

PILLAR 3 DISCLOSURES

2018

The following information is provided pursuant to the Pillar 3 disclosure rules as laid out by the Financial Conduct Authority (FCA) in section 11 of its Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU).

BACKGROUND

London and Capital Asset Management Ltd (LCAM) and London and Capital Wealth Advisers Ltd (LCWA) form a UK Consolidation Group, as defined by the FCA. L&C provides wealth management services to private clients, companies, trusts and institutions. L&C has two subsidiary companies authorised and regulated by the FCA, LCAM and LCWA. LCWA, regulated by the SEC also.

REGULATORY CONTEXT

The EU Capital Requirements Directive (CRD) established a regulatory framework across Europe governing the amount and nature of capital investment firms must maintain. In the United Kingdom, the CRD has been implemented by the Financial Conduct Authority (FCA) in its regulations through its Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU).

The FCA has implemented a prudential framework for investment management firms that consists of 3 “pillars”:

- Pillar 1 sets out the minimum regulatory capital requirements:
- Pillar 2 is an assessment of whether additional capital is needed over and above that determined under Pillar 1: and
- Pillar 3 deals with public disclosure of the objectives and policies in relation to risk management and information on its risk exposures and capital resources.

The rules provide that disclosures are only required where the information would be considered material to a user relying on that information to make economic decisions and where they are not proprietary / confidential.

LCAM and LCWA are “BIPRU €50k limited licence firms” and are not authorised to take proprietary trading positions. As a consequence the main risks facing LCAM and LCWA relate to their operations and their business environment.

The disclosures below are the required Pillar 3 disclosures and apply solely to L&C. The disclosures do not apply to the Gemini UCITS funds where LCAM is the investment manager and are subject to different risks.

FREQUENCY OF DISCLOSURE

L&C will make Pillar 3 disclosures at least annually. The disclosures will be as at the Accounting Reference Date which is the last day of June in each year and any figures included in this document will be based on the audited accounts as at that date.

LOCATION OF DISCLOSURE

The disclosure will be published on our website.

RISK MANAGEMENT FRAMEWORK

The L&C Group Board (“the Board”) as the Governing Body of L&C is primarily responsible for the management and oversight responsibilities. It meets quarterly and is composed of senior members of L&C staff and a Non - Executive Chairman.

The Board is responsible for the process of risk management, as well as forming its own opinion on the effectiveness of this process. In addition, the Board decides L&C’s risk appetite or tolerance for risk and ensures that the company has implemented an effective, ongoing process to identify risks, to measure its potential impact and then to ensure that such risks are actively managed. Two specific factors have been considered in defining the risk appetite, firstly, the likelihood of occurrence of an event and secondly, the impact level of an event. Senior Management is accountable to the Board for designing, implementing and monitoring the process of risk management and implementing it into the day-to-day business activities of L&C.

For those risks which cannot be controlled the residual financial risk is quantified and included in the ICAAP Pillar 2 assessment and additional capital may be held against it.

RISK & AUDIT COMMITTEE

The purpose of the Committee is to:

- Provide oversight of the risk issues affecting the group and the management of those.
- Monitor the integrity of the Company’s financial reporting system and internal controls, review the annual accounts and consider accounting issues arising and report them to the Board.

Further information on the risk exposures of the business are set out below:

OPERATIONAL RISK

This is the main focus of management attention and covers the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events including legal risk. We seek to minimise operational risk through a controls framework and the more significant operational risks faced include a catastrophic systems failure and portfolio losses due to malfunctioning market and liquidity controls.

BUSINESS RISK

Arises from external sources such as changes to the economic environment or one-off economic shocks and also from internal sources such as poor investment decisions resulting in poor investment performance and damage to the company’s reputation. This risk is managed by carrying out ongoing market research and by having an effective product development process that can quickly respond to market change.

CREDIT RISK

The company is not exposed to credit risk other than in respect of suppliers and service providers and cash held on deposit at large international institutions. Specific procedures cover the management of this exposure and it is not considered material for the purposes of this disclosure. Credit risk does not exist in relation to clients failing to meet their obligations as L&C fees are deducted from client portfolios.

MARKET RISK

Market risk is the exposure to loss arising from movements in equity prices, foreign exchange rates, and interest rates. The Group's exposures to market risk arises in relation to investments made when funds are deposited or when utilised for strategic investments purposes. The firm's revenue and income stream may also be impacted by market downturn risk as they are directly linked with the firm's performance and AUM, although immaterial to the client. We manage these primary market risks on an ongoing basis to reduce the impact of market movements.

LIQUIDITY RISK

L&C arranges its investments to avoid having to realise assets at short notice. Working capital will not be held in illiquid instruments and generally will be held in the form of cash deposits on overnight or short term deposits. The primary objective of Liquidity Risk management is to ensure good communication regarding the amount and timing of cash requirements and sufficient notice for the best disposal of assets, if required.

CAPITAL ADEQUACY

As at 30th June 2018, the company's capital resources comprised solely Tier 1 capital with no deductions.

The company has calculated its capital needs in accordance with the relevant FCA regulations for the base capital requirement, the credit risk requirement and the variable capital requirement. The final level of capital is calculated as being the fixed overhead requirement rather than the total of the market risk and credit risk components.

The approach of the business to assessing the adequacy of its internal capital to support current and future activities is contained in the Internal Capital Adequacy Assessment Process (ICAAP). This process includes an assessment of the specific risks to the business and the internal controls in place to mitigate these risks. These are tested under different scenarios in order to provide a robust picture of exposures for the company. Finally an assessment is made of the probability of occurrence and the potential impact in order to arrive at a level of required capital. The capital level has been assessed in accordance with Pillar 2 to be less than the Pillar 1 fixed overhead requirement. L&C maintains sufficient capital to meet this Pillar 1 requirement.

Although L&C believes the risk management framework outlined herein is appropriate for its size and complexity and that its capital is adequate to meet the risks assessed it cannot guarantee that this will actually be the case in the event any particular risk arises. There will always be some unlikely risks with unusually high impact which may require additional capital should they arise