

# **Renaissance Institutional Management (UK) Limited**

Report and Financial Statements

Year Ended

31 December 2012

Registered Number 5730810

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# **Renaissance Institutional Management (UK) Limited**

**Annual report and financial statements  
for the year ended 31 December 2012**

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## **Directors**

Mendel Mark Silber  
James Stephen Rowen (appointed 8 May 2012)  
Robert Alexander Crenian

## **Secretary and registered office**

Katten Muchin Rosenman UK LLP, 125 Old Broad Street, London, EC2N 1AR

## **Company number**

5730810

## **Auditors**

BDO LLP, 55 Baker Street, London, W1U 7EU

# **Renaissance Institutional Management (UK) Limited**

## **Report of the directors for the year ended 31 December 2012**

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The directors present their report together with the audited financial statements for the year ended 31 December 2012

### **Results and dividends**

The profit and loss account is set out on page 6 and shows the profit for the year. The directors do not recommend the payment of a dividend.

### **Principal activities, trading review and future developments**

Renaissance Institutional Management (UK) Limited ("the Company") was incorporated in England and Wales and is registered with the Financial Services Authority ("FSA") to provide services as an intermediary Securities and Futures Firm, effective from 31 July 2006. The Company is a wholly owned subsidiary of Renaissance Institutional Management LLC ("RIM" or "the Parent company").

The Company engages in the private placement of securities and the solicitation and referral of clients and investors to Renaissance Technologies LLC ("Renaissance"), which is the ultimate parent company, and to private investment funds managed by Renaissance.

### **Business review**

The performance of the Company is measured in terms of the solicitation and referral of clients to Renaissance and to private investment funds managed by Renaissance.

### **Principal risks and uncertainties**

The main financial risk arising from the Company's activities is liquidity risk. This is monitored by the board of directors and is not considered to be significant at the balance sheet date.

The Company's policy in respect of liquidity risk is to maintain readily accessible bank deposit accounts to ensure the Company has sufficient funds for operations. The cash deposits are held in current accounts that earn interest at a floating rate.

### **Directors**

The following were directors of the Company during the year:

Mendel Mark Silber  
James Stephen Rowen (appointed 8 May 2012)  
Robert Alexander Crenian

No director had any interest in the ordinary shares of the Company.

Mr Silber is an officer of RIM.  
Mr Silber and Mr Rowen are officers of Renaissance.

# **Renaissance Institutional Management (UK) Limited**

## **Report of the directors for the year ended 31 December 2012 (Continued)**

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### **FSA Pillar 3 Disclosures**

Details of the Company's unaudited Pillar 3 disclosures, required under the Chapter 11 of the FSA's Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU"), are appended to these financial statements

### **Directors' responsibilities**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to do the following:

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going-concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Auditors**

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP has expressed its willingness to continue in office as auditor and a resolution to reappoint BDO LLP will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board



M Silber  
Director

9 April 2013

# **Renaissance Institutional Management (UK) Limited**

## **Independent Auditor's Report to the Shareholder of Renaissance Institutional Management (UK) Limited**

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We have audited the financial statements of Renaissance Institutional Management (UK) Limited for the year ended 31 December 2012, which comprise the profit and loss account, the reconciliation of movements in shareholder's funds, the balance sheet, the cash flow statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's shareholder, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's shareholder those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholder as a body, for our audit work, for this report, or for the opinions we have formed.

### *Respective responsibilities of directors and auditors*

As explained more fully in the statement of directors' responsibilities on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### *Scope of the audit of the financial statements*

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### *Opinion on financial statements*

In our opinion, the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### *Opinion on other matters prescribed by the Companies Act 2006*

In our opinion, the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Renaissance Institutional Management (UK) Limited**

### **Independent Auditor's Report to the Shareholder of Renaissance Institutional Management (UK) Limited**

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#### *Matters on which we are required to report by exception*

We have nothing to report in respect of the following matters, which the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Neil Fung-On (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
London  
United Kingdom  
9 April 2013

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

# Renaissance Institutional Management (UK) Limited

## Profit and loss account for the year ended 31 December 2012

	Note	2012 \$	2011 \$
<b>Turnover</b>	2	<b>3,211,429</b>	4,019,536
<b>Gross profit</b>		<b>3,211,429</b>	4,019,536
Administrative expenses		<b>(2,858,264)</b>	(3,593,492)
<b>Operating profit</b>	5	<b>353,165</b>	426,044
Interest receivable		<b>2,186</b>	2,097
Interest payable		<b>(49,549)</b>	(437)
<b>Profit on ordinary activities before taxation</b>		<b>305,802</b>	427,704
Taxation on profit on ordinary activities	6	<b>(177,284)</b>	(136,197)
<b>Profit on ordinary activities after taxation</b>		<b>128,518</b>	291,507

All amounts relate to continuing activities

All recognised gains and losses are included in the profit and loss account

The notes on pages 10 to 16 form part of these financial statements

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## **Renaissance Institutional Management (UK) Limited**

### **Reconciliation of movements in shareholder's funds for the year ended 31 December 2012**

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	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Profit for the year	<b>128,518</b>	291,507
Opening shareholder's funds	<b>4,684,781</b>	4,393,274
	<hr/>	<hr/>
Closing shareholder's funds	<b>4,813,299</b>	4,684,781
	<hr/>	<hr/>

The notes on pages 10 to 16 form part of these financial statements



# Renaissance Institutional Management (UK) Limited

Balance sheet  
at 31 December 2012  
Registered Number 5730810

	Note	2012 \$	2012 \$	2011 \$	2011 \$
<b>Fixed assets</b>					
Tangible assets	7		138,600		183,814
<b>Current assets</b>					
Debtors	8	1,032,077		897,529	
Cash at bank and in hand		4,439,740		3,785,349	
		<u>5,471,817</u>		<u>4,682,878</u>	
<b>Creditors amounts falling due within one year</b>	9	<u>797,118</u>		<u>181,912</u>	
<b>Net current assets</b>			<u>4,674,699</u>		<u>4,500,966</u>
<b>Total assets less current liabilities</b>			<u>4,813,299</u>		<u>4,684,780</u>
			<u>4,813,299</u>		<u>4,684,780</u>
<b>Capital and reserves</b>					
Called-up share capital	11		3,032,351		3,032,351
Profit and loss account	12		1,780,948		1,652,430
<b>Shareholder's funds</b>			<u>4,813,299</u>		<u>4,684,781</u>

The financial statements were approved by the Board of Directors and authorised for issue on 9 April 2013



M Silber  
Director

The notes on pages 10 to 16 form part of these financial statements

## Renaissance Institutional Management (UK) Limited

### Cash flow statement for the year ended 31 December 2012

	Note	2012 \$	2012 \$	2011 \$	2011 \$
<b>Net cash inflow/(outflow) from operating activities</b>	16		796,334		(713,782)
<b>Returns on investments and servicing of finance</b>					
Interest received		2,186		2,097	
Interest paid		(419)		(437)	
<b>Net cash outflow from returns on investments and servicing of finance</b>			1,767		1,660
<b>Taxation</b>			(143,710)		(127,135)
<b>Increase/(decrease) in cash</b>	17		654,391		(839,257)

The notes on pages 10 to 16 form part of these financial statements

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# Renaissance Institutional Management (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012

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## 1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards

The following principal accounting policies have been applied

### *Turnover*

Turnover represents placement fees for services provided relating to the private placement of securities and the solicitation and referral of clients and investors to Renaissance. Turnover is recognised when earned

### *Depreciation*

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, evenly over their expected useful lives as follows

Fixtures, fittings, and equipment	-	3 - 7 years
Leasehold improvements	-	over term of lease (not to exceed 10 years)

### *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred

Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax balances are recognised in respect of all timing differences that have originated but not been reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the Company expects to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences

Deferred tax balances are not discounted

### *Lease*

Operating lease rental charges are charged to the profit and loss account on a straight line basis over the term of the lease

# Renaissance Institutional Management (UK) Limited

## Notes forming part of the financial statements for the year ended 31 December 2012 (Continued)

### 1 Accounting policies (Continued)

#### *Pension costs*

Contributions to the Company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable. The assets of the scheme are held separately in an independently administered fund.

#### *Reporting currency*

The Company's reporting currency is the US dollar.

#### *Foreign currency*

Foreign currency transactions are translated into US dollars at the rate that was prevailing when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Rates utilised as at 31 December 2012 were \$1 - £0.61907 and \$1 - €0.75673 (2011 - \$1 - £0.64701 and \$1 - €0.77220). Any translation gains or losses are taken to the profit and loss account.

#### *Financial liabilities and equity*

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

### 2 Turnover

Turnover is wholly attributable to the principal activity of the Company and is received from the Parent company.

### 3 Employees

	2012 \$	2011 \$
Staff costs consist of the following		
Wages and salaries	1,485,354	1,983,644
Social security costs	155,210	177,388
Other pension and benefit costs	188,995	101,492
	<u>1,829,559</u>	<u>2,262,524</u>

The average number of employees during the year was 3 (2011 - 3).

## Renaissance Institutional Management (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 (*Continued*)

### 4 Directors' remuneration

	2012 \$	2011 \$
Directors' emoluments and emoluments of the highest paid director	637,473	748,188
Pension contributions	32,340	15,656
	<u>          </u>	<u>          </u>

### 5 Operating profit

	2012 \$	2011 \$
Operating profit has been arrived at after charging the following		
Auditors' remuneration – audit services	18,610	11,464
Tax compliance and services	6,263	5,625
Operating lease rentals	295,180	279,164
Foreign exchange loss	6,629	93,845
	<u>          </u>	<u>          </u>

### 6 Taxation on profit on ordinary activities

	2012 \$	2011 \$
<i>Current tax</i>		
UK corporation tax on profits of the year	174,461	134,867
Prior-year tax adjustment	506,592	5,412
	<u>          </u>	<u>          </u>
Total current tax	681,053	140,279
<i>Deferred tax</i>		
Origination and reversal of timing differences	(503,769)	(4,082)
	<u>          </u>	<u>          </u>
Taxation on profit on ordinary activities	<u>177,284</u>	<u>136,197</u>

## Renaissance Institutional Management (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 (*Continued*)

### 6 Taxation on profit on ordinary activities (*Continued*)

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below

	2012 \$	2011 \$
Profit on ordinary activities before tax	<b>305,802</b>	427,704
Profit on ordinary activities at the standard rate of corporation tax in the UK of 24.5% (2011-26.5%)	<b>74,921</b>	113,341
Effects of the following		
Expenses not deductible for tax purposes	9,837	12,070
Depreciation on assets in excess of capital allowances	3,404	9,456
Other timing differences	86,299	-
Prior-year adjustment	506,592	5,412
Current tax charge for year	<b>681,053</b>	140,279

### 7 Tangible assets

	Leasehold improvements \$	Fixtures, fittings, and equipment \$	Total \$
<i>Cost</i>			
At 1 January 2012	277,407	345,758	623,165
At 31 December 2012	<b>277,407</b>	<b>345,758</b>	<b>623,165</b>
<i>Depreciation</i>			
At 1 January 2012	147,221	292,130	439,351
Provided for the year	27,042	18,172	45,214
At 31 December 2012	<b>174,263</b>	<b>310,302</b>	<b>484,565</b>
<i>Net book value</i>			
At 31 December 2012	<b>103,144</b>	<b>35,456</b>	<b>138,600</b>
At 31 December 2011	130,186	53,628	183,814

# Renaissance Institutional Management (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 (Continued)

## 8 Debtors

	2012 \$	2011 \$
Amounts due from Parent company	153,551	451,573
Other debtors	349,614	334,545
Prepayments	-	89,832
VAT recoverable	25,539	21,579
Deferred tax asset	503,373	-
	<u>1,032,077</u>	<u>897,529</u>

Other debtors at 31 December 2012 represents a rent deposit that is recoverable in more than one year (2011-\$334,459)

## 9 Creditors amounts falling due within one year

	2012 \$	2011 \$
Amounts owed to ultimate parent company	45,101	20,173
Corporation tax	730,218	134,867
Deferred tax	-	396
Other creditors	-	7,266
Accruals	21,799	19,210
	<u>797,118</u>	<u>181,912</u>

## 10 Deferred Tax

	Deferred taxation \$	
At 1 January 2012		396
Credit to profit and loss account		(503,769)
At 31 December 2012		(503,373)
	2012 \$	2011 \$
Accelerated capital allowances	(2,862)	396
Prior-year adjustment	(419,506)	-
Timing differences	(81,005)	-
	<u>(503,373)</u>	<u>396</u>

# Renaissance Institutional Management (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 (Continued)

## 11 Share capital

	2012 Number	Authorised 2012 \$	2011 Number	2011 \$
Ordinary shares of \$1 each	10,000,000	10,000,000	10,000,000	10,000,000
	2012 Number	Allotted, called up fully paid 2012 \$	2011 Number	2011 \$
Ordinary shares of \$1 each	3,032,351	3,032,351	3,032,351	3,032,351

## 12 Reserves

	Profit and loss account \$
At 1 January 2012	1,652,430
Profit for year	128,518
At 31 December 2012	1,780,948

## 13 Commitments under operating lease

As at 31 December 2012 and 2011, the Company had an annual commitment under a non-cancellable operating lease as set out below

	2012 Land and buildings \$	2011 Land and buildings \$
Operating lease which expires as follows		
Within 2 – 5 years	297,544	284,694

## 14 Related party transactions

As 100% of the voting rights of the Company are held within the group headed by Renaissance, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities that form part of the group



# Renaissance Institutional Management (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 (Continued)

## 15 Pension scheme

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions by the Company to the fund and amounted to \$104,260 (2011 - \$35,904). At 31 December 2011 contributions totalling \$7,266 were payable to the fund. There were no contributions payable to the fund at 31 December 2012.

## 16 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	2012	2011
	\$	\$
Operating profit	353,165	426,044
Depreciation	45,214	67,072
Decrease in debtors	368,825	594,166
Increase/(decrease) in creditors	20,251	(1,801,053)
Foreign exchange translation loss/(gain)	8,879	(11)
	<u>796,334</u>	<u>(713,782)</u>
Net cash inflow/(outflow) from operating activities		

## 17 Reconciliation of net cash inflow/(outflow) to movement in net funds

	2012	2011
	\$	\$
Increase/(decrease) in cash in the year	654,391	(839,257)
	<u>654,391</u>	<u>(839,257)</u>
Movement in net funds		
Opening net funds	3,785,349	4,624,606
Closing net funds	<u>4,439,740</u>	<u>3,785,349</u>

## 18 Analysis of net funds

	1 January 2012	Cash flow	31 December 2012
	\$	\$	\$
Cash in hand and at bank	3,785,349	654,391	4,439,740
	<u>3,785,349</u>	<u>654,391</u>	<u>4,439,740</u>
Total			

## 19 Ultimate parent company

At 31 December 2012, the Company's immediate parent company was RIM, a US Company. The Company's ultimate controlling party is Renaissance, which published consolidated financial statements for the group. The consolidated accounts are kept on file at the registered office at 800 Third Avenue, New York, NY 10022, USA.

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**Renaissance Institutional Management (UK) Limited**  
**Unaudited Pillar 3 disclosures**  
**31 December 2012**

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# Renaissance Institutional Management (UK) Limited

Unaudited Pillar 3 Disclosures  
31 December 2012

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# **Renaissance Institutional Management (UK) Limited**

## **Unaudited Pillar 3 Disclosures 31 December 2012**

### **Overview**

The Capital Requirements Directive of the European Union ("CRD") established the Basel II regulatory capital framework across Europe which governs the amount and nature of capital Renaissance Institutional Management (UK) Limited ("RIM UK," the "Company" or the "Firm") must maintain including provisions for compensation. Implementation of the CRD in the United Kingdom was by the way of rules introduced by the Financial Services Authority ("FSA") through the General Prudential Sourcebook ("GENPRU"), the Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU") and the Senior Management Systems and Controls Sourcebook ("SYSC Sourcebook").

The Basel II framework consists of three pillars

- Pillar 1 specifies the minimum capital requirements of firms to cover credit, market, and operational risk,
- Pillar 2 requires firms to assess the need to hold additional capital to cover risks not covered under Pillar 1, and
- Pillar 3 requires a set of disclosures to be made that enable market participants to assess information on firms' capital, risk exposures, and risk management procedures

The disclosure requirements in Chapter 11 of the Prudential Sourcebook for Banks, Building Societies and Investment Companies ("BIPRU 11") aim to complement the minimum capital requirements (Pillar 1) and the supervisory review process and aim to encourage market discipline by allowing market participants to assess key pieces of information on risk exposures and the risk assessment processes of the firm. This disclosure represents RIM UK's Pillar 3 disclosures.

### **Basis of disclosure**

This document has been prepared by RIM UK in line with its internal policy for Pillar 3 disclosure and the FSA requirements.

The FSA holds responsibility for implementing the CRD within the United Kingdom and has set out its minimum disclosure requirements in its handbook under BIPRU 11.

The effective date of these disclosures is as at 31 December 2012. Values are based on year-end values or 12-month accounting periods observed from RIM UK's statutory accounts and management accounting reports.

### **Frequency and location of disclosure**

Due to the scale of the Company's operations and activities, the Board of RIM UK has decided that disclosures should be published annually as part of the annual statutory accounts.

### **Scope of disclosure**

RIM UK is categorised as a BIPRU €50k Limited Licence Investment Firm ("LLIF") and in accordance with the CRD, the Pillar 3 disclosures are produced on a solo basis.

These disclosures have been prepared in United States dollars ("USD"), as this is the reporting currency of the Company. The disclosures have not been subject to external audit.

### **Risk Management**

The Company has been FSA regulated since 31 July 2006. Its Part IV Permission allows it to arrange and make arrangements for Professional Clients and Eligible Counterparties (please note that by definition it cannot advise or manage investments on a discretionary basis for Eligible Counterparties). The Firm cannot hold or control Client Money. The Firm holds Passports to provide cross border services and activities.

## **Renaissance Institutional Management (UK) Limited**

### **Unaudited Pillar 3 Disclosures 31 December 2012**

RIM UK is a wholly owned subsidiary of Renaissance Institutional Management LLC ("RIM" or the "Parent company"), a company organized and based in the USA

RIM UK's principal activity is providing private placement of securities and the solicitation and referral of clients and investors to Renaissance Technologies LLC ("Renaissance"), a Securities and Exchange Commission registered investment adviser, and to private investments funds managed by Renaissance

A risk framework document has been prepared and is reviewed by management annually or more frequently if it is necessary for changes to risks, the risk scoring and capital requirements

The Internal Capital Adequacy Assessment Process ("ICAAP") and risk framework are used as key management tools to assist management in monitoring and assessing the Company's risks and the efficacy of the controls in place to mitigate those risks

#### **Capital resources**

At 31 December 2012 and throughout the year, RIM UK complied with the CRD

As a BIPRU €50k LLIF, RIM UK's capital resources requirements are calculated as the higher of

- Base capital requirement of €50k, or
- Fixed Overhead Requirement, or
- Sum of the market and credit risk capital requirements

RIM UK's capital resources and capital requirements are based on the financial accounts as at 31 December 2012

	<b>\$'000's</b>
Permanent share capital	3,032
Retained earnings	1,781
Total Capital (Tier 1 only)	<b>4,813</b>
Deductions from capital	-
Total capital resources after deductions	<b>4,813</b>
Capital resources requirement	<b>411</b>
Surplus of own funds	<b>4,402</b>

RIM UK's policy in respect of capital adequacy is to maintain a strong capital base to retain a healthy capital surplus over required amounts to carry on operations. The capital of the Firm is solely classified as Tier 1 capital comprising of permanent share capital and the audited profit and loss reserves. RIM UK has no innovative Tier 1 capital instruments or deductions and no Tier 2 or Tier 3 capital.

Each year, an annual planning process looks at major expected events and on-going business. The financial impact of this plan is recorded in the Firm's budget, and the Firm's capital forecast is reviewed to ensure RIM UK maintains adequate capital resources.

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## **Renaissance Institutional Management (UK) Limited**

### **Unaudited Pillar 3 Disclosures 31 December 2012**

#### **Overview of ICAAP methodology**

Preparing the ICAAP involves the creation, scoring, and monitoring of a risk register. The risks within the register were initially identified through discussions with senior management. Once the risks had been identified, senior management was asked to measure the risks, based on its perception of impact, probability, and the strength of the controls in place to mitigate such risks. From these results, it was possible to identify the key risks affecting RIM UK's business.

#### **Credit risk**

Credit risk is defined as the potential failure of a counterparty to meet its contractual obligations.

RIM UK has elected to use the Simplified method of calculating risk weights (under BIPRU 3.5) as it has only incidental credit exposures. The Company's two largest credit exposures are its bank deposits and amounts receivable from the Parent company. Bank deposits are held at global financial institutions with sound credit ratings. Bank exposures and credit ratings are continuously monitored by the Renaissance Treasury group and other members of senior management on behalf of RIM UK. The credit risk capital requirement is \$113,000 as at 31 December 2012.

#### **Provisions**

It is the Company's policy that an appropriate allowance is made for impaired exposures on a consistent basis.

Balances are classified as past due when they are older than 90 days.

Debts are assessed on an individual customer basis by considering the exposure to the firm and the amount and timing of expected receipts. Should management assess the likelihood of receipt to be uncertain, provisions are made that are considered sufficient to ensure that amounts recorded as assets are covered by anticipated receipts.

There were no provisions held against any of the above credit exposures at the year end.

#### **Market risk**

Market risk is defined as the risk of adverse movements in the values of equities, bonds, foreign currency and other financial instruments.

RIM UK's reporting currency is USD. Because the Company receives its revenues in USD and pays expenses in GBP and Euros, it has some foreign currency exposures which resulted in a market risk capital requirement of \$14,000 as at 31 December 2012. Because RIM UK does not take positions in financial instruments and does not have a trading book, it does not have any other market risks.

#### **Operational risk**

This is the risk of loss resulting from inadequate or failed internal processes, people and systems, and from external events. Operational risk is assessed internally by senior management on a regular basis.

The key operational risks for RIM UK have been identified as loss of registered personnel and group risk.

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## **Renaissance Institutional Management (UK) Limited**

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#### **Operational risk - loss of registered personnel**

RIM UK is in the short term, reliant on one key member of staff who is an Approved Person under the FSA's Approved Persons Regime. As he is responsible for monitoring and oversight of RIM UK, there is a risk to the continuing viability of the business in the event of his departure. In the short term, compliance would be assured by management, but alternative staffing and registration would be accomplished in the medium term.

#### **Operational risk - group risk**

The Operating Agreement sets forth how revenues are generated from the Parent company. If the Parent company were to experience a material adverse change and was unable to pay the fees due to RIM UK, the Company could be wound down in an orderly fashion.

#### **Other operational risk**

Operational risks encompass people, processes, systems, and controls.

RIM UK's principal activity is providing private placement of securities and the solicitation and referral of clients and investors to Renaissance, and to private investment funds managed by Renaissance. Accordingly, due to the nature of the activities being performed, there is minimal operational risk given the experience and involvement of management in all aspects of the Firm's activities.

RIM UK has not reported any losses as a result of operational or reputational risks involving fraud, human error, or systems malfunction and therefore it is considered that the capital held by the firm in relation to these areas of operational risk is sufficient.

The Firm believes that a robust control framework with oversight by management is a reliable and effective mitigant to the other operational risks described above.

#### **Pillar 3 Remuneration disclosure**

As a LLIF, RIM UK is subject to FSA rules on remuneration. These are contained in the FSA's Remuneration Code located in the SYSC Sourcebook of the FSA's Handbook. The Remuneration Code covers an individual's total remuneration, fixed and variable.

#### **Proportionality**

Enshrined in the European remuneration provisions is the principle of proportionality. The FSA have sought to apply proportionality in the first instance by categorising firms into 4 tiers. The Firm falls within the FSA's fourth proportionality tier and as such this disclosure is made in line with the requirements for a Tier 4 Firm.

#### **Application of the requirements**

RIM UK is required to disclose certain information on at least an annual basis regarding the remuneration of staff whose professional activities have a material impact on the risk profile of the firm. This disclosure is made in accordance with the size, internal organisation and the nature, scope and complexity of the Firm's activities.

RIM UK's governance structure helps to mitigate the likelihood of any excessive risk taking or behaviour that may adversely impact the long term growth of the business. It also ensures that all risk and compliance matters are communicated effectively and efficiently within and across the business.

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RIM UK's Remuneration Code staff includes categories of staff who are senior managers, risk takers or directors and staff engaged in controlled functions

Remuneration Code staff is made up of three directors. Two of the directors are not remunerated by RIM UK and have not been included in determining total aggregate compensation expense. The total aggregate compensation expense was \$669,813 as at 31 December 2012.

In accordance with RIM UK's remuneration agreements, director's compensation is comprised of annual fixed salary and bonus. Bonuses are calculated based on the funds' performance and on the operating profits of Renaissance.

RIM UK will update this information annually as a minimum, or more frequently if required.