirement is the greater of:

- Its base capital requirement;
- The sum of its market and credit risk requirements (combined provide the firm's risk capital calculation); or
- Its Fixed Overhead Requirement (FOR).

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And are calculated as follows:

## I. Calculation of base capital requirement

CAPITAL REQUIRED UNDER BIPRU	£
The base capital requirement of the sterling equivalent of €50,000	43,000

## II. Calculation of the sum of market and credit risk requirements

CREDIT & COUNTER PARTY RISK	Exposure	Weighting	
Bank & Cash	155,859	20%	31,172
Debtors	188,648	100%	188,648
Total	344,503		219,817
Application of overall weighting of 8%			17,586

## III. Calculation of the fixed overhead requirement (FOR)

FIXED OVERHEAD REQUIREMENT	
Total Expenses	287,170
Less Variable Expenses	0
Total Fixed Costs	287,170
x 25%	71,793

## Solvency Ratio

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The calculation of the Fixed Overhead Requirement is the higher and consequently it constitutes the minimum capital requirement. The solvency ratio is as follows:

SOLVENCY RATIO	
A. Regulatory Capital	99,000
B. Regulatory Capital Requirement	72,000
Regulatory Capital Surplus (A - B)	27,000
Solvency Ratio (A/B)	1.38

## 4. Remuneration and Governance

Remuneration at Casteel can be made up of fixed ('salary') and variable ('bonus') components. Casteel is required to disclose aggregate information on remuneration in respect of its Code Staff, broken down by business area. The relatively small size and lack of complexity of the Firm's business is such that Casteel is deemed by the Designated Members to have one business area, investment management, and does not regard itself as operating, or needing to operate, separate 'business areas' and the following aggregate remuneration data should be read in that context.

Total Remuneration	Total Variable Remuneration	Total Fixed Remuneration	Code Staff
£183,276	£-	£183,276	2