Seneca Partners Ltd

Pillar 3

Disclosure

June 2020

Disclosure Policy

The Pillar 3 rules in BIPRU 11 set out the need for firms to have a formal disclosure policy. In accordance with the rules of the Financial Conduct Authority (“FCA”) Seneca Partners Limited (“Seneca”) will disclose the information set out in BIPRU 11 (the Pillar 3 rule) on at least an annual basis. Where those disclosures do not fully convey Seneca’s risk profile comprehensively to market participants, the firm will publicly disclose further supplementary information in line with BIPRU 11.3.3(2).

The Pillar 3 disclosure will be made through Seneca’s website.

Seneca’s disclosure is based on the last audited accounts less any corporate actions.

Seneca may omit information it deems as immaterial, in accordance with the rules. Materiality is based on the criterion that the omission or misstatement of any information would be likely to change or influence the decision of a reader relying on that information. Accordingly where the Firm has considered an item to be immaterial it has not been disclosed.

In addition, if the required information is deemed to be proprietary or confidential then the Firm may take the decision to exclude it from the disclosure. 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 the Firm to confidentiality with our customers, suppliers or counterparties. Where information is omitted for either of these reasons this is stated in the relevant section of the disclosure, along with the jurisdiction.

Introduction

Seneca is authorised and regulated by the FCA and as such is subject to minimum regulatory capital requirements. The Firm is categorised by the FCA, for capital purposes, as a limited licence firm. It is an investment management firm but is not required to prepare consolidated reporting for prudential purposes.

The FCA’s current prudential regime can be split into three “pillars”:

- Pillar 1 – prescribes the minimum capital requirements that authorised firms need to hold. This is the higher of €50k; quarter of the firm’s annual adjusted expenditure (the Fixed Overheads Requirement); or the sum of the firm’s prescribed Credit risk + Market risk.
- Pillar 2 – requires firms to analyse the risks to the business and then consider whether the risks are mitigated to an appropriate standard. If the firm feels that the risks are not adequately mitigated then they should allocate capital against those risks. Stress and scenario tests are conducted to ensure that the processes, strategies and systems are comprehensive and robust and that the allocation of capital is sufficient.

- Pillar 3 - requires firms to develop a set of disclosures which will allow market participants to assess key information about the Firm's underlying risks, risk management controls and capital position.

The Fixed Overheads Requirement determines the Firm's Capital Resources Requirement.

The Firm is a Limited Company and its capital arrangements are as follows:

	£000's
Share capital	7
Audited reserves	917
Tier 2 capital	0

Total	924
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The main features of the Firm's Capital Resources Requirement are as follows:

Capital Item	**£'000s**
Tier 1 capital less innovative tier 1 capital	924
Total tier 2, innovative tier 1 and tier 3 capital	0
Deductions from tier 1 and tier 2 capital	0
Total capital resources, net of deductions	924

Capital Liquidity

From the Balance sheet it can be seen that the majority of assets are cash or near cash and debtors which would be collected in the short term. Seneca therefore is in the happy position of having liquidity of capital that can be deployed to meet contingencies quickly

Risk Management

Due to the size, nature, scale and complexity of the Firm, there is no designated risk manager or independent risk management function at Seneca. The directors of the Firm determine the business strategy and risk appetite along with the risk management policies and procedures. Risks to the Firm are identified and considered and the Seneca's resultant exposure is assessed after the application of both management and mitigation of these risks. Furthermore Seneca then conduct a series of stress tests and scenario analyses on these risks to determine the effect they would have on the firm.

Seneca Partners Limited does have a risk committee in place to provide objective assistance and feedback in the monitoring of risk. The members of the risk committee include the Compliance Officer, Mark Hopton and Compliance Manager Anthony Lappin. The objective of the risk management system is to provide optimum protection for clients and for the Seneca's profitability by maintaining the highest quality risk control environment.
If necessary the Firm would allocate extra capital to the relevant risk, as per the Pillar 2 requirement: this has not been deemed necessary. This process is conducted at board meetings which are held on a quarterly basis and the relevant policies and procedures are updated where necessary.

The Directors have identified Reputational, Investment, operational, Key Person Risk, Market Risk and Reputational Risk, and legal risk as the main areas of risk to which the firm is exposed.

Reputational Risk

Seneca's reputation for the quality of its services provided to clients is key to the continued successful operation of the business. Seneca will not operate within potentially controversial or sensitive sectors or regions and will use online tools to monitor mention of the firm, in press publications.

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Investment Risk

Seneca have a clearly articulated investment and advisory process which is consistently implemented and adhered to. The Senior Portfolio Manager is responsible for portfolio management and assessing the risk of investments.

Operational Risk

Seneca uses the definition of operational risk as per the industry standard Basel Committee definition. "The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events"

There are four main causes of operational risk that are identified in the risk events can occur when there are inadequacies or failures due to:

- people (manual or human factors)
- processes
- systems, or
- external events

Seneca's focus on proactively identifying, monitoring and controlling all aspects of operational risk. There is a clear delineation of roles and responsibilities and there is a clear robust and workable corporate governance structure enacted within Seneca.

The primary office location is 9 The Parks, Newton-le-Willows, Merseyside WA12 0JQ. This office has a business continuity plan in place to ensure operational functionality in any occasion.

The Firm is managed by the Senior Management.

Seneca Partners Limited implements an operational risk management framework by promoting awareness of risk management and ensuring there is a programme to assess, improve, monitor and report the levels of operational risk in SLP to the Senior Management. Seneca also manages its Operating Risk via its ICAAP.

Legal Risk

Seneca identifies and manages legal risks through a combination of in house resources and external advisors. The directors are responsible for operational and legal risks.

The Seneca business model and robust fund infrastructure has been developed in partnership with industry leading service providers.

Key Person Risk

Key Person Risk is mitigated as all client portfolios have at least other managers reviewing them regularly to ensure knowledge is not concentrated in one individual.

Market Risk

Seneca has exposure to market risk is through the funds and portfolios it manages. The risk is mitigated by the thorough due diligence undertaken in the investment selection process and the regular review of these investments.

Seneca finances through property and so this area of the business is heavily affected by UK property market prices, a factor which would have to be mitigated for.

Remuneration Disclosure

Decision-making process for remuneration policy
The company has formed a Remuneration Committee which meets regularly to consider human resources issues relating to terms and conditions of employment, remuneration and retirement benefits. Within the authority delegated by the Board, the Remuneration Committee is responsible for approving remuneration policy and in doing so takes into account the pay and conditions across the company. This includes the terms of bonus plans and the individual remuneration packages of executive directors and other senior employees, including all in positions of significant influence and those having an impact on our risk profile (Code Staff).

No individual is involved directly in decisions relating to his or her own remuneration.

Pillar 3 remuneration disclosures for Seneca Partners Ltd for the year ended 31 March 2020

a) Role of the relevant stakeholders

The Remuneration Committee takes full account of the company's strategic objectives in setting remuneration policy and is mindful of its duties to shareholders and other stakeholders. The committee seeks to preserve shareholder value by ensuring the successful retention, recruitment and motivation of employees.

b) Code staff criteria

The following groups of employees have been identified as meeting the FCA's criteria for Code Staff:

1. Directors
2. Significant Influence Functions
3. Senior Managers

The categories above include all senior level management across the company.

c) The link between pay and performance for Code Staff Remuneration is made up of fixed pay (i.e. salary and benefits) and performance-related pay. Performance related pay is designed to reflect success or failure against a range of targets.

The company provides incentives which are designed to link reward with the long-term success of the company and recognise the responsibility participants have in driving its future success and delivering value for shareholders.

The structure of the remuneration package is such that the fixed element is sufficiently large to enable the company to operate a truly flexible variable remuneration policy.

d) Aggregate remuneration cost for Code Staff by business area

There were 7 Code Staff categorised as Senior Management, 4 directors, 1 Corporate Finance manager, and 2 senior investment managers and aggregate remuneration expenditure in respect of Code Staff was £795.4k.

e) Fixed remuneration consists of base salaries for executives and fees for non-executive directors and benefits.

Variable remuneration consists of regular payments of commission and bonus. Senior Management

Code Staff	£000s
Fixed Remuneration	430.4
Variable Remuneration	365.0