Prestige Asset Management

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## Pillar 3 Disclosures

09/2018

# PILLAR 3 DISCLOSURES SEPTEMBER 2018

## Background

The Basel II Accord has been implemented by the European Union through the Capital Requirements Directive ("CRD"). The CRD details the standard regulatory capital framework for the financial services industry within the EU and 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 which enable market participants to assess information on a firm's capital, risk exposures and risk management procedures.

## Introduction

The firm is required by the Financial Conduct Authority ("FCA") to disclose information relating to the capital it holds and each material category of risk it faces to assist users of its accounts and to encourage market discipline. These disclosures aim to provide information on the risk exposures faced by the firm and the risk assessment process it has in place to monitor these.

The Pillar 3 disclosures are required to be made under Chapter 11 of the FCA's *Prudential Sourcebook for Banks, Building Societies and Investment Firms* ("BIPRU"). The Pillar 3 disclosures will be made on an annual basis. The disclosure will be published on our website. It should be noted that the information within this document has not been audited by the Firm's external auditors.

The Rules provide that we may omit one or more of the required disclosures if we believe that the information is immaterial. Materiality is based on the criteria that the omission or misstatement of material information would be likely to change or influence the assessment or decision of a user relying on that information for the purposes of making economic decisions. We are also permitted to omit one or more of the required disclosures where we believe that the information is regarded as proprietary or confidential. 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 and counterparties.

Prestige Asset Management Limited is authorised and regulated in the UK by the Financial Conduct Authority as an Investment Management Firm. The firm's activities give it the BIPRU categorisation of a "Limited License Firm" and a "BIPRU EUR 50,000" firm.

## Risk Management

The Firm has adopted a risk management process to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising from the business. A high-level risk management matrix has been produced to identify and quantify risks within the business.

## Credit Risk

This is the current or prospective risk to earnings identified and capital arising from an obligor's failure to meet the terms of any contract. The Firm has limited exposure to risk in this category. The credit risk exposure mainly relates to deposits held with banks. However, this risk is mitigated through the use of highly rated banks:

## Market Risk

This is the current or prospective risk to earnings or value arising from adverse movements in investment instrument prices, including equities, commodities, foreign exchange and interest. This risk can arise from open positions in bonds, securities, currencies, commodities, or derivatives. The firm does not hold positions in its own name.

## Operational Risk

This is the risk, direct or indirect, of loss resulting from inadequate or failed internal processes, people and systems or from external events. The firm has identified several key operational risks to manage. These relate to loss of key members of staff, systems failure and failure to follow investment guidelines or restrictions, mispricing of a fund net asset value, failure in the IT infrastructure, inadequate business continuity planning and likelihood of failure or weakness in the systems and controls procedures for the prevention of market abuse. This also includes legal, compliance / regulatory risk and reputational risk. Note failure to follow investment guidelines or restrictions, mispricing of a fund net asset value are not a risk as PAM are not actively involved in asset management at the present time

## Business Risk

This is the risk from changes to a firm's internal and external environment and includes the risk that the firm may not be able to carry out its business plan and desired strategy.

The Firm has assessed that the key business risks relate to the failure to adopt an appropriate business strategy or failure to deliver it.

Our Pillar 2 business risk assessment principally takes the form of a fall in assets under management following a market downturn that leads to lower management fees. However, this is not a risk as PAM are not actively involved in asset management at the present time

## Concentration Risk

This is the risk arising from a lack of diversity in business activities i.e. the risks associated with large exposures from individual commercial relationships, reliance upon a single transaction / income type and exposure to a substantial client. Prestige feel that this risk is minimised as they have several clients.

## Interest Rate Risk

This is the risk of potential adverse movements in interest rates and the impact these have on planned future cash flows.

The Firm has no outstanding loans or debt. Interest income does not form a significant part of revenue.

## Capital Adequacy

Capital Resources: As at 31st December 2017 the Firm held regulatory capital resources of GBP 202,000. This comprised solely of core Tier 1 capital.

**Capital Requirement**

The Pillar 1 Capital requirement for the coming year is GBP 103,000. This has been determined by reference to the Firm's fixed overhead requirement and calculated in accordance with the FCA's General Prudential Sourcebook ("GENPRU"). The base capital requirement and the sum of the market risk and credit risk capital requirement were lower than the fixed overhead requirement.

**Compliance with the rules in BIPRU and Pillar 2 Rule Requirements**

The Firm's overall approach to assessing the adequacy of our internal capital is set out in our Internal Capital Adequacy Assessment Process ("ICAAP").

The ICAAP process involves separate consideration of risks to our capital combined with stress testing analysis to determine whether any additional capital is required for Pillar 2.

The Firm is a limited license EUR 50,000 firm and as such its capital requirements are the greater of:

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

The Firm has calculated its capital requirement in accordance with the relevant FCA rules and the final level of capital is calculated as the fixed overhead requirement. On completion of the ICAAP process it was concluded that no additional Pillar 2 capital is required.

Prestige
Asset Management

MARKETING AND DISTRIBUTION SERVICES AGENT

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