Zeus Capital Limited ("ZCL")

Pillar III Disclosures as at 31 March 2020

1 Overview

1.1 Background

The Basel framework is a set of international standards for the prudential regulation and supervision of banks and banking groups. The framework is intended to ensure that adequate and consistent prudential standards apply to banks and their supervisors across the world. Basel III was implemented to address issues arising from the 2007/08 financial crisis.

The Capital Requirements Directive ("CRD IV") sets out the regulatory capital framework for implementing Basel III in the European Union and is underpinned by three pillars:

- Pillar 1: the minimum capital requirement of firms to cover credit, market and operational risk
- Pillar 2: an assessment of a firm's risks that not covered by Pillar 1 and whether additional capital is required to cover them
- Pillar 3: specifies the disclosures that firms are required to make with respect to risk exposure, risk management, capital resources and remuneration

In the UK CRD IV is overseen by the Financial Conduct Authority ("FCA") through the Prudential Sourcebook for Investment Firms ("IFPRU") and the Capital Requirements Regulation (the "CRR"), together with additional standards and guidelines released by the European Banking Authority.

1.2 Scope, Basis & Frequency of Disclosure

Zeus Capital Limited (the "Company", "Zeus", "ZCL" or the "Firm") is an independent, investment banking boutique, based in the UK.

Zeus Investment Management Limited ("ZIM") is a private limited company, registered in England & Wales and was authorised by the FCA on 13 August 2019 (FRN 816962) and is a BIPRU 50k limited scope firm. ZIM has not traded since its incorporation.

ZCL is 100% owned by Zeus Capital Investment Limited ("ZCIL") and ZCIL and ZIM are 100% owned by Zeus Group Limited ("ZGL"). These disclosures are made on a fully consolidated basis with ZIM, ZCIL and ZCL, with ZGL being the ultimate parent, together the "Group".

Both ZCIL and ZGL are private limited companies registered in England & Wales and do not undertake regulated activities.

These disclosures are not subject to audit and have been produced solely to satisfy the Pillar 3 regulatory requirements as set out in Part 8 of the CRR.

The Company's Pillar 3 disclosures are reviewed and published on ZCL's website (www.zeuscapital.co.uk) at least annually or more frequently if appropriate.

2 Risk Management Objectives & Policies

2.1 Risk Management Framework

The Firm's risk management framework is formally supported by the Board, through the Risk & Regulatory Committee (the "RRC"), to which it delegates its risk oversight and responsibilities.

The RRC is represented by members of the ZCL board of directors (the "Board") as well as finance, compliance, operations and HR. The Firm's risk management framework allows the delegation of risk control ownership and real-time evaluations of individual risks at a business operations level, ensuring a consistent culture of risk management at all levels of the organisation.

The controls and governance structures established by the Board and contained within the risk management framework are considered appropriate to the size, nature and complexity of the Firm's activities.

The majority of the Firm's income is derived from its extensive relationships with its core client base whereby it helps and advises on a variety of transactions for them, including acquisitions, sales, management buy outs and buy ins, IPOs and secondary fund raises.

To support such a strategy the Firm has a set of policies and procedures which are clear and resilient, supported by well-established systems and controls.

2.2 ICAAP

The internal capital adequacy assessment process (the "ICAAP") is the means through which the Board is able to oversee and regularly assess the Group's:

- Risk management processes and systems;
- Major sources of risk to its ability to meet its liabilities as they fall due, including as a going or gone concern;
- Internal stress testing of these risks; and
- Adequacy of financial and capital resources to cover these risks.

When considering the ICAAP and when running the business, the Group has been and will continue to be cautious with regard to risk. The Group has a low overall risk appetite. Specifically, it does not intend to take any risks with its own capital that are outside the boundaries set within its governance structure.

In practical terms, the low risk appetite means that whilst management would be prepared to tolerate a degree of unexpected costs, close attention is paid to ensuring that these do not exceed tolerance levels.

Controls in place are therefore determined with that in mind. The Group further demonstrates its low overall risk appetite by ensuring that capital well in excess of its regulatory requirement is held.

2.3 Key Risks

As part of the ICAAP the Group assesses the adequacy of its capital in relation to the specific risks to which its activities give rise, this includes, at a minimum the risks defined in IFPRU 2.2.7.

2.3.1 Credit & Counterparty Risk

Credit risk is primarily incurred where the cash values of ZCL's non-trading book assets are exposed to the risk of impairment.

ZCL will ensure that the creditworthiness of its obligors is reviewed regularly, through periodic due diligence, and that credit exposure is actively monitored and managed. ZCL implements the relevant policies in accordance with CRR Part 2 Title II to manage the application of the standardised approach to credit risk, the use of ECAI credit assessments, and the use of relevant credit risk mitigation techniques.

Non-trading book credit risk

Institutional credit risk exposures comprise of bank balances, which are all short-term callable balances, held with FCA and PRA regulated institutions authorised under CRR.

ZCL's non-trading book credit risk usually will increase and decrease directly in response to the volume of business being transacted. Risk weightings are applied to the investment portfolio using the CRR standardised approach to credit risk, with an additional capital consideration for this portfolio under Group risk.

Exposures to services providers and other corporates, and to fixed assets, create minimal credit risk exposure. The risk weightings under CRR, all currently assessed at 100%, are considered sufficient and appropriate to reflect the credit risk of these exposures.

Counterparty credit risk

Counterparty credit risk means the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. This risk is limited due to the nature of securities trading whereby settlement is on a delivery versus payment basis

ZCL will not undertake trading book activities in instruments which would incur counterparty credit risk. Should the business strategy change to include trading book activities in options or other derivative instruments, then the ICAAP would be reviewed to properly accommodate a change to the business model.

2.3.2 Market Risk

Market Risk describes the risks that arise from fluctuations in values of, or income from, assets or in interest or exchange rates.

FX risk is incurred on non-sterling bank balances and other balance sheet assets. ZCL currently does not hold any balance sheet assets in any currency other than GBP, this will continue to be monitored on an on-going basis.

Equity risk can be incurred on either principal or market making positions taken on the equity book. At current, no principal or market making positions are being taken or forecasted to be taken, this will continue to be monitored on an on-going basis.

2.3.3 Liquidity Risk

Liquidity Risk is the risk that a firm, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost.

In the normal course of business, ZCL expects to use cash to meet its liquidity obligations and not be dependent on liquidating other assets.

As a full scope IFPRU investment firm, ZCL observes the applicable rules of BIPRU 12 Liquidity standards, but with net assets of less than £50m the Group is not required to produce an Individual Liquidity Assessment.

There are a number of processes that the firm undertakes to assist with the ongoing prudent control of ZCL's liquidity position. These include monthly bank reconciliations, the daily review of the cash effect of all open positions and all funding requirements (liabilities) by currency are compared with available currency balances on a daily basis.

The Board oversees these processes and receives and reviews month by month cash flow forecasts on a regular basis.

2.3.4 Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, or people or systems. This includes IT risk, and other risks not defined elsewhere, such as legal and reputational risk.

Operational risks tend to crystallise as interruption to the systems or processes on which the business relies, whether due to the fault of a person or a piece of technology. ZCL considers operational risk to be a significant category of risks to the Group.

The approach used for operational risk management is as follows:

- Risks are recognised in the normal course of risk management, and are included in the Risk Register;
- Inherent risk of an operational risk is assessed, risk mitigation is considered, and remaining exposure is quantified for capital purposes; and

- Impacts of operational risks undergo on-going monitoring and testing, including costs/benefit analyses of new service and IT providers.

2.3.5 Residual Risk

Residual risk is the risk that credit risk mitigation techniques used prove less effective than expected, with actual risk outcomes being significantly different to those expected.

ZCL applies the Credit Risk Mitigation rules in CRR Articles 192-200 to the extent of using cash margin to mitigate counterparty credit risk exposures. Cash margin is held in the same currency as the exposure, and non-cash assets are not accepted to collateralise clients' open trades.

2.3.6 Business Risk

Business risk is quantified through forward-looking assessment of threats to the business' strategy and integrity of the financial forecasts.

The company advises companies and institutions across both public and private capital markets. Levels of transactional activities and general market sentiment can impact the number, size and mix of transactions completed and therefore the revenues generated.

ZCL is also exposed to multiple business risks such as potential fluctuations in counterparty numbers and trading volumes due to changes in the economic environment, increased competitors and competitor pricing, sub-optimal strategic decisions, or regulatory change.

The Board and the Group Board will continue to monitor the economic environment, the Group's strategic competitors and its financial position through regular MI presented to them.

2.3.7 Interest Rate Risk

Interest rate risk is associated with the sensitivity of the Group and ZCL's financial position to adverse movement in interest rates. ZCL does not have a trading book in credit or loan products, or any other interest rate products, and is not exposed to interest rate risk in the equity trading book.

ZCL has identified no additional sources of interest rate risk.

2.3.8 Pension Obligation Risk

Pension obligation risk is the risk to a firm caused by its contractual or other liabilities to, or with respect to, a pension scheme. These can result in a fixed financial commitment on behalf of a firm.

ZCL does not provide any defined benefit pension schemes.

2.3.9 Group Risk

The RRC has established a risk management framework governing how the Group manages and assesses its risks.

Regular reviews are undertaken to ensure that each business area retains the appropriate resources and support to ensure the effective execution of business operations, in line with the overall commercial strategy.

Capital and liquidity resource requirements are monitored on a daily basis, both for ZCL and the Group. Indicators approaching a stressed condition are escalated as appropriate.

3 Capital Resources & Requirements

3.1 Capital Adequacy

Capital adequacy is a key factor in the development of risk management, and the development of the business more broadly.

The Group's determination of its prudential requirements and capital adequacy are defined and based on three components:

- The initial capital requirement as per Article 29 of CRD and IFPRU 1.2.9 of €730,000 equivalent in GBP (£651,451 as at 31 March 2020);
- An obligation to retain a positive net tangible worth and sufficient working capital to be able to meet all liabilities as they fall due; and
- The retention of surplus capital, in the form of the prescribed Combined Buffer, providing a buffer such that the Group's capital adequacy is not threatened in the event of a shock to the business.

The following summary outlines the Group's capital resources and capital requirements as at 31 March 2020.

Capital resources as at 31 March 2020	£'000
Total capital held	
Called up share capital	80
Merger reserve	169
Retained earnings	12,232
Total equity per consolidated statement of financial position (audited)	**12,481**
Common Equity Tier 1 capital resources	**12,481**
Deduction form common equity tier 1 capital:	
Deferred tax asset	(541)
Significant investments in financial sector entities	(763)
Common Equity Tier 1 capital after deductions	**11,177**
Tier 1 capital - own funds	**11,177**
Regulatory Capital Requirement	
Credit Risk	891
Operational Risk	2,491
Total Pillar 1 Regulatory Capital Requirement	**3,382**
Surplus Capital (Pillar 1)	**7,795**
Total Risk Weighted Exposure	**42,271**
Pillar 1 Capital Adequacy Ratio	**331%**
Core Tier 1 Capital Ratio	**26.4%**

4 Remuneration

The following disclosures are provided in accordance with the provisions of the FCA's Remuneration Code for IFPRU investment firms, as set out in SYSC 19A of the FCA Handbook (the "Remuneration Code" or the "Code") and Article 450 of the CRR.

The Firm is required to establish and apply policies which comply with the Code in a way and to the extent that is appropriate to its size, internal organisation and the nature, scope and complexity of its activities.

The Firm is classified as a Tier 3 firm for the purposes of the Remuneration Code.

4.1 Remuneration Committee

The Firm's remuneration committee has been appointed by the board of ZGL and consists of at least 2 directors of ZGL and is chaired by a non-executive director.

The Remuneration Committee's role is to develop the Company's remuneration policy and incentive schemes in order to support the delivery of the Company's business strategy, the overall strategy of the Group and the long term interests of all stakeholders, taking into account all relevant legal and regulatory obligations.

The Company's remuneration policy is designed to attract, retain, incentivise and employees properly and to ensure that they are aligned with the financial and strategic goals of the firm and the overall strategy of the Group.

4.2 Link between pay & performance

ZCL's remuneration consists of fixed compensation (i.e. salaries) and variable bonuses. Bonuses are discretionary and non-contractual and linked to the Company's overall financial performance and the individual's performance during the period.

Employee appraisals are conducted on an annual basis and include financial and non-financial areas of assessment.

4.3 Code Staff

Code Staff are defined in the Remuneration Code as being those individuals who perform roles which have a material impact on the Firm's risk profile.

During the year to 31 March 2020 Zeus had identified that five of its employees were deemed to be Code Staff.

4.4 Quantitative Disclosures

Quantative disclosures	
Remuneration for the year ended 31 March 2020	**£'000**
Fixed and variable remuneration: All staff	9,054
Remuneration: Code staff	
Fixed remuneration	1,094
Variable remuneration	47
Non-cash variable remuneration awarded in shares	
Total remuneration for Code Staff	**1,141**