

MARINER INVESTMENT (EUROPE) LLP
(the “Firm”)

Pillar 3 disclosure requirements

Introduction

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’).

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 capital requirement;
- Pillar 2 requires the firm to assess whether its capital reserves, processes, strategies and systems are adequate to meet pillar 1 requirements and further determine whether it should apply additional capital , processes, strategies or systems to cover any other risks that it may be exposed to; and
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position to encourage market discipline.

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

The Pillar 3 disclosure document has been prepared by Mariner Investment (Europe) LLP (“The Firm”) in accordance with the requirements of BIPRU 11 and is verified by its Management Committee. Unless otherwise stated, all figures are as at the 31 December 2019 financial year-end.

Pillar 3 disclosures will be issued on an annual basis after the year end and published as soon as practical after the financial statements have been finalised and have been approved by the Board for issue.

We are permitted to omit required disclosures if we believe that the information is immaterial such that omission would be unlikely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions about the firm.

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

We have made no omissions on the grounds that it is immaterial, proprietary or confidential.

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Scope and application of the requirements

The Firm is authorised and regulated by the FCA and as such is subject to minimum regulatory capital requirements. The Firm is categorised as a “Limited Licence 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 member of a group and so is not required to prepare consolidated reporting for prudential purposes.

Risk management

Due to the size, nature and lack of complexity of the business, there is no independent risk management function. The principals and senior management determine its business strategy and the risk appetite. They have designed and implemented a risk management framework that recognizes the risks that the business faces. The Compliance officer has responsibility for the implementation and enforcement of the the Firm’s risk principles

The Principals also determine how the risk our business faces may be mitigated and assess on an ongoing basis the arrangements to manage those risks. The Principals (in conjunction with senior management at its affiliated company Mariner Investment Group, LLC as needed (“Mariner USA”)), 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 business 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 and operational, risks are the main areas of risk to which the Firm is exposed. Legal and reputational risks are also included within the category of operational risk. Annually the Principals (assisted as needed by employees of Mariner USA) formally review their 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 our business planning and capital management and conclude whether the amount of regulatory capital is adequate.

Management accounts demonstrate continued adequacy of the firm’s regulatory capital are reviewed on a regular basis.

Appropriate action is taken where risks are identified which fall outside of the Firm’s tolerance levels or where the need for remedial action is required in respect of identified weaknesses in the firm’s mitigating controls.

Regulatory capital

The Firm is a Limited Liability Partnership which assumed the regulated business of Mariner Europe Ltd on 2 January 2014, and its capital arrangements are established in its Partnership Deed. The main features of the Firm’s capital resources for regulatory purposes are as follows:

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	31 December 2019 £000
Tier 1 capital*	530
Tier 2 capital	0
Tier 3 capital**	0
Deductions from Tiers 1 and 2	0
Total capital resources	530

Our Firm is small with a simple operational infrastructure.

As a Limited Licence Firm, it is subject to the Fixed Overhead Requirement and is not required to calculate an operational risk capital charge though it considers this as part of its process to identify the level of risk based capital required.

As such its capital requirements are the greater of:

- €50,000; and
- The sum of the market & credit risk requirements; or
- The fixed overheads requirement ('FOR') which is essentially 25% of the firm's operating expenses less certain variable costs.

The FOR is calculated, in accordance with FCA rules, based on the firm's relevant annual audited expenditure, which has been adjusted to reflect the material change in business for the 12 months to 31 December 2019. The firm has adopted the standardised approach to credit and market risk and the above figures have been produced on that basis. The firm is not subject to an operational risk requirement.

It is the Firm's experience that the Fixed Overhead Requirement establishes its capital requirements.

Capital requirement

The Firm's Pillar 1 capital requirement has been determined by reference to the Firm's Fixed Overheads Requirement ("FOR") and calculated in accordance with the FCA's General Prudential Sourcebook ("GENPRU") at GENPRU 2.1.53. The requirement is based on the FOR since this exceeds the total of the credit and market risk capital requirements it faces and also exceeds its base capital requirement of €50,000.

The FOR is based on annual expenses net of variable costs deducted. The Firm monitors its expenditure on a monthly basis and takes into account any material fluctuations in order to determine whether the FOR remains appropriate to the size and nature of the business or whether any adjustment needs to be made intra-year.

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UK FINANCIAL REPORTING COUNCIL'S STEWARDSHIP CODE

Under Rule 2.2.3R of the FCA's Conduct of Business Sourcebook, the Firm is required to include on this website a disclosure about the nature of its commitment to the UK Financial Reporting Council's Stewardship Code (the "Code") or, where it does not commit to the Code, its alternative investment strategy.

The Firm has followed 2 distinct investment strategies during the year – one primarily involves trading in government securities worldwide (not corporate debt or equities) and the other did involve trading relative value global equity positions. This latter equity investment strategy ceased trading activity as of December 31, 2013. Consequently, while the Firm supports the objectives that underlie the Code, the provisions of the Code are not relevant to the type of trading currently undertaken by the Firm.

If the Firm's investment strategy changes in such a manner that the provisions of the Code become relevant, the Firm will amend this disclosure accordingly.

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REMUNERATION CODE DISCLOSURE

The Firm is authorised and regulated by the Financial Conduct Authority as a Limited Licence Firm and so, it is subject to FCA Rules on remuneration. These are contained in the FCA's Remuneration Code located in the SYSC Sourcebook of the FCA's Handbook. The Remuneration Code ("the RemCode") covers an individual's total remuneration, fixed and variable. The Firm incentivises staff through a combination of the two.

The Firm's business is to provide marketing and investment management support services to its offshore affiliated manager ("Manager") and funds managed by that Manager (the "Fund(s)").

Our policy is designed to ensure that we comply with the RemCode and our compensation arrangements:

1. are consistent with and promotes sound and effective risk management;
2. do not encourage excessive risk taking;
3. include measures to avoid conflicts of interest; and
4. are in line with the Firm's business strategy, objectives, values and long-term interests.

Proportionality

Enshrined in the European remuneration provisions is the principle of proportionality. The FCA have sought to apply proportionality in the first instance by categorising firms into three levels. The Firm falls within the FCA's proportionality level three and as such this disclosure is made in line with the requirements for level three.

Application of the requirements

We are required to disclose certain information on at least an annual basis regarding our Remuneration policy and practices for those staff whose professional activities have a material impact on the risk profile of the firm. Our disclosure is made in accordance with our size, internal organisation and the nature, scope and complexity of our activities.

1. Summary of information on the decision-making process used for determining the firm's remuneration policy:
 - The Firm's policy has been agreed by the Senior Management in line with the RemCode principles laid down by the FCA.
 - Due to the size, nature and complexity of the Firm, we are not required to appoint an independent remuneration committee.
 - Investment Management Firm - The Firm's ability to pay a bonus is based on the performance of the Firm overall and derived after its fund's managed returns have been calculated by client appointed third party administrators.
 - There is limited involvement of the Firm in deriving asset prices as the majority of assets are held in liquid securities

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2. Summary of how the firm links between pay and performance.

- Individuals are rewarded based on their contribution to the overall strategy of the business, including.
 - a. Net profit on Investment Trading
 - b. Sales & Marketing
 - c. Operations
- Other factors such as performance, reliability, effectiveness of controls, business development and contribution to the business are taken into account when assessing the performance of the senior staff responsible for the infrastructure of the firm.

We may omit required disclosures where we believe that the information could be regarded as prejudicial to the UK or other national transposition of Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data.