Punter Southall Wealth

Pillar 3 Disclosures

Punter Southall Wealth Limited

Registered number: 478840

1 Overview

1.1 Background

The original Basel Accord was agreed in 1988 by the Basel Committee on Banking Supervision. This accord, now referred to as Basel I, helped to strengthen the stability of the international financial system as a result of the higher capital ratios that it required.

The Basel II accord is a revision of the existing framework, which aims to make the framework more risk sensitive and representative of the current day risk management practices.

The accord was implemented in 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 firms' capital, risk exposures and risk management procedures.

The Financial Conduct Authority ("FCA") holds responsibility for implementing the CRD within the United Kingdom and has set out its minimum Pillar 3 disclosure requirements in its handbook under Chapter 11 of the Prudential Sourcebook for Banks, Building Societies and Investment Companies (BIPRU 11).

The disclosure requirements in BIPRU 11 aim to complement the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2) and aim to encourage market discipline by allowing market participants to assess the impact of key information on risk exposures and the risk assessment processes of the firm.

The following represents the Punter Southall Wealth Limited ("the Company") Pillar 3 disclosures in accordance with this requirement.

1.2 Basis of disclosure

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

The effective date of these disclosures is 31st December 2019. Values are based on either the year end values or a 12-month accounting period per the Company's statutory year end accounts and management accounting reports.

1.3 Frequency of disclosure

In recognition of the scale of the Company's operations and activities, the Company has determined that its disclosures should be published annually or where there is a significant change in its activities or risk profile.

Disclosures will be made on an annual basis and made available as near to the approval date of the annual accounts as possible.

1.4 Location of disclosure

Disclosures will be published on the Company's website www.puntersouthallwealth.com and are available in writing from the Group Finance Director and Head of Risk via 11 Strand, London, WC2N 5HR.

1.5 Scope of disclosure

The Company is a member of the Punter Southall Group (the "Group"). The Group has an investment firm consolidation waiver in place under BIPRU 8.4 at the time of preparation of this document. This disclosure is on an unconsolidated basis with the Company as a 'limited licence' IFPRU Euro 125k firm.

2 Risk management objectives and policies

2.1 Risk appetite

Risk appetite is the amount of risk exposure, or potential adverse impact from an event that a firm is prepared to accept. The Group has developed Risk Appetite Statements and limits for its material risks through a series of facilitated workshops with the Executive and these have been formally approved by the Group Board.

The Company has undertaken a similar exercise, and its Executives have developed their own Risk Appetite Statement through a process of facilitated discussions. This statement has been formally approved by the Company Board and is reviewed at least annually.

2.2 Risk and Capital Management Framework

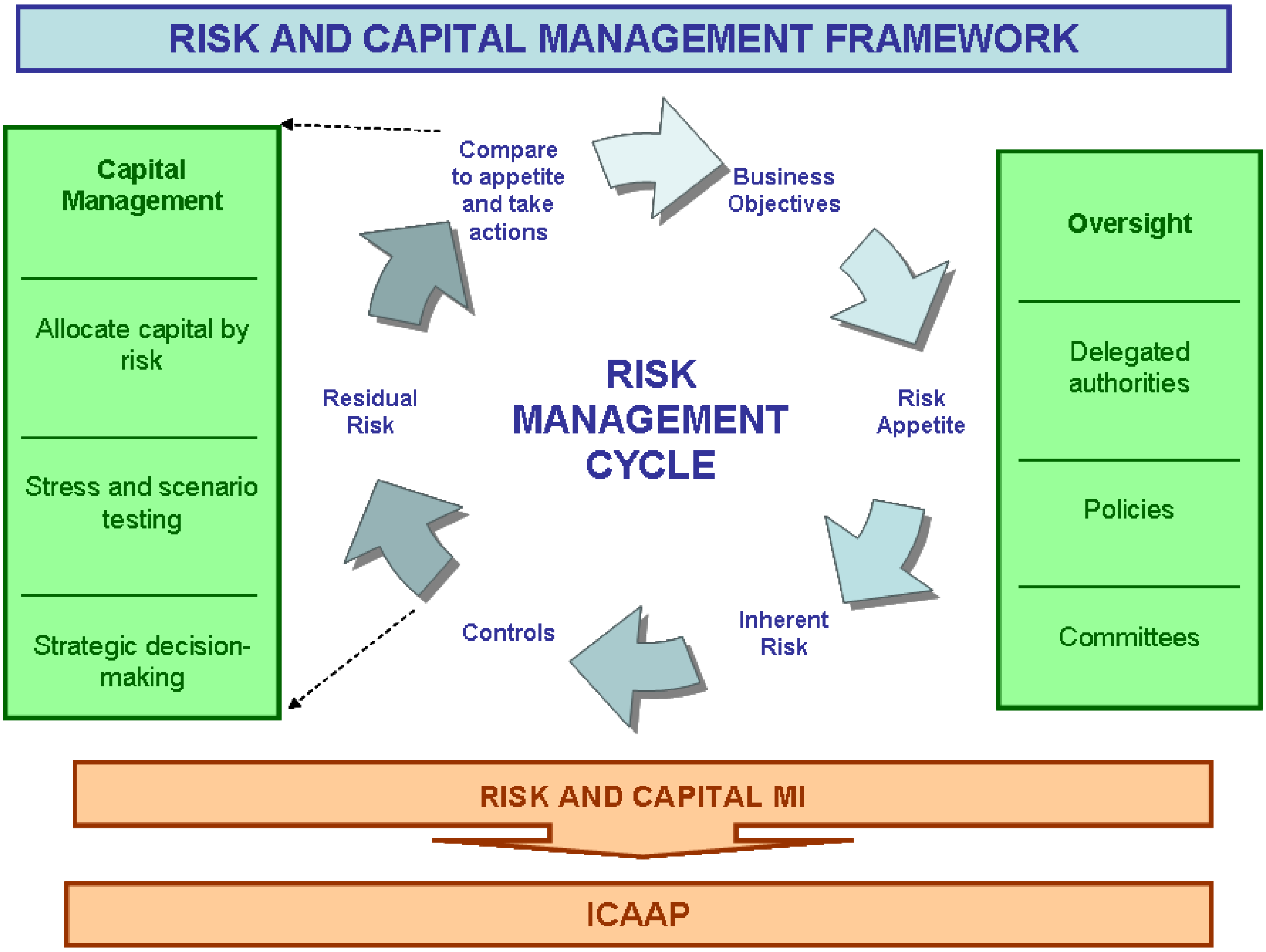
The Company utilises the Group's comprehensive Risk and Capital Management Framework (see Diagram 1 below). This Framework is mandated by the Group Board through the Group Risk Management Policy and ensures a structured Group-wide approach to the management of risk and capital.

Central to the framework is the Risk Management Cycle, which forms the basis for risk management for the Group and feeds into the capital management process. The cycle is underpinned by oversight structures comprising delegated authorities, policies and governing committees. Two key outputs from the Risk and Capital Management Framework are Risk and Capital MI (Management Information) and the ICAAP (Internal Capital Adequacy Assessment Process) document.

As well as capturing the structures for oversight, the Risk and Capital Management Framework sets out the processes for:

- the identification and assessment of the Company's material inherent risks against its strategic objectives, including an assessment of their impact and the likelihood of events occurring;
- a detailed explanation of the Company's risk appetite in balancing return and risk;
- the identification and assessment of controls to monitor and mitigate risks;
- defined management responsibility for each risk and control;
- an assessment of residual risk, taking into account the nature and the effectiveness of the control environment; and
- capital assessment and management.

Diagram 1:
The diagram below sets out the practical operation of the Risk and Capital Management Framework within the Company:



The ownership of risk is at the Company Board and management level to ensure that all risks are fully understood and controlled. The Executives of the Company are responsible for identifying risks within their business areas and ensuring that they are managed appropriately. These risks are reported on and are subject to analysis by the Risk Committee, which ensures that any risks taken are consistent with the risk appetite and the strategy of the Company and the Group.

2.3 Risk Management Policy

The Risk and Capital Management Framework is governed by the Risk Management Policy. Central to this document is the articulation of risk appetite statements and limits, as well as expected key controls to ensure that these are adhered to. At all times the overarching objective is to ensure that the risk that a firm's behaviour may result in poor outcomes for the customer (Conduct Risk) is managed effectively.

The Company complies with the Group Risk Management Policy which documents the Group's risk appetite statements and limits, as well as detailing how the key controls are identified and monitored.

2.4 Risk Identification and Quantification

The Executives of the Company identified the risks to which the Company is exposed through a series of facilitated workshops. These risks have then been cross referenced with Group Risks, the risk categories listed in the FCA Handbook GENPRU 1.2.30 and industry data, to ensure completeness.

The Company participated in a further facilitated workshop to quantify the capital required (if appropriate) to mitigate each risk in a severe but plausible stress scenario. This required management judgement but has been informed by the following information where available:

- a review of internal loss data;
- comparison with external loss-data (for firms of similar size and industry);
- management action and mitigating controls.

This process has established the risks to which the Company is exposed and which can be broadly categorised as Strategic, External, Operational, Financial, Customers, Conduct and Group.

2.5 Risk Monitoring and Reporting

The Executives of the Company are responsible for managing risk. On a quarterly basis the Company's Executives review their key risks; report on the materiality of these risks; review the effectiveness of the controls in place, and highlight any risks outside of the agreed appetites.

Any risks highlighted as outside of the agreed appetites are reported to the Group Finance Director and Head of Risk and are reviewed by the Group Risk Management Committee.

3 Capital resources

3.1 Regulatory Capital as at 31st December 2019:

Total regulatory capital (FCA Return

	£'000
Permanent share capital	1,107
Share premium	1,330
Retained earnings	14,003
Deductions from Tier 1 capital	(2,838)
Total Tier 1	13,602
Tier 2 capital	-
Tier 3 capital	-
Total regulatory capital	13,602

Tier 1 capital represents Ordinary Share Capital, Share Premium and Retained Earnings as at 31st December 2019. There are no unusual terms attached to these items of capital.

The Company has no innovative Tier 1 capital instruments or deductions.

3.2 Risk Weighted Exposure Amounts;

Risk weighted exposure amounts in accordance with the standardised approach to credit risk were as follows at 31st December 2019 (values expressed as 8% of the risk weighted exposure amounts):

	£'000
Central governments or central banks	2
Institutions	16
Corporates	2,149
Other items	139
Total Risk Weighted Exposure Amounts	2,306

4 Capital adequacy

4.1 Capital Management

The Company's policy in respect of capital adequacy is to maintain a strong capital base so as to retain investor, creditor and market confidence. The Company's capital requirements are set out and monitored by the FCA. Regulatory capital consists of Tier 1 capital.

4.2 Internal Capital Adequacy Assessment Process (ICAAP)

The FCA set regulatory obligations under Pillar 2 of the Capital Requirements Directive (CRD) which require all firms within the scope of CRD to have an ICAAP document.

This includes requirements on the Company to:

- carry out regular assessments of the amounts, types and distribution of financial resources, capital resources and internal capital that it considers adequate to cover the nature and level of risks to which it is or might be exposed;
- identify the major sources of risk to its ability to meet its liabilities as they fall due;
- conduct stress and scenario tests;
- ensure that the processes, strategies and systems required by the overall Pillar 2 rule and used in its ICAAP, are both comprehensive and proportionate to the nature, scale and complexity of the Company's activities; and
- document its ICAAP.

In addition to this, the Company carries out Reverse Stress Testing exercises to identify and assess scenarios and circumstances that would render their business model unviable. Although the Company does not qualify as a large firm in the context of this requirement, the Company considers it as best practice risk management to complete this work.

4.3 Minimum capital requirement – Pillar 1

The Company's Pillar 1 requirement is determined by its Fixed Overhead Requirement (FOR) rather than the sum of its market and credit risk, as these values are less than the FOR.

4.4 Pillar 2 Assessment

As required under the ICAAP process, the Company has carried out a detailed internal assessment of the risks and capital that it believes it should hold. The material risks identified included External (Equity Markets), Operational and Group.

The Pillar 2 capital requirement for the Company has been calculated using the simple summation method of 'Severe but Plausible' assessments. The Company believes that this is prudent and presents an adequate measure of capital to support the business.

5 Capital Adequacy Summary

The Pillar 2 capital requirements for the Company are higher than the Pillar 1 figure. The Company's risk appetite mandates that a buffer over and above the higher of its Pillar 1 and Pillar 2 figures is maintained at all times to cover any unforeseen occurrences and has done so throughout the year.

At 31st December 2019 and throughout the year the Company complied with the capital requirements that were in force and set out by the FCA.

6 Remuneration

6.1 Remuneration Statement

As the Company is a Limited Licence Firm it is subject to the FCA Rules on remuneration as contained in the FCA's Remuneration Code located in the SYSC Sourcebook of the FCA's Handbook. The Remuneration Code ("the Code") covers an individual's total remuneration, fixed and variable, both of which are used by the Company to incentivise its staff.

The Company complies with Punter Southall Group's Remuneration Policy, which is designed to ensure that the Company complies with the Code and that its compensation arrangements:

- are consistent with and promote sound and effective risk management;
- do not encourage excessive risk taking;
- include measures to avoid conflicts of interest; and
- are in line with the Company's business strategy, objectives, values and long-term interests.

6.2 Proportionality

In December 2010, the FSA issued its Policy Statement PS10/20 "Revising the Remuneration Code" which set out the FSA's requirements in this regard. This was updated in September 2012, when the FSA issued its General guidance on proportionality: The Remuneration Code (SYSC 19A) and Pillar 3 disclosures. The Company has determined that based on the updated guidance that they are a "Level 3" firm and has applied the proportionality principles as supplied by the FCA.

As such the Company confirms that:

- Punter Southall Group has a Remuneration Committee the majority of which are Non-Executive Directors of the Group. The Remuneration Committee is mandated to determine, administer and implement the Group's remuneration policy and to ensure that all of the Group's employees are appropriately incentivised, while at the same time promoting effective and responsible risk management.
- All employees are remunerated with an annual salary and are eligible to participate in a discretionary bonus scheme. The bonus payments are fully discretionary and the bonus pool is determined annually by reference to the Company's net profits in that year, taking fully into account prudent business practices, current and future significant risks identified within the Company and its longer term objectives. The bonus pool allocation for individuals is proposed at business level, taking into account each individual's performance criteria. These allocations are then reviewed by the Remuneration Committee to risk adjust them based on the individual's management of business risks. Staff who contribute to the growth of the Company may also be invited to join the Company's other long term incentive schemes, which are designed to give employees the ability to participate in the growth of the Company so that the individuals are aligned with the long term performance of the Company and wider Group. All "Code Staff" (being persons designated by the Remuneration Committee as members of staff who have a material impact on the Company's risk profile) are expected to participate in these arrangements.
- The Company has identified 8 "Code Staff" and as it believes it only has a single business area in this context, its aggregate remuneration for the year ended 31st December 2019 was £2,799,251. This consisted of fixed remuneration of £1,321,332 and variable remuneration of £1,477,919. Variable remuneration consisted of cash of £1,067,507, shares of £54,105 and share linked remuneration of £356,307. Outstanding deferred remuneration for Code Staff totalled £410,413 which has not vested. Deferred remuneration awarded during the year to Code Staff totalled £3,534 and no deferred remuneration was paid out to Code Staff during the year.

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