

**FINANCIAL EXPRESS INVESTMENTS LIMITED (THE 'FIRM')**  
**PILLAR 3 DISCLOSURE**  
**31 DECEMBER 2018**

---

## (1) Introduction

The Firm has prepared this document to meet its Pillar 3 disclosure obligations in accordance with the requirements of the Financial Conduct Authority ('FCA') Handbook and is verified by Board. Unless otherwise stated, all figures are as at the 31 December 2018 financial year-end. Pillar 3 disclosures will be issued on an annual basis after the year-end and published as soon as practical when the audited annual accounts are finalised.

We are permitted to omit required disclosures if we believe that the information to be either proprietary<sup>1</sup>, confidential<sup>2</sup> or not material<sup>3</sup>. This disclosure omits certain data on the grounds of materiality.

This disclosure document is split into three sections:

- Risk and capital adequacy disclosure page 2
- UK Financial Reporting Council's Stewardship Code page 5
- Remuneration disclosure page 6

---

<sup>1</sup> Proprietary information is that which, if it were shared, would undermine the Firm's competitive position.

<sup>2</sup> Confidential information is where the Firm has a binding obligation of confidentiality with our customers, suppliers and counterparties.

<sup>3</sup> Non-material information is that which, if omitted, would be unlikely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions about the Firm.

## (2) Risk and capital adequacy disclosure

### Introduction

The Capital Requirements Directive ('CRD') of the European Union establishes a revised regulatory capital framework across Europe governing the amount and nature of capital credit institutions and investment firms must maintain. In the United Kingdom, the FCA implemented the CRD in its Handbook.

The CRD consists of three 'Pillars':

- Pillar 1 sets out the minimum capital amount that meets the firm's credit, market and operational risk capital requirement;
- Pillar 2 requires the firm to assess whether its capital reserves, processes, strategies and systems are adequate to meet pillar 1 requirements and further determine whether it should apply additional capital, processes, strategies or systems to cover any other risks that it may be exposed to; and
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position to encourage market discipline.

### Scope and application of the requirements

The Firm is authorised and regulated by the FCA and as such is subject to minimum regulatory capital requirements. The Firm is categorised as a BIPRU Firm by the FCA for capital purposes. As such the Firm complies with the General Prudential Sourcebook ('GENPRU') and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU') of the FCA Handbook. The rules in BIPRU 11 set out the provision disclosure of salient risk management and capital adequacy information.

The Firm is not a member of a UK Consolidation Group and so is not required to prepare consolidated reporting for prudential purposes.

### Risk management

The Firm has established a risk management process in order to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising in the business. The risk management process is overseen by the Investment Steering Committee, with the Senior Management team taking overall responsibility for this process and the fundamental risk appetite of the firm. The Compliance Officer has responsibility for the implementation and enforcement of the Firm's risk principles.

Senior Management meets on a regular basis and discuss current projections for profitability, cash flow, regulatory capital management, business planning and risk management. Senior Management engage in the Firm's risks through a framework of policy and procedures having regard to the relevant laws, standards, principles and rules (including FCA principles and rules) with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required.

The Senior Management team has identified that business, operational, market and credit are the main areas of risk to which the Firm is exposed. Annually the Senior Management team formally review their risks, controls and other risk mitigation arrangements and assess their effectiveness.

A formal update on operational matters is provided to the Senior Management team on a regular basis. Management accounts demonstrate continued adequacy of the firm's regulatory capital are reviewed on a regular basis.

Appropriate action is taken where risks are identified which fall outside of the Firm's tolerance levels or where the need for remedial action is required in respect of identified weaknesses in the firm's mitigating controls.

### Regulatory capital

The Firm is a Limited Liability Company and its capital arrangements are established in its Articles. Its capital is summarised as follows:

The main features of the Firm's capital resources for regulatory purposes are as follows:

	<b>2018</b>
	<b>£000</b>
Tier 1 capital*	3,465
Tier 2 capital	-
Tier 3 capital	-
Deductions from Tiers 1 and 2	-
<b>Total capital resources</b>	<b>3,465</b>

### Capital requirement

As a BIPRU firm, capital requirements for the Firm are determined as the higher of:

- (1) Pillar 1 capital requirements, being the higher of:
  - €50,000;
  - The sum of the market & credit risk requirements; and
  - The fixed overheads requirement ('FOR');
- (2) Pillar 2 capital requirements, based on the risks to which the Firm is exposed as assessed in the Firm's Internal Capital Adequacy Assessment Process ('ICAAP'); and
- (3) Estimated cost of orderly wind-down.

The Firm has a simple operational infrastructure and follows the standardised approach to market risk and the simplified standard approach to credit risk. The FOR is calculated, in accordance with FCA rules, based on the firm's previous years audited expenditure. The firm has adopted the simplified standardised approach to credit and market risk and the above figures have been produced on that basis. The firm is not subject to a Pillar 1 operational risk requirement. It is the Firm's experience that the FOR establishes its Pillar 1 capital requirements.

The Firm's Pillar 2 assessment of risks has yielded a total Pillar 2 capital requirement in relation to aggregate of each type of risk specific to the Firm's risk profile. This Pillar 2 capital requirement is less than the Pillar 1 capital requirement and so the Board has concluded no additional capital requirements for the Firm are necessary.

The cost of an orderly wind-down is estimated to be less than the Pillar 1 capital requirement and so the Board has concluded there is no incremental Pillar 2 requirement attributable to the wind-down plan.

Therefore, the overall capital requirement of the Firm, driven by the FOR, is £542k.

### **Capital adequacy**

With capital resources of £3.47 million and a capital requirement of £542k the Board is confident that a surplus of £2.92 million and solvency ratio of 639% leaves the Firm in a healthy position.

The stress and scenario testing implemented by the Firm and summarised in its ICAAP Report does not cause the this surplus to be eroded below the overall capital requirement (i.e. the FOR). Accordingly, the Board concludes that no known or reasonably foreseeable events would cause the Firm's capital resources to become in breach of its regulatory capital requirements.

This is monitored by the Chief Financial Officer and reported to senior management on a monthly basis.

### (3) UK Financial Reporting Council's Stewardship Code

FCA COBS Rule 2.2.3R requires FCA authorised firms to disclose whether they conform to the requirements of the UK Financial Reporting Council's Stewardship Code (the 'Code'). Adherence to the Code is voluntary. The Firm does not actively invest in listed securities as part of its business model and therefore, while the Firm supports the principles of the Code, it does not consider it appropriate to conform to the Code at this time.

#### (4) Remuneration disclosure

The Firm is authorised and regulated by the Financial Conduct Authority as a BIPRU Firm and, so, it is subject to FCA Rules on remuneration. These are contained in the FCA's Remuneration Codes located in the SYSC Sourcebook of the FCA's Handbook.

The Remuneration Code ('the RemCode') covers an individual's total remuneration, fixed and variable. The Firm incentivises staff through a combination of the two.

The Firm's business is to provide portfolio management services to its clients.

Our policy is designed to ensure that we comply with the RemCode and our compensation arrangements:

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

Management take both financial and non-financial criteria into account when assessing individual performance. Individuals are rewarded on an assessment based on their contribution to the overall strategy and achievement of the business taking into account factors including, where appropriate:

- Financial wide measures are calculated according to company performance and rewards are calculated by reference to budgeted revenue.
- Non-financial measures include client interactions and business development, compliance with relevant external regulations, professional requirements and adherence to internal policies and procedures, reliability and effectiveness of employee contributions.

#### **Proportionality**

Enshrined in the European remuneration provisions is the principle of proportionality. The FCA has sought to apply proportionality in the first instance by instituting two tests. Firstly, a firm that is significant in terms of its size must disclose quantitative information referred to in BIPRU 11.5.18R at the level of senior personnel. Secondly, that a firm must make disclosure that is appropriate to the size, internal organisation and the nature, scope and complexity of their activities.

The firm is not 'significant' and so makes this disclosure in accordance with the second test (BIPRU 11.5.20R(2)).

#### **Application of the requirements**

We are required to disclose certain information on at least an annual basis regarding our Remuneration policy and practices for those staff whose professional activities have a material impact on the risk profile of the firm. Our disclosure is made in accordance with our size, internal organisation and the nature, scope and complexity of our activities. The Firm's full Remuneration Policy is available on request.

1. Summary of information on the decision-making process used for determining the firm’s remuneration policy:

- The Firm’s policy has been agreed by the Senior Management in line with the Remuneration principles laid down by the FCA.
- Due to the size, nature and complexity of the Firm, we are not required to appoint an independent remuneration committee.
- The Firm’s policy will be reviewed as part of annual process and procedures or following a significant change to the business requiring an update to its internal capital adequacy assessment.
- The Firm’s ability to pay bonuses is based on the performance of Firm overall and derived after its management fees have been calculated.

2. Summary of how the firm links between pay and performance (see REM CODE).

- Individuals are rewarded based on their contribution to the overall strategy of the business.
  - a. Investment Generation
  - b. Sales & Marketing
- Other factors such as performance, reliability, effectiveness of controls, business development and contribution to the business are taken into account when assessing the performance of the senior staff responsible for the infrastructure of the firm.

3. Aggregate quantitative information on remuneration broken down by significant business division (where such business divisions exist).

<b>Business Area</b>	<b>Aggregate compensation expense for prior fiscal year</b>
Investment Management code staff	£549,725

4. Aggregate quantitative information on remuneration, for staff whose actions have a material impact on the risk profile of the firm.

<b>Code Staff</b>	<b>Aggregate compensation expense for prior fiscal year</b>
Senior Management & Investment Management code staff	£1,743,558

We may omit required disclosures where we believe that the information could be regarded as prejudicial to the UK or other national transposition of Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data.

We have made no omissions on the grounds of data protection.