

## **INSERT FOR THE DIRECTORS' REPORT**

### **Pillar III Disclosure – Scope and application of the requirements**

The Company is governed by its Directors ('the Board') who determine its business strategy and risk appetite. They are also responsible for establishing and maintaining the Company's governance arrangements along with designing and implementing a risk management framework that recognises and manages the risks that the business faces. The Board meet on a regular basis and discuss profitability, cash flow, regulatory capital management, and business planning and risk management. The Board manages the Company's risks through a framework of policies 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.

The Board have identified that reputational, operational, market and credit risks are the areas of risk to which the Company may be exposed. Annually the Board formally review the risks, controls and other risk mitigation arrangements and assesses their effectiveness. Where the Board identify material risks they consider the financial impact of these risks as part of business planning and capital management and concludes whether the amount of regulatory capital is adequate. The general objective is to develop systems and controls to mitigate risk to a level that does not require the allocation of Pillar 2 capital.

The Company is authorised and regulated by the Financial Services Authority and as such it is subject to minimum regulatory capital requirements. The Company is small with a simple operational infrastructure. The Company provides investment management services and the risks to which the Company is exposed are principally reputational and operational in nature and are managed according to the Company's operational and compliance risk guidelines including its ethical standards. The Company is a BIPRU €50k limited licence firm registered with the FSA (FRN No 461914) and lodges its financial statements with Companies House.

### **Pillar III – Disclosure of capital resources and capital resource**

The capital resources of the Company are made up of equity shareholder's funds, which qualifies as Tier 1 capital and a subordinated loan, which qualifies as Tier 3 capital.

As the Company is a limited licence firm, its capital requirements are the greater of:

- Its base capital requirement of €50k
- The sum of its market and credit risk requirements
- Its Fixed Overhead Requirement ("FOR")

It is the Company's experience that the capital requirement of the Company is the fixed overhead requirement and not the sum of market and credit risk. For the purpose of this calculation disclosures relating to market and credit are therefore considered to be immaterial in consideration in the assessment of the business.

As at the 31 December 2011 the Company had £372k of capital with a FOR of £13k, and therefore the Company has substantial excess resources over its regulatory capital requirements.

**Pillar III / Disclosure of compliance with the overall Pillar II rule**

Under Pillar II of the Capital Requirements Directive, the Company is required to enact an Internal Capital Adequacy Assessment Process (“ICAAP”). This is an ongoing process. The ICAAP document is presented to the Board for formal review and approval. The data and assumptions used in the assessment of risk and capital adequacy are continually assessed and updated. This includes stress testing of various scenarios. Should new risks materialise or be identified by the Company, then these risks will be incorporated into the overall review process.