

Calamos International LLP
Pillar 3 Risk Disclosure Statements
31 December 2011

Introduction

Calamos International LLP (the “Firm”) is authorised and regulated by the Financial Services Authority (“FSA”) in the United Kingdom and is required by law and regulation to make specified disclosures of our risk management objectives and policies, our capital resources as well as our disclosure of information about specified risks. This disclosure has been prepared to meet our obligations. You can find additional about the Firm at <http://www.fsa.gov.uk/register/home.do>

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 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.

We are permitted to omit required disclosures if we believe that the information is immaterial such that omission would be unlikely 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.

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

Scope And Application Of The Requirements

The Firm is categorised as a limited license firm by the FSA for capital purposes and is subject to minimum regulatory capital requirements. We believe that the activities of the Firm are supportive of this categorisation because of (i) the focus on providing investment advisory services for separate accounts and distribution services for UCITS through a limited range of products, (ii) the relatively small market share of the Firm, and (iii) the retail activities are limited to working with financial advisors using only the Firm’s investment products. The Firm provides investment management services and as such has no trading book exposures. The Firm is not a member of a group and so it is not required to prepare consolidated reporting for prudential purposes.

Risk Management

The Firm is governed by its members (“Members”) 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 Members also determine how the risk our business faces may be mitigated and assess on an ongoing basis the arrangements to manage those risks. The Members meet on a regular basis and discuss current projections for profitability, cash flow, regulatory capital management, business planning, and risk management. The Members manage the Firm's risks and business 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.

The Members have identified that business, operational, market and credit risks are the main areas of risk to which the Firm is exposed. Annually the Members formally review their risks, controls and other risk mitigation arrangements and assess their effectiveness. Where the Members 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 places a strong reliance on the operational procedures and controls in order to mitigate risk and seeks to ensure that all personnel adhere to their responsibilities. The Firm's market risk is limited to foreign exchange risk on its cash and accounts receivable balances in foreign currency. The Firm is exposed to credit risk related to distribution and management fees and cash held on deposit. The Firm follows the standardised approach to market risk and the simplified standard approach to credit risk.

The Firm is a Limited Liability Partnership and its capital arrangements are established in its Partnership deed. The main features of the Firm's capital resources for regulatory purposes are as follows:

Capital resources	\$'000
Tier 1 capital *	1,639
Tier 2 capital	0
Tier 3 capital	0
Deductions from Tiers 1 and 2 capital	0
Total capital resources, net of deductions	1,639

**no innovative capital is held*

The components of the Firm's Tier 1 capital are as follows:

Tier 1 capital	\$ '000
Members' capital	7,031
Material interim losses	(5,392)
Total Tier 1 capital	1,639

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. As discussed above the firm is a limited license 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.