Arion Investment Management Limited

Pillar 3 Disclosure Statement

Arion Investment Management Limited ("Arion" or "the Company") is authorised and regulated by the UK Financial Conduct Authority ("FCA") as BIPRU investment firm. As a BIPRU firm Arlon is subject to rules set out in the third European Capital Adequacy Directive ("CRD III") and is not required to follow the rules of the fourth European Capital Adequacy Directive ("CRD IV").

The FCA capital adequacy framework consists of three Pillars:

Pillar 1 sets out the minimum capital amount that meets the Firm's credit, market and operational risk;

Pillar 2 requires the Firm to assess whether its Pillar 1 capital is adequate to meet its risks and is subject to annual review by the FCA (the ICAAP as set out below); and

Pillar 3 requires disclosure of specified information about the underlying risk management controls, capital position and remuneration. This document is Arion's Pillar 3 disclosure statement.

As required by the rules of the FCA the Company has undertaken an 'Internal Capital Adequacy Assessment Process' ("ICAAP"). The ICAAP is reviewed annually or whenever there is a material change to the business, whichever is sooner. The most recent ICAAP review was undertaken as at 31 December 2017 during the early part of 2018. The ICAAP process considered the risks that the Company is exposed to and the controls that exist to mitigate those risks. It further considered whether additional capital was required to meet the risks that the Company faces including, as required by the FCA rules, the potential cost of closing the Company down in the unlikely event that such action was necessary. The Company's Pillar capital requirement is the higher of the base capital requirement of EUR 50,000, the sum of the credit risk and market risk requirements and the fixed overhead requirement. Currently the base capital requirement is in excess of the alternative capital requirements and thus the capital requirement is EUR 50,000 or GBP 44,000. The company has assessed that its capital requirement under Pillar 2 is GBP 48,000. This is higher than the requirement under Pillar 1 as it allows for potential changes in the GBP/EUR exchange rate.

Risk Management

The Company is an asset manager and does not risk its own capital in the financial markets. The Company does not have regulatory permission to take proprietary trading risk and does not take such risk. Accordingly, the risks that the Company faces are more limited in scope than for other types of regulated firms. The risks and controls detailed below are, in accordance with the BIPRU rules, risks that the Company faces in respect of its own activities. The risk management processes and controls for monies managed by the Company are not part of these disclosures.

Capital

The capital of the Company is in the form of share capital. All of the capital of the company is Tier 1 capital. As at 31 December 2017 the Company had Tier 1 capital of £66, 917 made up of share capital of £150,000 less the losses to 31 December 2017 of £83,083.

Principal risks and uncertainties

The Company has identified and performed an assessment of the key risks that may impact its business. The Company is an investment manager and does not undertake proprietary trading. The material risks to the Company largely fall within the "Business Risk" and "Operational Risk" categories.

Market risk

For the purposes of these disclosures, market risk is the risk value of, or income arising from, the Company's assets and liabilities varying as a result of changes in the market price of financial assets, changes in exchange rates or changes in interest rates.

The Company does not take proprietary trading risk. The Company's risk management activities are on behalf of clients and the Company's own money is not at risk. The only market risks that the Company potentially faces are: risks related to the short term investment of surplus cash belonging to the Company and currency risk due to the mismatch of the currencies in which income is earned and the currencies in which costs are incurred.

For capital adequacy purposes, in accordance with the rules, the Company monitors its current exposure due to amounts held and receivable in currencies other than sterling. The directors consider potential future exposures as part of their overall risk monitoring.

Credit risk

Credit risk refers to the potential risk that the Company's bankers or customers fail to meet their obligations as they fall due.

The Company has credit risk on its clients for fees earned but not received. The Company has appropriate policies to monitor this exposure on an ongoing basis.

The Company also has credit exposure to its bankers and monitors this risk regularly.

Liquidity risk

The Company's liquidity policy is to maintain sufficient liquid resources to cover cash flow imbalances and fluctuations in fees received/receivable. The Company maintains cash balances at its bankers to cover liquidity risk.

Operational risk

Operational risk is the risk of loss arising from failed or inadequate internal processes or systems, human error or other factors. The risk is managed by the directors who have responsibility for putting in place appropriate controls for the business. The Company documents the risks that it is exposed to and the compensating controls in its ICAAP.

Business risk

Business risk is the risk that the Company may not be able to carry out its business plan and could therefore suffer losses if its income falls. This is a risk that all businesses face. The directors continuously monitor income and expenditure levels and adjust their plans accordingly.

Concentration risk

Concentration risk is the risk that the Company is overly dependent upon any one customer or any one group of connected customers either in terms of income dependency or in terms of credit risk. Currently the only such exposure is to the Company's bankers.

Pension obligation risk

The Company has no defined benefit schemes and thus has no pension obligation risk.

Interest rate risk

The Company is not exposed to interest rate risk.

Residual risk

Residual risk is any risk not covered by the specific risk categories outlined above.

The directors do not consider that there are any residual risks that require the Company to maintain any additional capital.

Overall Capital Summary	£,000
Capital	
Total Tier 1 Capital	66
Pillar 1 Capital requirement	44
Additional requirement under Pillar 2	4
Total Capital requirement	48
Capital surplus	18
Capital adequacy percentage	138%

Remuneration disclosures

Under the Remuneration Code (the "Remuneration Code"), the Company, as is standard for an investment management firm, is classified as a Proportionality Level three firm. Proportionality Level three firms are permitted to disapply many of the technical requirements of the Remuneration Code and proportionately apply the Remuneration Code's rules and principles in establishing the Company's policy.

During the year ended 31 December 2017 the Company had five code staff members. The Company has only one business area which is its investment management business.