Capital Requirements Directive

Pillar 3 Disclosures

April 2015

Introduction

Based on the Basel II Capital Accord, the European Union created the 2006 Capital Requirements Directive ("CRD") which revises the capital framework requirements for financial firms. In the United Kingdom the CRD is implemented by the Financial Conduct Authority ("FCA") through the Handbook of Rules and Guidance ("FCA Handbook"). The Sourcebooks in the FCA Handbook that directly relates to the CRD are the General Prudential Sourcebook ("GENPRU") and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU").

The CRD consists of three "pillars" which Glider Trading LLP ("the firm") adheres to:

1- The firm must meet a minimum capital requirement for credit, market and operational risk
2- The firm and the FCA must determine whether or not there are additional risks to the firm that would increase the minimum capital requirements
3- Certain details must be published regarding the firm's capital, risks and risk management process in accordance to the FCA Handbook

Glider Trading LLP is authorised and regulated by the FCA in the United Kingdom. Accordingly, Glider Trading LLP adheres to the rules and regulations as they are stated in the FCA Handbook.

Pillar 3 disclosures are issued on an annual basis after the yearend financial statements have been audited and published as is practical.

Classification

Glider Trading LLP is categorised as a BIPRU €50,000 Limited Licence Firm for regulatory purposes. The disclosure has been prepared by the firm in accordance with BIPRU 11 and summarises the material disclosures the firm is required to make under Pillar 3 of the Capital Requirements Directive.

In addition, the FCA has classified Glider Trading LLP as:

- Conduct Classification, **C4 firm**: *prudentially C4 firms will also be classed as 'flexible portfolio' firms which means they will be supervised by a team of sector specialists and not have a dedicated supervisor. A C4 firm will be subject to a 'touch point' once during a 4 year cycle to determine how it runs its business, but this will be a lighter assessment than for C3s. This could range from a road-show, an interview, a telephone call, an online assessment, or a combination of these. The exact interaction will depend on our assessment of the risk such firms pose to our objectives. We (the FCA) will want to see how firms identify and take action to reduce risks to their business. Only those C4 firms deemed to pose a sufficiently high risk to our objectives will be the subject of further firm-specific proactive work.*

- Prudential Classification, **P3 firm**: *prudentially non-significant and his failure, even if disorderly, is unlikely to have significant impact. We (the FCA) will be relying more on firms' own assessment of their financial resource requirements and focus on monitoring alerts that arise from inconsistencies and/or prudential failings. P3 firms may also be subject from time to time to a prudential assessment by the FCA as part of a peer group exercise, i.e. a cross-firm review of capital and liquidity standards.*

BIPRU 11.3.6 stipulate that a firm "may omit one or more items of information included in the disclosures listed in BIPRU 11.5 and BIPRU 11.6 if those items include information which, in the light of the criteria specified in BIPRU 11.4.2 R and BIPRU 11.4.3 R, is regarded as proprietary or confidential".

Risk Management

The Glider Trading LLP partners are ultimately responsible for the measurement, monitoring and management of risks related to the investment management business of the firm. Glider Trading LLP has delegated this responsibility to the Glider Trading LLP managing partners who have day to day management responsibility and the oversight of the firm's compliance and financial arrangements.

The firm is supported in its compliance and accounting arrangements by two independent providers. The firm receives monthly management accounts from which it is able to monitor and project its capital resources. Glider Trading LLP has a compliance manual, a compliance monitoring programme and an ICAAP process that ensures it is able to manage the risks that it faces.

The risks faced by Glider Trading LLP are as follow:

Reputational risk

Glider Trading LLP partners strongly believe in clear communication, utmost integrity and full transparency of processes as way to protect and enhance reputation. This is critical to the success of Glider Trading LLP as it is one of its most important assets.

Reputation is based on stakeholders' perception (internal and external) of whether their experience matches their expectations. Accordingly, feedback processes are crucial to Glider Trading LLP's success and are monitored and revised frequently: internal feedback processes support the commitment to the highest standards and excellence, whilst external feedback permits us to improve and fine tune our services to our clients. Both feedback loops reduce internal and external reputational risk and are the cornerstone of Glider Trading LLP reputational risk management.

Business risk

Glider Trading LLP defines business risk as the risk of market, fiscal or regulatory changes, or changes as a result of adverse business developments. The firm's revenue generation is driven by the collection of fees tied to the quantum of assets in accounts managed and the performance of those assets. A substantial negative change in either quantum of assets in accounts or performance, constitute a business risk for Glider Trading LLP. The partners monitor this on regular meetings to limit this risk.

Market risk

Glider Trading LLP defines market risk as the risk of a loss resulting from market value changes in the carrying value of positions held. Glider Trading LLP avoids holding principal positions and therefore is not directly impacted by market risk on the firm's balance sheet.

The firm is primarily exposed to market risk through the impact such changes may have on the value of the portfolios managed by the firm, which in turn determine the fee income received.

The firm is also exposed to market risk through foreign exchange movements on exposures held in foreign currencies (e.g. bank accounts, margin posted, etc.) and management and performance fees. Fees are mainly collected in USD whilst the Glider Trading LLP balance sheet is denominated in GBP. These risks are monitored by the managing partners.

Interest rate risk

Glider Trading LLP is not exposed to interest rate risk as it does not rely on borrowings to meet operating expenditure and refrains from making loans to clients.

Credit risk

The main credit risk for Glider Trading LLP is a defaulting debtor. As noted above, the firm does not extend credit to its clients. The key credit exposures that the firm has are cash balances maintained with its clearer(s) and fees receivable from its clients. The firm has a policy in place to ensure such fees are received in a timely manner. Cash balances are held in instant access accounts and readily available.

Operational Risk

The operational risks Glider Trading LLP is exposed to are the risk of loss as a result of:

- Failed internal processes; human errors
- Systems or technology errors and problems
- Legal risks
- Financial crime

Glider Trading LLP mitigates these risks with a horizontal firm structure where emphasis is placed on all personnel to fully understand all events and processes the firm undertakes. By having a robust and sound internal process for both trade executions, processing and reconciliation, combined with regular reviews and by challenging the robustness of our systems and processes, the firm minimises the exposure to operational risk. Glider Trading LLP has a solid Anti-Money Laundering procedure, Business Continuity Plan and Data Back-up facilities in place.

Liquidity risk

Glider Trading LLP defines liquidity risk as the risk that the firm is unable to meet its liabilities as they fall due. To eliminate this risk, Glider Trading LLP maintains a surplus of liquid resources sufficient at all times to meet any immediate requirements we can prudently foresee. Our working capital balance is held in instant access accounts with a large global bank, and our bank accounts are reconciled and cash flow statements are prepared on a regular basis to ensure that all liabilities are understood and settled.

Remuneration risk

As a €50,000 BIPRU Limited Licence firm, Glider Trading LLP falls within proportionality level three of the Remuneration Code as described in the General Guidance on Proportionality published by the Financial Services Authority in September 2012. The Partners have defined "Code Staff" to be the current Partners of the firm. All decisions in relation to remuneration are made by the Managing Partner of the firm who formally reviews the performance of all employees and determines each employee's remuneration. All variable remuneration is adjusted in line with capital and liquidity requirements of the firm.

The firm is comprised of one business area: investment management.

Capital Resources

Glider Trading LLP is a BIPRU €50,000 Limited Licence Firm. Glider Trading LLP calculates capital resources in accordance with GENPRU 2.2.

Capital Resource Requirements

The Firm's Pillar 1 requirement is calculated as the higher of:

1. The Base Capital Requirement (€50k)
2. The sum of :
    i. The Credit Risk Capital Requirement; and
    ii. The Market Risk Capital Requirement.
3. The Fixed Overheads Requirement (3 months expenditure of the firm)

Currently, the highest requirement is the Fixed Overheads and therefore neither the Base Capital Requirement, the Credit Risk Capital Requirement nor the Market Risk Capital Requirement are material to the Firm as set out above. Glider Trading LLP believes our financial details are both proprietary and confidential, and chose to omit this information from publishing.

The firm and its management are aware of the requirements and ensure that there is at all times adequate capital resources available to meet the firm's obligations.

Pillar 1 and Pillar 2

As at the date of this report the Firm has a surplus of capital resources over its Pillar 1 capital resources requirement. Glider Trading LLP undertakes an Internal Capital Adequacy Assessment Process (ICAAP) regularly to determine whether it needs any further regulatory capital due to the risks it faces as set out above.

As a result of this the Firm has concluded that there is no need for any further regulatory capital to meet Firm requirements under Pillar 2.