

Pillar 3 Disclosure

Green Street Advisors (UK) Ltd ("GSA")

November 2011

The Capital Requirements Directive ('the Directive') of the European Union establishes a revised regulatory capital framework across Europe governing the amount and nature of capital credit institutions and investment firms must maintain. In the United Kingdom, the Directive has been implemented by the Financial Services Authority ('FSA') in its regulations through the General Prudential Sourcebook ('GENPRU') and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU').

The FSA 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 FSA; and
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position.

The rules in BIPRU 11 set out the provision for Pillar 3 disclosure. This document is designed to meet our Pillar 3 obligations as a BIPRU €50,000 limited license firm. This is done in accordance with our formal Disclosure Policy, which sets out our processes for assessing the appropriateness of our disclosures.

We are permitted to omit required disclosures if we believe that the information is immaterial such that omission would be likely to change or influence the decision of a reader relying on that information.

In addition, we may omit required disclosures where we believe that the information is regarded as proprietary or confidential. In our view, proprietary information is that which, if it were shared, would undermine our competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties.

In accordance with CRD III and CEBS guidance the Firm takes a proportionate approach to its Remuneration Code disclosures – in line with its nature, scale and complexity. As such the Firm has chosen not to disclose exact figures in regards to the remuneration of the three Code Staff identified by the Firm's Policy. GSA confirms that no Code Staff received more than £500,000 total remuneration during the period and that all discretionary remuneration is directly related to the performance of our staff on behalf of our clients. We believe that our Remuneration structure ensures that client interests are innately aligned with the interest of the Firm and its Clients.

We have made no omissions on the grounds that information is immaterial, proprietary or confidential.

Frequency of Disclosure

It is the intention of GSA to update its Pillar 3 disclosure on an annual basis, unless circumstances warrant a more frequent update. GSA makes its Pillar 3 disclosure via its website, www.greenstreetadvisors.com.

Scope and application of the requirements

Green Street Advisors (UK) Limited (“the Firm”) is authorised and regulated by the Financial Services Authority and as such is subject to minimum regulatory capital requirements. The registered office is 22 Grosvenor Square, 3rd Floor, London, W1K 6LF. The Firm is categorised as a limited licence firm by the FSA for capital purposes. It publishes research and conducts agency trades and as such takes no proprietary positions.

The Firm is not a member of an EEA sub-group and so is not required to prepare consolidated reporting for prudential purposes.

Risk management

The Firm is governed by its directors (“Principals”) who determine its business strategy and risk appetite. They are also responsible for establishing and maintaining the Firm’s governance arrangements along with designing and implementing a risk management framework that recognises the risks that the business faces.

The Principals also determine how the risk our business faces may be mitigated and assess on an ongoing basis the arrangements to manage those risks. The Principals meet on a regular basis and discuss current projections for profitability, cash flow, regulatory capital management, and business planning and risk management. The Principals manage the Firm’s business risks through a framework of policy and procedures having regard to relevant laws, standards, principles and rules (including FSA principles and rules) with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required.

GSA’s appetite for risk is low. The company is owned by Green Street Holdings, Inc., a large percentage of which is owned by its senior management, who wish to see the company grow without the need for unnecessary risk.

The company undertakes its Individual Capital Adequacy Assessment Process (ICAAP) on an annual basis. GSA’s ICAAP is approved by the Board of Directors, which has taken account of the following:

- Assessment of current market, credit and operational risks.
- Assessment of any future risks.
- Assessment of possible terminal risks.
- Assessment of remuneration structure.

The Principals have identified that business, operational and market risks (to the extent market risks impact on trading volumes) are the main areas of risk to which the Firm is exposed. Annually the Principals formally review their risks, controls and other risk mitigation arrangements and assess their effectiveness. Where the Principals identify material risks they consider the financial impact of these risks as part of our business planning and capital management and conclude whether the amount of regulatory capital is adequate.

Regulatory capital

The Firm is a Limited Liability Company and its capital arrangements are established in its Articles. Its capital is summarised as follows:

Closing Shareholders’ Funds as at 31 December 2010 **£1,511,602**

The main features of the Firm’s capital resources for regulatory purposes are as follows:

Capital item	£’000
Tier 1 capital less innovative tier 1 capital	1,554
Total tier 2, innovative tier 1 and tier 3 capital	0

Capital item	£'000
Deductions from tier 1 and tier 2 capital	0
Total capital resources, net of deductions	1,554

Our Firm is small with a simple operational infrastructure.

- The company does not undertake proprietary trading.
- The company does not hold client money.
- The company does not hold client assets.
- The company will always maintain sufficient capital to manage its risks.

Its market risk is limited to foreign exchange risk on its accounts receivable in foreign currency, and settlement risk from its agency trading business. The Firm follows the standardised approach to market risk and the simplified standard approach to credit risk. The Firm is subject to the Fixed Overhead Requirement and is not required to calculate an operational risk capital charge though it considers this as part of its process to identify the level of risk based capital required.

Justification for the adequacy of GSA's internal capital to support current and future activities is contained in the ICAAP. The fixed overhead requirements under Pillar 1 are deemed by the company to be sufficient capital to meet its immediate needs. All known risks have been assessed and appropriate stress tests and scenario analyses have been undertaken to determine any additional capital required under Pillar 2. No additional capital is currently required for Pillar 2.

As discussed above the firm is a limited licence firm and as such its capital requirements are the greater of:

- Its base capital requirement of €50,000; or
- The sum of its market and credit risk requirements; or
- Its Fixed Overhead Requirement.

We have not identified credit risk exposure classes or the minimum capital requirements for market risk as we believe that they are immaterial.

It is the Firm's experience that the Fixed Overhead Requirement establishes its capital requirements and hence market and credit risks are considered not to be material.