BRI Wealth Management PLC

BRI Wealth Management plc
Pillar 3 Disclosure – Year Ended 31st March 2016

Background

The Capital Requirements Directive enacted by the European Union in 2006 established a new framework for the management of regulatory capital. The framework consists of three 'pillars':

- Pillar 1 sets out the minimum capital requirements that firms must meet using standard criteria;
- Pillar 2 involves an assessment of risk and the capital that should be held, specific to each firm;
- Pillar 3 requires firms to publicly disclose their policies for managing risk and their capital requirements.

In the UK, the Capital Requirements Directive was implemented by the Financial Conduct Authority (FCA) through the publication of the Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU). Chapter 11 of BIPRU sets out the disclosure requirements in relation to Pillar 3.

Scope of application

BRI Wealth Management plc (BRI) is authorised and regulated by the Financial Conduct Authority (FCA) as an investment management firm.

BRI is categorized as a BIPRU 125k limited licence firm. In accordance with Chapter 11 of the FCA's Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU), the Firm is required to disclose Pillar 3 information.

Disclosure Policy

BRI's Pillar 3 disclosure policy is approved by the Board and reviewed at least annually. Relevant extracts from the policy are repeated here:

The Board has agreed that under normal circumstances Pillar 3 disclosures should be made annually as soon after the Firm's 31st March year end as possible.

If BRI's circumstances change such that more frequent disclosure is required, the Board will approve necessary alterations to this policy and other relevant procedures.

The information that is required to be disclosed is set out in the FCA rules and guidance contained in BIPRU Chapter 11.

BRI's Pillar 3 disclosure documents are approved by the Board before publication.

The Board has decided to publish BRI's Pillar 3 disclosures on the Firm's web site at:

www.brigroup.co.uk/bri-pillar-3.pdf

Reference to this will be made in the Firm's Annual Report and Accounts.

Risk Management Objectives and Policies (BIPRU 11.5.1R)

BRI's governing body is its Board which is responsible for risk management within the Firm. The Board is comprised of five executive and three non-executive directors. All directors have significant level of experience of the UK financial services industry.

The Full Board meets on eight times a year and more frequently if necessary, with the Executive Board meeting during the months that the Full Board do not meet.

The Board is responsible for determining the Firm's appetite for risk and assessing, controlling and allocating financial resources for its business activities. To facilitate this, the Board approves annual business plans and budgets for all departments of the Firm and an ICAAP document which assesses the Firm's capital and the extent to which it is adequate for planned business activity. These are stress tested to ensure that BRI's capital resources are sufficient to withstand the shock of unplanned events and market conditions.

The Board has established a Risk Management Committee to advise it on risks facing the Firm. The Committee's terms of reference require it to identify, assess and advise the Board about the management of risks facing or potentially facing the Firm based on its current and planned business activities.

The Risk Management Committee's methodology involves assessing all material risks, both regulatory risks and those of a general business nature, and recording these in the Firm's risk register. All identified risks are allocated to the individual or department whose primary responsibility it is to manage them. The most significant risks are reported to the Board for consideration and, where necessary, remedial action.

For the purposes of Pillar 3 disclosure, relevant risks are categorised as: business risk, market risk, credit risk and operational risk.

Business Risk

A significant decrease in assets under management would pose a risk to the finances of the firm. To manage this risk, detailed financial reports are circulated to management on a monthly basis, in addition to a comprehensive budgeting process that includes monthly variance analysis and scenario testing. The Firm's strategy is to grow assets under management and its business plans are geared to achieving this.

Capital resources in excess of the Firm's Fixed Overhead Requirement ("FOR") ensure that in the event of a prolonged downturn, capital would be available to meet all BRI's obligations arising.

Market Risk

BRI does not trade on its own account, or operate a trading book or engage in any other activity that exposes it to material Market Risk.

Credit Risk

Credit risk is the risk that counterparties will fail to meet their obligations to repay outstanding balances as they fall due. The principal credit risk is that related to monies deposited by the Firm. BRI only deposits money with large UK banks with good credit ratings and therefore considers that this risk is low.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.

As a limited licence firm, under the standardized approach to operational risk included in Pillar 1, BRI is not required to hold capital. However, operational risk is considered under Pillar 2, with specific material risks identified as arising from loss of personnel, IT infrastructure failure, and failure of third party service providers. The resulting capital requirement is included in BRI's Pillar 2 calculation. A number of processes are in place to reduce operational risk to acceptable residual levels, such as clearly documented procedures and reporting lines, recruitment of skilled personnel and specialist external advisors, and regular review of service providers.

Capital Resources (BIPRU 11.5.3R)

BRI's capital resources are summarised as follows:

	31st March 2016
	£000
Tier 1 Capital	
Called Up Share Capital	150
Profit & Loss Account	1,766
Total Tier 1 Capital	**1,916**
Tier 2 Capital	0
Total Capital (Tier 1 + Tier 2 after deductions)	**1,916**
Pillar 1 Minimum Capital Requirement	**809**
Regulatory Capital % of Minimum Capital Requirement	**236.85%**

Compliance with BIPRU 3, 4, 6, 7, 10 and the overall Pillar 2 Rule (BIPRU 11.5.4R)

As a limited licence firm, the regulatory capital required by BRI under Pillar 1 is the higher of:

- EUR 125,000; or
- Fixed overheads requirement (FOR); or

- Credit risk requirement plus market risk requirement

As at 31st March 2016, BRI's FOR was £809,108. This was greater than the sum of the credit risk requirement and the market risk requirement, which are not considered to be material. Therefore, BRI's minimum capital requirement is £809,108.

BIPRU 3 – Disclosure of Standardised Credit Risk

BRI has adopted the standardised approach to the calculation of the credit risk capital component of the Capital Resources Requirement being 8% of the total of its risk weighted exposure amounts for exposures falling into BIPRU 3.1.6R (exposures on a firm's non-trading book that have not been deducted from the firm's capital resources under GENPRU 2.2). Exposure primarily arises from cash held at UK banks. As at 31st March 2016 no exposures were overdue or considered to be impaired. As BRI's Pillar 1 capital requirement is based on the FOR the board does not consider it necessary to make any specific disclosures in this regard.

BIPRU 4 – Disclosure on Internal Ratings Based Approach

BIPRU 4 (The IRB Approach) is not applicable to the Firm as the Internal Ratings Based approach has not been adopted in the calculation of Credit Risk.

BIPRU 6 – Disclosure on Operational Risk

The Firm is not required to calculate an operational risk capital requirement under BIPRU 6 (Operational risk). This is however considered by the Board within the Pillar 2 process which deals with all relevant risks facing the Firm.

BIPRU 10 – Disclosure on Concentration Risk Management

The Firm monitors its non-trading book exposures in accordance with BIPRU 10 (Concentration risk requirements) and has adopted the Simplified Standardised Approach. All exposures are monitored to ensure that no regulatory limits are breached.

Disclosure on Overall Pillar 2 Rule

BRI complies with the overall Pillar 2 rule (as set out in GENPRU 1.2.30) by ensuring that it maintains sound, effective and complete processes, strategies and systems:

1) to assess and maintain on an on-going basis the amounts, types and distribution of financial resources, capital resources and internal capital that it considers adequate to cover:
    a) the nature and level of the risks to which it is or might be exposed;
    b) the risk in the overall financial adequacy rule; and
    c) the risk that the firm might not be able to meet its CRR in the future; and

2) that enable it to identify and manage the major sources of risks referred to in (1), including the major sources of risk in each of the following categories where they are relevant to the firm given the nature and scale of its business:
    a) credit risk;
    b) market risk;

c) liquidity risk;
d) operational risk;
e) insurance risk;
f) concentration risk;
g) residual risk;
h) securitisation risk;
i) business risk;
j) interest rate risk
k) pension obligation risk;
l) group risk.

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