



# **NUMIS ASSET MANAGEMENT LIMITED**

**BIPRU Pillar 3 Disclosures 2016**

# **1 Overview**

## **1.1 Introduction**

The following disclosures are 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). The BIPRU rules together with those contained in the FCAs General Prudential Sourcebook (GENPRU) implement the Capital Requirements Directive (CRD) of the European Union (EU) which sets out the regulatory capital framework applicable to regulated firms within the EU. The framework is based upon three pillars:

- Pillar 1 sets out minimum capital requirements for credit, market and operational risk calculated in accordance with set rules;
- Pillar 2 in which firms and supervisors assess whether they should hold additional capital not covered in Pillar 1; and
- Pillar 3 requires firms to publish details about their risks, capital and risk management.

## **1.2 Basis of Disclosure**

The disclosures in this document apply solely to Numis Asset Management Limited (the Firm or NAM) and do not apply to the fund(s) managed by the Firm which are exposed to different risks. The disclosures in this document are not subject to audit and do not constitute any form of audited financial statement. The disclosures have been produced solely for the purposes of satisfying Pillar 3 regulatory requirements and have been reviewed and approved by senior management.

We are permitted to omit required disclosures if we believe that the information is immaterial such that omission 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.

In addition, we may omit required disclosures where we believe that the information is regarded as proprietary or confidential. In our view, proprietary information is that which, if it were shared, would undermine our competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties.

We have made no omissions on the grounds that information is immaterial, proprietary or confidential.

### **1.3 Frequency and Means of Disclosures**

Disclosures are made annually and, if appropriate more frequently via the Numis Group website ([www.numis.com](http://www.numis.com)). The Firm's Pillar 3 disclosures can be found in the Asset Management section of this website within the Services area. The Firm has an accounting reference date of 30 September and these disclosures are made as at 30 September 2016.

### **1.4 Scope**

These disclosures are made for the UK regulated entity, Numis Asset Management Limited. NAM is subject to the requirements of the FCA sourcebook for Banks, Building Societies and Investment Firms (BIPRU) and is shown on the FCAs register under FRN 612473. The Firm is authorised and regulated by the Financial Conduct Authority ("FCA") to conduct investment business. The Firm is a BIPRU Eur 50,000 limited license firm without retail clients and is not authorised to hold client money or to take proprietary trading positions.

Numis Asset Management Limited is a wholly owned subsidiary of Numis Corporation Plc (PLC).

## **2 Risk Management Governance**

### **2.1 Introduction**

NAM places great weight on the effective management of exposures to market, credit, liquidity, operational and non-operational risk. Our approach to risk management is specifically designed to identify, monitor and manage such exposures to ensure that the operating activities of the Firm are managed within the risk appetite set out by the PLC Board.

Risk exposures are monitored, controlled and overseen by separate but complimentary committees which consist of senior management from compliance and finance. Management oversight and segregation of duties are fundamental to the risk management framework.

Responsibility for the approval of all risk management policies and setting the overall risk appetite is held by the PLC Board, to which all risk management functions ultimately report. The PLC Board receives regular risk updates which detail the Firm's risk exposures.

## **2.2 Audit and Risk Committee**

The PLC Audit and Risk Committee, which meets at least four times a year, is responsible for the evaluation and maintenance of the Group's control framework and ensuring that policies are in place and operating effectively to identify, assess, monitor, and control risk throughout the organisation. The PLC Audit and Risk Committee receives risk updates summarising the Group's material risk exposures. Controls and policies are reviewed and challenged to ensure their effectiveness and to reflect changes in requirements and best practice.

## **2.3 Risk Oversight Committee**

The Risk Oversight Committee (ROC), which meets at least quarterly, ensures that all material risks across the Group are being managed within the risk appetite and control framework approved by the PLC Board and PLC Audit and Risk Committee. The ROC comprises *inter alia* the Finance Director, Head of Legal, Compliance and Risk, Corporate Finance Director of Operations, Head of Research, Head of IT and Operations and the Head of HR. The committee reviews the following as a minimum:

- The approval of group-wide Risk Dashboard prior to submission to the PLC Audit and Risk Committee and PLC Board
- The mitigants and controls attaching to each of the material risks within the Group's risk register, which incorporate the specific activities of NAM along with other Group companies
- The key risk indicators (KRIs) used to monitor the material risks within the Group
- The capital allocation methodology and resulting Pillar 2 assessment of capital requirement for each material risk
- Any major risk issues and the corrective action required
- Risk methodology and reporting changes

## **2.4 Internal Audit**

An outsourced Internal Audit function provides an independent assessment of the adequacy and satisfactory application of the control framework and reports directly to the PLC Audit and Risk Committee.

## **2.5 Board and Committee Composition**

Full details of PLC Board and Committee composition are given in the annual report and accounts of parent undertaking, Numis Corporation PLC, which can be found on the Group's website ([www.numis.com](http://www.numis.com)) in the Investors in Numis section.

## **3 Risk Exposures**

### **3.1 Introduction**

As part of the risk management process, the Firm assesses the key risks arising from its ongoing activities as well as identifying processes and controls to monitor and mitigate those risks. The Firm has a high level risk assessment register which is reviewed on an annual basis. The material risks to which the Firm is exposed are as follows:

### **3.2 Credit Risk**

Credit risk is the risk that unexpected losses may arise as a result of the Firm's clients and/or counterparties failing to meet their obligations. With regard to clients failing to pay management fees, the risk is mitigated through strict invoicing and credit control arrangements. With regard to counterparties, the only material credit exposure relates to cash placed on deposit with banking institutions. Cash deposits are placed with suitable credit-worthy, UK institutions.

Given the nature of the Firm's exposures, no specific policy for hedging and mitigating credit risk is in place. The Firm uses the simplified standardised approach detailed in BIPRU 3.5.5 of the FCA Handbook when calculating risk weighted exposures of 1.6% (Cash in Bank) and 8% in respect of its other assets.

### **3.3 Market Risk**

The Firm does not undertake proprietary trading therefore exposure to market risk is limited. Similarly, there is currently no foreign currency settlement activity and as such, exposures to foreign currency movements are non-existent. However, the Firm charges management fees based on the value of assets under management and accordingly its revenue is exposed to market risk. The Firm has chosen not to hedge this risk.

### **3.4 Liquidity Risk**

Liquidity risk is the risk that the Firm will not be able to meet its financial obligations as they fall due.

The Firm is equity funded and has no reliance on debt financing. Working capital ratios are considered adequate given the stable nature of the Firm's operating expenses. The Directors are satisfied that there is no material risk arising from liquidity.

### **3.5 Strategic Risk**

The key strategic risk is a reduction in funds under management, following a market downturn or loss of clients, resulting in lower management fees. Management carry out stress-testing in order to assess the impact on profit and loss from various scenarios where funds under management fall.

### **3.6 Operational Risk**

Operational risk is the risk of loss to the Firm resulting from failed or inappropriate internal procedures, people and systems, or from outsourced providers or external events.

The Directors consider the Firm's arrangements for monitoring, recording and mitigating operational risk to be appropriate to the size, nature and complexity of the business. Suitable management information is prepared on a monthly basis and there are clear lines of escalation within the Firm. The Firm utilises clear segregation of duties and robust documented operational procedures.

The management and monitoring of outsourcing relationships is a key control. The Firm monitors qualitative performance of functions outsourced to third party service providers to ensure adherence to contractual obligations.

Business continuity risk is the risk of interruption to the business due to the unavailability of systems or office space. The Firm utilises the Group's business continuity strategy which is tested on a periodic basis.

The Group also mitigates its operational risk by means of a comprehensive Professional Indemnity insurance policy.

The Firm is subject to the Fixed Overhead Requirement and is not required to calculate an operational risk capital charge though it considers this as part of its process to identify the level of risk based capital required.

### **3.7 Regulatory Risk**

Regulatory change and compliance with the Firm's ongoing regulatory compliance obligations is an area of continued focus. The Directors are satisfied that the Firm's risk management and internal control framework is sufficiently robust to mitigate against the risk of non-compliance. Appropriate resource has been invested in the ongoing development of the Compliance & Risk function.

## **4 Capital Resources and Requirements**

### **4.1 Pillar 1**

The Firm's capital resources total £236,000.

The Firm's Pillar 1 capital requirement is the greater of a) the fixed overhead requirement and b) the sum of the market and credit risk requirements. As at 30 September 2016, the Firm's capital requirement totalled £43,000. Hence the Firm's capital resources remain significantly in excess of its capital requirement.

### **4.2 Pillar 2**

The Pillar 2 capital requirement is developed using the Internal Capital Adequacy Assessment Process (ICAAP). This process covers the identification and assessment of likelihood of occurrence of the various business and operational risks faced by the Firm together with an assessment of the capital required to be held against those risks. The process also includes performing analysis to project the financial impact of various stress test scenarios as well as articulation of the Firm's risk appetite.

The ICAAP is prepared by the directors and then reviewed and approved by the PLC Audit and Risk Committee on an annual basis.

The directors are satisfied that the capital resources of the Firm are in excess of the maximum capital requirement identified by the ICAAP process and that there is sufficient excess to ensure that the Firm is able to overcome adverse market events.

## **5 Remuneration**

The Firm is authorised and regulated by the FCA as a Limited Licence Firm and so, it is subject to FCA Rules on remuneration. These are contained in the FCA's Remuneration Code located in the SYSC Sourcebook of the FCA's Handbook. The Remuneration Code governs the remuneration policies of regulated firms and aims to ensure that firms establish and maintain remuneration policies that promote effective risk management.

Currently, the Firm provides investment management services to one fund. The directors of the Firm received no remuneration for their services to the Firm. The remuneration of all directors who served during the year was borne by another Group company.