



ARDENT

---

FINANCIAL

ARDENT FINANCIAL LIMITED

PILLAR 3 DISCLOSURE

## PILLAR 3 DISCLOSURE

### REGULATORY CONTEXT

The UK's prudential regime for investment firms consists of the UK legislation and rules implementing the Capital Requirements Directive (UK CRD IV) and the Capital Requirements Regulation (575/2013) as amended by the Capital Requirements (Amendment) (EU Exit) Regulations 2018 (UK CRR). The regulatory framework consists of three 'Pillars':

**Pillar 1:** sets out the minimum capital that a firm needs to retain to meet its credit, market and operational risks;

**Pillar 2:** requires the firm and the Financial Conduct Authority ('FCA'), to take a view on whether it needs to hold additional capital against firm-specific risks not covered by Pillar 1; to assist in this process a firm undertakes an Internal Capital Adequacy Assessment Process ('ICAAP') which serves to provide procedures to identify, cost and mitigate, where possible, factors which may have an impact on the firm's capital requirement outside those already considered under Pillar 1; and

**Pillar 3:** requires the firm to develop a set of disclosures which will allow market participants to assess key information about its underlying risks, risk management controls and capital position.

Ardent Financial Limited (Ardent) is designated by the FCA as an IFPRU €730k full scope firm. Ardent prepares its Pillar 3 disclosure on an unconsolidated basis.

### Frequency

Articles 431 to 451 of the UK CRR set out the provision for Pillar 3 disclosure. This must be done in accordance with a formal disclosure document. The disclosure of this document meets the obligation with respect to Pillar 3.

Ardent publishes its Pillar 3 disclosures annually in accordance with the regulations set out. The disclosures will be as at the Firm's last accounting reference date.

### Location

The disclosure can be obtained by request through the website or email:

Website: [www.ardentfinancial.co.uk](http://www.ardentfinancial.co.uk)  
Email: [info@ardentfinancial.co.uk](mailto:info@ardentfinancial.co.uk)

### Verification

The information contained in this document has not been audited by Ardent's external auditors and does not constitute any form of financial statements and must not be relied upon in any judgement on Ardent.



39 - 42 New Bond Street London W1S 2SQ UK 0207 081 4380

## **Materiality**

Ardent regards information as material in disclosures if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. If Ardent deems a certain disclosure to be immaterial, it may be omitted from this Pillar 3 disclosure.

## **Confidentiality**

Information is considered as proprietary if its public disclosure would undermine Ardent's competitive position. Further, Ardent must regard information as confidential if there are obligations to the counterparty relationships binding the firm to confidentiality. In the event that any such information is omitted, Ardent shall disclose such and explain the grounds of non-disclosure.

## **BACKGROUND TO ARDENT FINANCIAL LIMITED**

Ardent is authorised and regulated by the FCA as an IFPRU investment firm. It is categorised as a €730k Full Scope Investment Firm. The Firm does not have permission to hold or control client assets or money. Ardent does not fall within the FCA's definition of a significant IFPRU firm.

The main activity of the firm will be to publish prices in event driven credit situations and trade bonds between institutional buyers and sellers. Whereas the Firm will by necessity hold an inventory of short term held for sale investment positions, the aim is to hold low levels as the overriding intention is to, as far as possible, match both purchases and sales transactions. Short term held-for-sale investment positions will only be taken on after a strong fundamental credit assessment, which will drive the Firm's view on every situation it trades.

## **RISK MANAGEMENT AND GOVERNANCE**

### **Risk Management Objective**

Ardent has a risk management objective to develop systems and controls to mitigate risk to within its risk appetite, which is in line with the overall business strategy.

Ardent also fosters a culture where all staff are owners and have a sense of involvement and responsibility. Ardent has reasonable expectations from its staff to observe rules and procedures, as well as to have an understanding of the value of compliance. Ardent also provides appropriate training to its staff from time to time to support this ethos.

The risk management objective is set and reviewed regularly to ensure that it is adequate for the size and complexity of the Firm.

### **Risk Management Framework**

Ardent has a risk management framework that is appropriate given the scale and the nature of its business model. The framework consists of the following risks:

- Risk identification
- Risk assessment
- Risk prioritisation
- Risk appetite
- Control assessment

### **Governance Framework**

The Board of Directors is ultimately responsible and accountable for the risk management at the Firm. The majority of the directors of the firm, in addition to the risk mapping structure of the ICAAP, are very much involved with the day to day running of the firm including the continual assessment of risk. They meet on a regular basis to discuss current projections for profitability, regulatory capital management, business planning and risk management. The directors manage the firm's risks 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 firm has an operational infrastructure appropriate to its size.

### **Risk Categories**

#### **Credit Risk**

Credit risk arises from potential that a counterparty is unable to perform an obligation resulting in a loss for the firm, primarily with respect to the settlement of securities transactions. The firm's exposure to credit risk is limited since the vast majority of transactions are undertaken on a delivery-versus-payment basis. All counterparties are subject to credit review before trading lines are established. The firm's counterparties are, typically, large financial institutions.

#### **Market Risk**

Market Risk is the risk that arises from fluctuations in the values of assets held within the trading book. In terms of position risk Ardent will maintain an inventory of listed fixed income securities to facilitate secondary trading and may, on occasion, have additional intraday risk due to timing differences on purchases and sales of securities. The risk of financial loss on this short term held-for-sale portfolio will be mitigated by a number of measures including: matched volumes; risk limits; size and diversification; credit selection process; review and approval.

Interest rate risk is mitigated through the relatively short duration of inventory holding, which are typically less than 4 years, and short holding periods. Positions are also actively traded.

The Firm is exposed to fluctuations in the value of financial instruments due to exchange rate movements. Exchange rate risks will be mitigated through using forward foreign exchange transactions to hedge, where considered appropriate by management.

#### **Operational Risk**

Operational risk is associated with the losses arising from inadequate or failed internal processes, personnel, systems or external events. The Operations, IT infrastructure and Human Resources risks

are of prime importance for the Firm. Processes are in place to ensure the Firm's exposure to these risks are appropriately considered and mitigated.

### Liquidity Risk

Liquidity risk is the risk that the Firm will be unable to meet financial commitments arising from its trading activities. Liquidity risk for Ardent is materially mitigated due to the process of primarily entering and settling trades on a matched volume basis through an appropriate Settlement Agent who has undergone a rigorous selection process. The Firm will maintain a liquid cash reserve for at least 3 months of expenses which will be held in cash at bank and GBP treasury bills which will mature in advance of payment date. Buy trades will be settled by Ardent's settlement agent, in the event of failure by one of its counterparties.

## DISCLOSURE

### Capital Resources

To meet the Capital Adequacy Resources Requirement, Ardent is required to hold the greater of the base capital requirement of €730,000; or the sum of the credit and market risks based on a risk weighted balance sheet, and the operational risk.

Capital resources as at 31 December 2020 were as follows:

Capital Resources	\$'000
<b>Tier 1 Capital</b>	
Share capital	-
Share premium account	10,673
Other reserves	525
Audited retained earnings	(1,497)
<b>Total Tier 1 Capital</b>	<b>9,701</b>
<b>Tier 2 Capital</b>	
Perpetual non-cumulative preference shares	4,000
<b>Total Tier 2 Capital</b>	<b>4,000</b>
<b>Total Capital Resources</b>	<b>13,701</b>

**Minimum capital requirement from 1 January 2021 is as follows:**

	<b>Risk-weighted ('RW') Exposure Amount \$'000</b>	<b>Minimum Capital \$'000</b>
<b>Base capital (€730k)</b>		<b>896</b>
Credit risk	3,707	297
Market risk	11,108	889
Operational risk	44,279	3,542
<b>Total Pillar 1 risk</b>	<b>59,095</b>	<b>4,728</b>
Pillar 2 risk		792
<b>Total Capital Requirement</b>		<b>6,416</b>
<b>Total Capital Resources as at 1 January 2021</b>		<b>13,701</b>
<b>Surplus/(Deficit)</b>		<b>7,285</b>

The table above shows the financial assets balances per the audited financial statements as at 31 December 2020. None of the total current financial assets were past their due date. No impairment has been made against the recoverability of any assets.

**Market Risk**

Market risk is the risk that arises from the fluctuations in the values of the assets held by the Firm in its trading book, which comprise listed fixed income debt instruments and related foreign exchange exposures.

**Traded debt instruments risk:** This is the risk arising from the positions in debt instruments. According to UKCRR Article 326, the risk is calculated as the sum of own funds requirements for the general and specific risk of positions in debt instruments. The Firm follows the rules in UK CRR Article 336 to calculate the specific risk, and UK CRR Article 339 to calculate the general risk, which is the maturity based method.

**Foreign exchange risk:** This is the risk of incurring losses on all positions held in foreign currency as a result of adverse movements in currency prices. The minimum requirement is calculated as the sum of overall net foreign exchange position and its net gold position in the reporting currency, multiplied by 8%. This is in accordance with UK CRR Article 351.

The table below shows the minimum capital requirement for the market risk exposure as at 31 December 2020.

As at 31 December 2020	Total Exposure Amount \$'000	Capital Requirement \$'000
Interest rate PRR	5,515	441
Foreign exchange PRR	5,593	448
<b>TOTAL</b>	<b>11,108</b>	<b>889</b>

**Operational Risk:** This is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. The operational risk capital requirement (ORCR) for the firm is an amount calculated in accordance with the basic indicator approach.

The table below shows the minimum capital requirement for the operational risk exposure as at 31 December 2020.

As at 31 December 2020	Total Exposure Amount \$'000	Capital Requirement \$'000
Operational risk	44,279	3,542
<b>TOTAL</b>	<b>44,279</b>	<b>3,542</b>

#### Internal Capital Adequacy Assessment Process (ICAAP)

Ardent's latest ICAAP assessment as of 6 August 2020 fully considered the strategy and risks of the Firm and it shows that the Firm remains in excess of its minimum capital requirements.

#### Non-Trading Book Exposures in Equities

This disclosure is not required as Ardent does not have a Non-Trading Book Exposure to Equities.

#### Exposures to Interest Rate Risk in the Non-Trading Book

Although Ardent has cash balances on its balance sheet and maintains an inventory of short duration listed fixed income debt securities there is currently no significant exposure to interest rate fluctuations.

#### Securitisation

This disclosure is not required as Ardent does not securitise its assets.



39 - 42 New Bond Street London W1S 2SQ UK 0207 081 4380

### **Remuneration Code**

Ardent is not significant for the purposes of the UKCRR therefore it applies the remuneration disclosure requirements in a manner that is appropriate to its size, internal organisation and the nature, scope and complexity of its activities.

The Board is responsible for the Firm's remuneration policy. All variable remuneration is adjusted in line with capital and liquidity requirements.

The aggregate annual remuneration of senior management, risk takers, staff engaged in control functions and any employee that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the firm's risk profile, will be disclosed under this disclosure.

The remuneration comprises base salary, variable remuneration in the form of monetary awards, pension contributions and benefits of any kind.