



# SHENKMAN CAPITAL MANAGEMENT LTD

---

PILLAR 3 DISCLOSURE

STEWARDSHIP DISCLOSURE

REMUNERATION CODE DISCLOSURE

---

30 JUNE 2018

## SHENKMAN CAPITAL MANAGEMENT LTD

### PILLAR 3 DISCLOSURE: 30 JUNE 2018

#### 1. Introduction

Shenkman Capital Management Ltd (the 'Firm' or 'Shenkman') is authorised and regulated by the Financial Conduct Authority ('FCA'). Shenkman's Pillar 3 Disclosure is made in accordance with the Capital Requirements Directive (the 'Directive') implemented by the FCA through the General Prudential Sourcebook ('GENPRU') and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU').

The Directive established a revised regulatory capital framework governing the amount and nature of capital credit institutions and investment firms must maintain.

The Directive consists of three 'Pillars':

- **Pillar 1** sets the minimum amount of regulatory capital a firm must hold to meet its credit, market and operational risk.
- **Pillar 2** requires firms to assess whether additional capital should be held to cover those risks not considered under Pillar 1.
- **Pillar 3** seeks to improve market discipline by requiring firms to disclose certain information on risk and capital management.

#### 2. Scope of Application

This document is designed to meet Shenkman's Pillar 3 obligations and has been reviewed by Shenkman's Board of Directors. Shenkman makes its Pillar 3 disclosure on an annual basis via [www.shenkmancapital.com](http://www.shenkmancapital.com). The disclosure will be published as soon as practical following Shenkman's financial year end.

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

#### 3. Firm Overview

Shenkman is wholly owned by Shenkman Capital Management, Inc. (the 'Parent Company'), a global investment advisory firm registered with the U.S. Securities and Exchange Commission. Shenkman provides investment advisory, trading, marketing and support services to its Parent Company.

Shenkman is limited to providing services to professional clients and eligible counterparties and is not authorised to hold client money or to take proprietary trading positions. Shenkman is a BiPRU Firm and is not part of a consolidation group for prudential purposes.

#### 4. Risk Management

Shenkman is governed by its Board of Directors who, in conjunction with its Management Committee, determine the business strategy and risk appetite of the Firm. The Directors are also responsible for establishing and maintaining governance arrangements within which the set risk tolerances are managed.

The Management Committee, which includes the Directors, meets on a periodic basis to receive management information and review performance against governance objectives. Current projections for profitability, cash flow, business planning, risk and regulatory capital management are regularly reviewed by the Parent Company's Finance Department and in conjunction with the Firm's Compliance Officer where required.

Shenkman seeks to manage risk through a framework of policies and procedures having regard to relevant laws, standards, principles and rules. These policies and procedures are updated as required and generally reviewed on an annual basis. Department Heads are responsible for managing the risks encountered in their respective business area. The Compliance Officer, together with the Parent Company's Legal and Compliance Department, is responsible for monitoring, on an ongoing basis, the arrangements implemented to manage identified risks.

Operational, market, credit and liquidity risk have been identified as the main areas of risk to which Shenkman is exposed. On an annual basis a formal review of the risks, controls and other mitigation arrangements is completed as part of the Internal Capital Adequacy Assessment ('ICAAP'). Consideration is given to the financial impact of material risks as part of the business planning and capital management process to ascertain whether the amount of regulatory capital held continues to be adequate or whether further capital to mitigate the identified risk is required.

## 5. Capital Requirements and Adequacy

Shenkman is a Limited Company and its capital arrangements are established in its Articles of Association. The Firm's capital resources and capital requirement as at 30 June 2018 (rounded to the nearest thousand) are set out below:

<b>Capital Resources</b>	
Tier 1 Capital	\$4,205,000
Tier 2 and 3 Capital	\$0
Deductions from Capital	\$0
<b>Total Capital Resources</b>	<b>\$4,205,000</b>

Shenkman takes a prudent approach to the management of its capital base and seeks to ensure that it has sufficient resources to meet its obligations at all times. Shenkman has concluded, as part of its ICAAP, that it has adequate capital to support current and future operations in light of the key risks identified. No additional capital is therefore deemed to be required under Pillar 2. Further disclosures relating to Shenkman's key risks have been omitted on the grounds of materiality.

<b>Capital Resources Requirement</b>	
<b>Pillar 1 Requirement (Higher of a, b and c)</b>	<b>\$895,000</b>
(a) Base Capital Requirement	€50,000
(b) Fixed Overhead Requirement	\$895,000
(c) Credit Risk and Market Risk Requirement	\$700,000
<b>Pillar 2 Requirement</b>	<b>\$0</b>
<b>Total Capital Requirement (Higher of Pillar 1 and Pillar 2)</b>	<b>\$895,000</b>
<b>Total Surplus Capital</b>	<b>\$3,310,000</b>

Shenkman's market and credit risk relates primarily to bank balances and fee receivables from its Parent Company, both of which are in US dollars. Shenkman follows the standardised approach to market risk and the simplified standard approach to credit risk. Shenkman is not required to calculate an operational risk capital charge though it has considered operational risk as part of the ICAAP.

Shenkman's Pillar 1 Requirement has been determined by reference to its fixed overhead requirement ("FOR"), since this exceeds the total of the credit risk and market risk capital requirement and its base capital requirement. Whilst the Pillar 1 calculations are based on the previous years audited expenditure, Shenkman monitors its overheads and market and credit risk on a monthly basis to take into account any material fluctuations. By doing this Shenkman seeks to ensure that the capital requirement remains appropriate for the size and nature of the business and, where required, intra-year adjustments are made.

## **SHENKMAN CAPITAL MANAGEMENT LTD**

### **STEWARDSHIP CODE DISCLOSURE: 30 JUNE 2018**

Under FCA Rules, Shenkman Capital Management Ltd ('Shenkman') is required to make a public disclosure in relation to the nature of its commitment to the Stewardship Code (the 'Code'), which was published by the Financial Reporting Council ('FRC') in July 2010.

The Code aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities. It sets out good practice on engagement with investee companies and is to be applied by firms on a 'comply or explain' basis. The FRC recognises that not all parts of the Code will be relevant to all institutional investors and that smaller institutions may judge some of the principles and guidance to be disproportionate.

The seven principles of the Code are that institutional investors should:

- publicly disclose their policy on how they will discharge their stewardship responsibilities;
- publicly disclose a robust policy on managing conflicts of interest in relation to stewardship;
- monitor their investee companies;
- establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value;
- be willing to act collectively with other investors where appropriate;
- have a clear policy on voting and disclosure of voting activity; and
- report periodically on their stewardship and voting activities.

Whilst Shenkman supports the objective of the Code, it does not currently conform to its principles as it does not invest in the shares of UK listed companies. Should this change, Shenkman will review its commitment to the Code and, where necessary, amend its disclosure.

---

## **SHENKMAN CAPITAL MANAGEMENT LTD**

### **REMUNERATION CODE DISCLOSURE: 30 JUNE 2018**

#### **1. Introduction**

Shenkman Capital Management Ltd (the 'Firm' or 'Shenkman') is authorised and regulated by the Financial Conduct Authority ('FCA'). The Firm is wholly owned by Shenkman Capital Management, Inc. (the 'Parent Company'), a global investment advisory firm registered with the U.S. Securities and Exchange Commission. Shenkman provides investment advisory, trading, marketing and support services to its Parent Company.

Shenkman has adopted a Remuneration Policy in accordance with the FCA's BIPRU Remuneration Code (the 'Code'), SYSC 19F Remuneration and Performance Management and General Guidance on Proportionality (the 'Guidance'). The Remuneration Policy seeks to ensure that Shenkman's compensation arrangements:

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

#### **2. Proportionality**

Shenkman has not established a Remuneration Committee as, on the grounds of proportionality, it does not consider it is suitably significant in terms of its size and internal organisation. Furthermore the current nature, scope and complexity of Shenkman's activities are not deemed to warrant this.

In accordance with the Guidance and the Code's proportionality rule, Shenkman considers it appropriate, on a firm wide basis, to disapply the following requirements relating to remuneration structures:

- retained shares or other instruments;
- deferral;
- performance adjustment; and
- the ratios between fixed and variable components of total remuneration.

Consideration has also been given to the FCA's stated position that it will normally be appropriate for a BIPRU firm to disapply these provisions. There is nothing when considering Shenkman's size, internal organisation and nature, scope and complexity of its activities that is deemed to override this presumption.

#### **3. Link between Pay and Performance**

Shenkman seeks to ensure that its Remuneration Policy is in line with its business strategy, objectives, values and long-term interests, incorporating measures to mitigate conflicts of interest. The remuneration structure is devised to reward team members for the manner in which they perform their roles as opposed to being tied in a linear fashion to, for example, the underlying performance of any portfolios or assets raised.

To attract and retain talented individuals Shenkman offers a highly competitive total compensation package. All team members receive a base salary and complete benefits package. Moreover, all team members are eligible to receive an annual discretionary bonus predicated on factors such as individual performance, firm performance and meeting corporate objectives. Any discretionary element of remuneration will also take into account an individual's commitment to Shenkman's compliance culture and adherence to compliance policies and procedures.

With the exception of the executive incentive scheme, which provides certain senior team members with the opportunity to purchase equity in the Parent Company, and exceptional payments permitted under the guaranteed remuneration provisions, all compensation is encompassed in base salaries and the discretionary bonus scheme.

#### **4. Decision Making Process**

Mr Mark Shenkman (President, Founder and Co-CIO of the Parent Company and Director of Shenkman) has ultimate approval of the discretionary bonuses paid to team members, thereby providing appropriate independent challenge to the initial assessment made by Department Heads.

#### **5. Remuneration of Code Staff**

Shenkman considers that there is only one business area within the Firm. Shenkman has defined its Code Staff as including its Directors, senior managers and significant influence functions holders. For the financial year ending 30 June 2018 the aggregate remuneration awarded to Shenkman's Code Staff was \$2,451,418. This includes team members who have been Code Staff at Shenkman for any part of the year.

---