

# **Millennium Capital Partners LLP**

Pillar 3 Disclosure 2020

## 1. Introduction

### 1.1. Company Overview

The Millennium Group<sup>1</sup> is a global, multi-asset investment management organisation with its headquarters in New York, USA. The Millennium Group has been managing investor assets since 1989 and manages approximately \$55 billion as of September 2021.

Millennium Capital Partners LLP (“MCP”) is a sub-advisor to Millennium International Management LP (“MIM”)<sup>2</sup>, a US-based investment manager within the Millennium Group, as well as to certain Millennium Group entities. Pursuant to relevant agreements (including the “Sub-Advisory Agreement” between MCP and MIM), MCP is appointed to provide portfolio management and related services in relation to some of the assets of Millennium Partners, L.P. (“MLP”) and some of MLP’s trading subsidiaries (MLP and its trading subsidiaries, collectively, the “Fund”). MCP, MIM and other investment managers within the Millennium Group, including Millennium Management LLC, an SEC-regulated entity, in addition to certain entities outside of the Millennium Group, act as investment managers and manage the assets of the Fund in accordance with the Fund’s investment objectives.

MCP is authorised and regulated by the Financial Conduct Authority (the “FCA”) in the United Kingdom, and is classified by the FCA as a BIPRU (as defined below) firm.

MCP is controlled by its managing member, Millennium Capital Management Limited, a UK company (“MCML”). MCML is defined as a “Parent Financial Holding Company”, and together with MCP, MCP (Switzerland) GmbH (a Swiss investment manager also controlled by MCML) (“MCPS”), MC Norway A/S<sup>3</sup> (a Norwegian service entity also controlled by MCML) (“MCN”), Millennium Capital (DIFC) Ltd and MPGC Services Ltd forms a UK consolidated group (the “UK Group”). The analysis below is conducted at the UK Group level.

Except where otherwise stated, all information in this disclosure applies to the period from 1 January 2020 to 31 December 2020.

### 1.2. Regulatory Context

The Pillar 3 disclosure of the UK Group is set out below as required by the FCA “Prudential Sourcebook for Banks, Building Societies and Investment Firms” (“BIPRU”), specifically BIPRU 11.3.3 R. The regulatory aim of the disclosures is to improve market discipline through increased transparency.

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<sup>1</sup> The term “Millennium Group” means Millennium Management LLC, its affiliated management companies and any successor entities, and each investment adviser identified as a “relying adviser” in the Millennium Management LLC’s Form ADV. As of the date of this document, in addition to MIM, the relevant “Group entities” referred to herein include Millennium Capital Management (Singapore) Pte. Ltd. (“MCMS”) and WorldQuant LLC (“WQ”).

<sup>2</sup> MIM, Millennium Management LLC (MIM’s parent entity), and two other US-based Millennium Group entities are collectively referred to as “Millennium US”.

<sup>3</sup> As of the date of this document, liquidation proceedings have commenced for MC Norway AS.

As MCP is a BIPRU firm the UK Group is subject to the Third Capital Requirements Directive (“CRD”). The CRD requirements have three pillars:

- Pillar 1 sets out the minimum capital requirements against operational, credit and market risk;
- Pillar 2 requires firms to assess their capital adequacy, taking into account all risks and to assess whether additional capital should be held to cover risks not adequately covered by Pillar 1 requirements. This is achieved through the Internal Capital Adequacy Assessment Process (“ICAAP”);
- Pillar 3 complements Pillars 1 and 2 and requires firms to publish information on their capital resources and Pillar 1 requirements, risk exposures and their risk management framework.

### **1.3. Scope of Pillar 3 Disclosures and Basis of Consolidation**

The UK Group is subject to the disclosures under the Banking Consolidation Directive. It is a member of a “UK Consolidation Group” and reports on a consolidated basis for accounting and prudential purposes.

### **1.4. Location and frequency**

The UK Group will be making a Pillar 3 disclosure annually or more frequently if there is a material change to the business. The disclosures will be as at the applicable Accounting Reference Date (“ARD”) and are published on the Millennium Group external website ([www.mlp.com](http://www.mlp.com))

### **1.5. Verification**

The Pillar 3 disclosures are reviewed and verified by the Board of MCML (the “Board”).

The information contained in this document has not been audited by the UK Group’s external auditors and does not constitute any form of financial statement and must not be relied upon in making any judgement on the UK Group.

### **1.6. Materiality**

The UK Group 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 the UK Group deems a certain disclosure to be immaterial, it may be omitted from this statement.

### **1.7. Confidentiality**

The UK Group regards information as proprietary if sharing that information with the public would undermine its competitive position. Proprietary information may include information on products or systems which, if shared with competitors, would render the UK Group’s investments therein less valuable. Further, the UK Group must regard information as confidential if there are obligations to customers or other counterparty relationships binding the UK Group to confidentiality.

## 2. Governance and Oversight

The Board is the governing body of MCML.

The Board is responsible for implementing effective risk governance and setting risk appetite. In collaboration with other members of UK Group's senior management, including business heads and heads of control functions, the Board plays a central role in the establishment and oversight of the risk management framework and policies. The UK Group's senior managers are primarily accountable for the identification, assessment, mitigation and escalation of risks within their areas.

In addition to establishing a strong risk culture and promoting the continuous improvement of systems and controls throughout the UK Group, the Board is also responsible for the ICAAP, understanding the level of risk undertaken and ensuring maintenance of adequate capital levels.

The UK Group's risk governance is complemented by Millennium Group's global committees detailed below, which have UK Group representation as appropriate, including the Management Committee, Risk Committee, Valuation Committee, Brokerage Committee, Business Continuity Committee, Compliance, Legal and Ethics Committee, and Operational Risk Committee.

## 3. Risk Management

The Board recognises that effective identification, assessment, mitigation and monitoring of risks is critical to its financial soundness and profitability.

Business heads and heads of control functions are accountable for the risk arising from their activities as well as implementing controls to support those processes. This is complemented by oversight functions – Risk Management, Compliance, Legal, and Human Resources – which are each responsible for various oversight policies and procedures, independent monitoring and challenge. Further support is provided by the Global Management Controls & Internal Audit team, which includes amongst its remit, the responsibility for evaluating and recommending improvements to the UK Group's control structure, systems, and policies and procedures for controlling operational, technological, financial and reputational risk.

The Board is ultimately responsible for establishing risk governance and oversight, and for setting risk appetite and limits. It is the responsibility of the UK Group's senior management to implement the Board's risk management framework, to identify, assess and manage their risks, and to escalate to the Board risk exposures that are outside of appetite.

The UK Group identifies its Principal Risks as Credit, Market, Operational, Business and Liquidity Risk.

Risks identified through the risk management framework are assessed as part of the UK Group's ICAAP process to ensure appropriate capital levels in relation to the UK Group's risk profile. On a semi annual basis the functional heads of the UK Group report to the Board on all key aspects, including material changes and updates of the business, for which they are responsible.

Reputational risk is viewed as an undesirable consequence of the manifestation of any of our Principal Risks, and is considered along with financial and regulatory risks when performing risk and capital assessments. The Board and senior management seek to minimise reputational damage by managing the UK Group's Principal Risks effectively.

#### **4. Principal Risk Exposures**

The following are the risks that are considered for capital adequacy assessment.

##### **4.1. Credit Risk**

Credit risk refers to the risk of incurring losses resulting from a borrower's failure to repay a loan or meet its other payment/settlement related contractual obligations.

The UK Group is primarily exposed to credit risk from the risk of the Millennium Group entities' inability to pay their obligations to the UK Group, termination of the contractual arrangements or exposure to failure of banking institutions. To date, the Millennium Group entities have never failed to settle the UK Group the relevant fees since MCP's inception in 2002. Additionally, all cash is held at reputable global banks with high credit ratings. Counterparty exposures are actively monitored with established escalation protocols to deal with catastrophic events. As a result of the above factors, the credit risk exposure to the UK Group is low and no additional capital is required to be held above that required by Pillar 1.

The UK Group has adopted the standardised approach for credit risk in line with BIPRU 3 (Standardised credit risk) to calculate the minimum capital requirements under Pillar 1.

##### **4.2. Market Risk**

Market risk refers to the potential for uncertainty and losses due to fluctuations in market-driven factors such as interest rates, credit spreads, foreign exchange, commodity prices, and equity prices.

The UK Group does not have a proprietary trading book and does not carry any material interest rate risk in its non-trading book.

Market risk exposure has been assessed by the UK Group and determined that its primary exposures are to unhedged currency exposure on the balance sheet of the non-trading book.

##### **4.3. Operational Risk**

Operational Risk is the risk of loss caused by inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk.

The UK Group seeks to minimise operational risk through its risk governance and operational risk framework.

On an annual basis the UK Group identifies and assesses its key risks, taking into consideration the design and effectiveness of controls. As part of the ICAAP process, the UK Group uses these risk assessments to determine whether any additional capital is needed to support the risks not adequately covered by Pillar 1.

##### **4.4. Business Risk**

Business risk is the risk of loss inherent in the UK Group's operating, business and industry environment, impacting the ability of the UK Group to carry out its business plan or desired strategy.

The UK Group is primarily exposed to business risk from the Millennium Group entities terminating the contractual arrangements for portfolio management.

Increased costs driven by changes in government policies, regulation or tax could make it unviable for Millennium Group to continue paying the UK Group's expenses.

The UK Group assesses business risks by modelling the effect of scenarios and stress tests on its capital planning forecasts and setting out actions to ensure it has adequate regulatory capital.

#### 4.5. Liquidity Risk

Liquidity risk is defined as the risk that a firm, although solvent, either does not have available sufficient financial resources in readily realisable form to enable it to meet its obligations as they fall due, or is only able to secure such resources at excessive and/or punitive cost.

To meet these requirements, the UK Group has in place liquidity systems and controls which include the management of liquidity risk via scenario and stress testing of the UK Group's cash flow forecast and the establishment of management actions and contingency funding plans. The UK Group is also obliged, as a consequence of SUP 16.12, to report annually to the FCA that it has adequate "liquidity systems and controls".

### 5. Capital Resources

#### 5.1. Pillar 1 Requirement

The UK Group has calculated its Fixed Overhead Requirement "FOR" which amounts to £55.1m as at 31 December 2020. The credit and market risk capital requirements of the UK Group amount to less than the FOR. Therefore the overall Pillar 1 capital requirement of the UK Group is the FOR of £55.1m.

#### 5.2. Pillar 2

In addition, the UK Group also undertakes an ICAAP in accordance with the requirements to assess the need for additional capital to support the risks not adequately covered by Pillar 1.

The ICAAP confirms to the Board that the UK Group has robust processes to ensure capital resources are proportionate and appropriate to the anticipated risks of the business.

#### 5.3. Regulatory Capital

The main features of the UK Group's capital resources for regulatory purposes as at 31 December 2020 are as follows:

Capital Resources		£m
Tier One Capital	Permanent Share Capital	8.5
	Audited Reserves	102.8
	Share premium account	7.6
	Partnership Capital	7.8
Total Tier One Capital		<b>126.7</b>
Tier Two Capital		<b>0</b>
Less: Deductions		<b>0</b>
<b>Total Capital</b>		<b>126.7</b>

## **6. Remuneration Code**

### **6.1. Decision Making Process**

The Board is responsible for setting and approving the written Remuneration Policy, designed to comply with the FCA's Remuneration Code (the "Code") and applicable associated guidance. The implementation of the policy is annually subject to central and independent internal review for compliance with the adopted Remuneration Policy.

The Remuneration Policy is consistent with and promotes sound and effective risk management and does not encourage risk-taking that exceeds the level of tolerated risk of the UK Group. The remuneration policy is in line with the business strategy, objectives, values and long-term interests of the UK Group, and encourages responsible business conduct, fair treatment of clients and avoid conflicts of interest in the relationships with clients

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

Total compensation of individuals whose professional activities have a material impact on the UK Group's risk profile ("Remuneration Code Staff") includes a base salary and a year-end bonus. Remuneration Code Staff, in accordance with the FCA BIPRU Remuneration Code at SYSC19C of the FCA Handbook and related guidance is comprised of the UK Group's senior management, risk takers, staff engaged in control functions, and staff in the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the UK Group's risk profile. The UK Group sets variable remuneration of Remuneration Code Staff with due regard to individual performance (based on financial and non-financial criteria) and the overall results of the UK Group, and in accordance with the requirements of the Code. These factors may be adjusted for current and future risk, taking into account the specific feature of the UK Group's activities.

A portion of Code Staff's variable remuneration may be subject to deferral. All variable remuneration is delivered in cash and deferral is indexed to the performance of the funds managed by the UK Group and the Millennium Group entities. The UK Group operates recovery provisions.

### **6.3. Code Staff Remuneration**

All Remuneration Code Staff work in the same business area, supporting the UK Group's investment management activities. The aggregate remuneration of Code Staff for the year ending 31 December 2020 was £58.8m.