

# **New Amsterdam Capital Management LLP ("NAC")**

**(FSA firm reference number: 227783)**

## **PILLAR 3 RISK DISCLOSURE**

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## 1 Regulatory Capital Resources

### Overview

New Amsterdam Capital Management LLP (“NAC” or the “Firm”) is a UK limited liability partnership. The Firm has been regulated in the United Kingdom since October 2003.

The Firm does not hold client money or principal positions and is managing net assets of less than £5 billion.

The Firm has adequate capital for the size and complexity of its business. Specifically, the amount of capital required to be held is equivalent to the capital resource requirement determined by the Pillar 1 requirements.

The Firm’s risk management process is considered adequate for the purpose of mitigating the need to hold further capital in the Firm.

### Capital Requirements

Since the Fixed Overhead Requirement (“FOR”) is greater than both the Firm’s Base Capital Requirement and the total of its Credit and Market Risks, it is the FOR which determines the Firm’s regulatory capital requirement.

The Firm is not subject to an Operational Risk Requirement and no waiver has been sought to enable it to use such a requirement in place of the FOR.

As at 31<sup>st</sup> December 2010, the Firm held capital in excess of its capital resources requirement, which is expected to increase following completion of the year-end audit due to an increase in audited reserves.

## 2 Credit Risk

The main credit risk to which the Firm is exposed is in respect of its debtors. However, there has not been a history of bad debts and as such the counterparty risk it is required to hold in respect of management fees due is considered to be more than adequate to cover such eventuality.

The Firm currently deducts illiquid items in full from its regulatory capital even though it now has the option not to do this and as such there are no further credit risk issues to consider in this respect.

The Firm has no exposure to trading counterparties (brokers).

## 3 Market Risk

Since the Firm holds no trading book positions on its balance sheet, the main market risk it potentially faces relates to fluctuations in the value of its revenues due to movements in currency rates, since certain of the amounts payable to the firm are denominated in currencies other than Sterling.

The change in the value of fees due to foreign exchange fluctuations has not previously been material to the Firm. Since the settlement of debtor balances takes place without undue delay, the timing of the amount becoming payable and subsequently being paid is such that it is not considered to present a material risk to the Firm.

#### **4 Business Risk**

The main risk that the Firm has considered relates to its level of revenue. The Firm has an asset management business and an advisory business in corporate finance.

The cost base of the Firm is such that its continuity is not at risk even in more adverse scenarios due to its relatively stable fee arrangements, the number of funds under management and its other business activities.

On this basis, senior management considers the current capital held in the Firm appropriate.

#### **5 Operational Risk**

The Firm has no history of operational failures which have resulted in unintended costs being incurred.

From an operational point of view, the Firm would potentially incur increased costs should it be required to implement its business continuity plan as this could involve a move to temporary accommodation. However, this would be mitigated by insurance recoveries.

No other operational issues that could have an impact on the Firm's capital adequacy were identified as a result of the risk review conducted.