Ascencia Investment Management Limited

Pillar 3 Disclosure & Policy
December 2018

Contents

1 Introduction

The Pillar 3 disclosure of Ascencia Investment Management Limited (AIM) ("the Firm") is set out below as required by the Capital Requirement Regulation Art. 431et seq. This is a requirement which stems from Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on Prudential requirements for Credit Institutions and Investment Firms and amending Regulation (EU) No 648/2012 ("Capital Requirement Regulation", "CRR") which represented the European Union's application of the Basel Capital Accord. The regulatory aim of the disclosures is to improve market discipline.

1.1 Basis and Scope of Disclosure

These disclosures are for AIM on a solo basis. AIM is a wholly owned direct subsidiary of Frenkel Topping Group Plc which is listed on the alternative investment market. The CRR to which the Firm is subject has three pillars;

- Pillar 1 - sets out the minimum capital requirements that firms are required to meet covering prudential capital requirements for credit, market and operational risk
- Pillar 2 -deals with Internal Capital Adequacy Assessment Process ("ICAAP") undertaken by a firm and the Supervisory review and Evaluation Process through which the Firm and Regulator satisfy themselves on the adequacy of capital held by the Firm in relation to the risks it faces
- Pillar 3 - deals with public disclosure of risk management policies, capital resources and capital requirements

The regulatory aim of the disclosure is to improve market discipline.

The Firm is an BIPRU investment management firm. It acts solely as agent and the main protection to our customers is provided through client money and asset arrangements. The Firm's greatest risks have been identified as business and operational risk. The Firm is required to disclose its risk management objectives and policies for each separate category of risk which include the strategies and processes to manage those risks; the structure and organisation of the relevant risk management function or other appropriate arrangement; the scope and nature of risk reporting and measurement systems; and the policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants.

The Firm has assessed business and operational risks in its ICAAP and sets out appropriate actions to manage them.

1.2 Frequency

The Firm will review and make Pillar 3 disclosures at least annually. The disclosures will be as at the Accounting Reference Date ("ARD"). The disclosures will be published as soon as is practical following the finalisation of the Firm's Internal Capital Adequacy Assessment Process (ICAAP) and publication of the annual reports.

1.3 Verification

The information contained in the disclosure has not been audited by our Firm's external auditors and does not constitute any form of financial statement.

1.4 Publication

The disclosure will be published on the Firm's website at http://www.frenkeltopping.co.uk/what-we-do/investment-management/.

1.5 Confidentiality

The Firm regards information as proprietary if sharing that information with the public would undermine its competitive position. Proprietary information may include information on products or systems which, if shared with competitors, would render the Firm's investments therein less valuable. Further, the Firm must regard information as confidential if there are obligations to customers or other counterparty relationships binding the Firm to confidentiality. In the event that any such information is omitted, we shall disclose such and explain the grounds why it has not been disclosed.

1.6 Risk Management Objectives and Policies

The Firm has a risk management objective to develop systems and controls to mitigate risk to within its risk appetite.

AIM recognises that risk taking is an essential part of doing business and therefore cannot be eliminated. Risks must be fully understood and adequately measured to ensure that the business risk exposure is appropriate and is consistent with the strategic objective and consumer outcomes. The Board of directors of AIM are responsible for setting AIM's risk appetite and risk management policy. The risk management policy and risk exposure is reviewed at least annually to ensure they remain appropriate.

The Board ensures that at all times enough capital is maintained to exceed the minimum capital adequacy requirements.

2 Overview of Governance & Risk Management Framework

2.1 Governance

AIM operates with a Board committee and Risk committee. The Board committee is the Governing Body of the Firm and has the daily management and oversight responsibility. It meets half yearly unless otherwise required and represents the principal forum for conducting the Firm's business and takes day to day responsibility for the efficient running of the business. The Risk committee is responsible for the entire process of risk management, as well as forming its own opinion on the effectiveness of the process. In addition, the Risk committee decides the Firm's risk appetite or tolerance for risk and ensures that the Firm has implemented an effective, ongoing process to identify risks, to measure its potential impact and then to ensure that such risks are actively managed. The Risk committee is responsible for ensuring appropriate risk mitigation is in place.

2.2 Risk Management

AIM's priority is to ensure continuation of delivery of service to clients during challenging periods. Business continuity is seen as the activities that maintain and recover business operational effectiveness against any untoward or adverse circumstances. This document sets out an understanding of those threats and responses to them. The risks themselves are identified in the risk summary section. Each threat is evaluated by means of a risk assessment. The scale of each potential impact on the business is considered and parameters such as likelihood and duration of the disruption are taken into account.

The key business processes and their respective objectives are listed within this document. These procedures are designed to specify what internal actions are needed for the business to be able to provide services in response to any given threat materialising. The relevant Disaster Recovery Action Plans and procedures within this document detail how AIM will respond in the event of a so-called disaster, whilst the wider Business Continuity Plan sets out how the business seeks to avoid or mitigate against the impact of such potential events. AIM's objective is to plan to avoid altogether or mitigate potential threats to the extent that is deemed reasonable and practice and commercially viable which is borne out of a duty of care to both consumers and staff alike.

As part of the regular reviews AIM has a number of procedures in place to evaluate and manage potential risks including (but not limited to):

1. Business risk

   The Firm's Pillar 2 business risk assessment principally takes the form of a fall in assets under management following a market downturn that leads to lower management fees, although other risks such as loss of advisors and systems failures are also considered. To mitigate our business risk, we regularly analyse various different economic scenarios to model the impact of economic downturns to our financial position.
2. Liquidity risk

   The Firm manages all cash and borrowing requirements to maximise potential interest income whilst ensuring the Firm has sufficient liquid resources to meet the continued operating needs of the business. This is supported by a robust budgeting and forecasting process which has the full involvement of the senior management team. AIM holds significant cash balances and therefore has no material liquidity risk.
3. Operational risk

   Operational risk is defined as the potential risk of financial loss or impairment to reputation resulting from inadequate or failed internal processes and systems from the actions of people or from external events. AIM is a service based company that has well defined policies and procedures. Major sources of operational risk include: outsourcing of operations, IT security, internal and external fraud, implementation of strategic change and regulatory non-compliance. The Firm's risk management process is regularly reviewed and monitored by the Firm's Investment committee responsible for periodic reviews and recommending changes to the Board.

   The company is protected via £3m of professional indemnity insurance and undertakes external audits on an annual basis. Any material outsourced functions are covered by contractual service level agreements, enhanced due diligence which is reviewed on an annual basis which also covers disaster recovery, data security and operational continuation of that service provider.

4. Group risk
   Whilst AIM does trade independently from any group structure, it does form part of a trading group and as the parent company is publically traded it is accountable to external investors.

5. Interest rate risk
   Interest rate risk is not applicable to AIM as the Firm has no borrowings and no exposure to interest rate risk.

6. Insurance risk
   AIM maintains Professional Indemnity Insurance. The policies, which are standard in market terms, cover the most likely source of loss to the Firm to a level that is appropriate to the scale of the Firm's business. The policies are underwritten by insurers with satisfactory credit ratings. In the event that these policies do not pay out as soon as expected, AIM's existing regulatory capital resources requirement and its access to additional capital from its Group structure means that the Firm is in a position to continue to operate. In the event of a particular loss that falls outside the terms of its insurance, the directors will, where appropriate, make provisions in the ordinary course of business for such potential losses as soon as is prudent. Having considered the policy excess, no additional capital has been allocated under the ICAAP to cover an exposure the Firm may face outside the fixed overhead costs taken into account in its regulatory capital resources requirement.
7. Other risks
   The Firm operates a simple business model. Accordingly, many of the specific risks identified by the FCA do not apply.

AIM outsources its investment research function, discretionary fund management function and information technology provision to third party providers.

3 Capital Resources

3.1 Corporate Background

The Firm is incorporated in the UK and is authorised and regulated by the FCA as an BIPRU Firm. This is due to the Firm having permission to safeguard client assets and gives the Firm the category of an BIPRU 50K Limited Licence firm.

The following entities are covered by the ICAAP:

- Ascencia Investment Management Ltd

The Firm is a Solo regulated entity.

3.2 Capital Requirements and ICAAP

The Firm is an BIPRU Limited Licence Firm. AIM has an Internal Capital Adequacy Assessment Process (ICAAP) which is formally approved by the Board. The ICAAP documents senior management's assessment of the risk profile of the business and the resulting capital requirements. This ensures that the risk profile is assessed, controls are in place and that sufficient capital is maintained to ensure that the residual risk remains within the risk appetite set out by the Board.

3.3 Pillar 1 Requirement

AIM's capital requirement has been determined as being the Firm's fixed overhead requirement.

The Pillar 1 capital requirement for AIM was £ 155,958 at 31st December 2018.

3.4 Pillar 2 Requirement

As BIPRU investment firm, AIM is required to undertake an ICAAP in order to establish the level of capital it deems sufficient to support its business activities. More specifically, the ICAAP assessment is intended to determine whether the FCA Pillar 1 requirements of market, credit and operational risk provide an adequate level of capital to support the Firm's business. As the Firm is subject to the FCA's capital adequacy regime at a Solo level, the ICAAP is formulated at AIM's entity level and accordingly shares the same scope as the overall Pillar 3 disclosures.

AIM has an Internal Capital Adequacy Assessment Process ("ICAAP") which is approved by the Board committee. The ICAAP documents the Board committee's assessment of the risk profile of the business and the resulting capital requirements.

The Firm has assessed the amount of capital it feels is necessary to hold to support the risk it faces.

The ICAAP assessment is reviewed by the Board and amended where necessary on a quarterly basis or when a material change to the business occurs.

Our Pillar 2 capital requirement, which is our own assessment of the minimum amount of capital that the Board committee believes is adequate against the risks identified, has been assessed as greater than our Pillar 1 requirement.

Summary of Pillar 1 versus Pillar 2 capital

	Pillar 1	**ICAAP**
	Minimum capital	Firm's Pillar 2 capital
Base capital resource requirement	€50,000 as at date of review equivalent to £45,098	€50,000 as at date of review equivalent to £45,098
Credit risk	£5,360	£5,360
Market risk	n/a	n/a
Operational risk	0	0
Fixed overhead requirement (FOR)	£105,500	£105,500
Pillar 1 total		155,958
Wind Down Requirement risk identified		£148,000
Pillar 2 total		£AS ABOVE
Adjustments (diversification if claimed etc)		0
Additional capital to cover stress testing		0
ICAAP capital		£303,958
Current total capital	£3,773,727	£3,773,727
~~Surplus~~	£3,617,769	£3,469,769

Calculated as at the date of the last annual audited accounts 31st December 2018

3.5 ICAAP assessment

The ICAAP assessment is reviewed by the Board and amended where necessary on a quarterly basis or when material change to the business occurs. The Board considers the ICAAP document and endorses the risk management objective each quarter or when a material change to the business occurs as at the same time reviewing and signing off the ICAAP document.

4 Credit Risk

4.1 Exposure to Counterparty Credit Risk

This disclosure is not applicable. The Firm's clients are largely entities who are authorised and regulated by the FCA, PRA or equivalent overseas regulator and are therefore subject to a degree of independent oversight.

4.2 Capital Buffers

This disclosure is not applicable.

4.3 Indicators of Global Systemic Importance

This disclosure is not applicable.

4.4 ECAIs

The Firm does not use ECAIs, so this disclosure is not applicable.

5 Operational Risk

This disclosure is not applicable as the Firm is Limited Licence Firm.

5.1 Exposures to Equities not included in the Trading Book

This disclosure is not required as the Firm does not have a Non-Book Exposure to equities.

5.2 Exposure to Interest Rate Risk on Positions not included in the Trading Book

Although the Firm has substantial cash balances on its balance sheet, there is currently no significant exposure to interest rate fluctuations.

5.3 Exposure to Securitisation Positions

This disclosure is not required as the Firm does not securitise its assets.

6 Recruitment and Diversity

The current and future needs of the Firm including equality and diversity are considered as part of the recruitment process. Board committee membership, along with succession planning , draws upon a range of criteria, including relevant skills and expertise, suitability for the role and relevant knowledge in order to achieve a balanced approach to enhance decision making.

7 Remuneration Policy

The FCA's Code on remuneration ("Code") came into effect on 1st January 2011, as set out in the EU's Capital Requirements Directive (CRD3), which was enhanced by the Capital Requirements Directive (CRD4). The intention is to ensure that AIM establishes, implements and maintains remuneration policies and procedures that are consistent with the promotion of sound and effective risk management. The remuneration rules are covered in the FCA's Handbook at SYSC 19A, the Code that covers BIPRU investment firms, which are FCA sole regulated.

7.1 Remuneration Committee

The Group has a Remuneration Committee. The committee comprises of the non-executive chairman, Paul Richardson and the non-executive director, Tim Linacre and are considered independent. Remuneration Committee's remit covers the supervision and oversight of the Firm's framework governing remuneration and reward, including overall responsibility for the implementation of and compliance with the FCA's Remuneration Code.

7.2 Remuneration Code Application

The Remuneration Code applies to Remuneration Code Staff, which includes senior management, risk takers and employees who receive a total remuneration package that brings the individual into the same remuneration bracket as senior management and whose professional activities have a material impact on the Firm's risk profile.

7.3 Firm Classification

The Firm is a Remuneration Code Proportionality Level 3 Firm and has applied the rules appropriate to its Proportionality Level and as such the FCA allows AIM to take a proportionate approach to some aspects of the remuneration disclosure requirements. The Board is responsible for the Firm's remuneration policy. AIM is required to comply with the FCA's disclosure requirements in a manner which is appropriate to its size and internal organisation, together with the nature and scope of its activities. All variable remuneration is adjusted in line with capital and liquidity requirements.

7.4 Link between pay and performance

The policy of the committee is to reward the directors in line with the current remuneration of directors in comparable businesses in order to recruit, motivate and retain high quality executives within a competitive market place. Remuneration is made up of fixed ("salary") and variable ("bonus") elements designed to reward performance, with the overall performance package intended to reflect market practice for any given role. Individual performance is a key component used in the calculation of variable remuneration. The variable element of remuneration includes the use of share schemes, with awards deferred to ensure that longer term performance is considered.

The main elements of the remuneration package for Code Staff are:

• Basic annual salary and benefits

• Annual bonus payments

• Pensions

• Long term incentive plans linked to performance Benefits include death-in-service, disability-in-service, critical illness and private health insurance.

The Remuneration Committee establishes the objectives that must be met for each financial year for a cash bonus is to be paid. The committee decides the minimum level of operating profit that must be delivered before any cash bonus will be attributable. The purpose of the bonus is to reward executive directors for delivery in excess of the objectives that also benefits shareholders.

The tables below set out the aggregate remuneration for Remuneration Code Staff.

Quantitative Information on Remuneration

Year ended 31 December 2018

Breakdown of remuneration of staff in respect of whom disclosure is required by business area (BIPRU 11.5.18(6)	
	Total Remuneration
Investment Management	£186,000

Aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the firm (BIPRU 11.5.18(7),		
Senior Management	Other members of staff whose actions have a material impact on the risk profile of the firm	Totals
£100,000	£0	£100,000

AIM is disclosing this information as at 31 December 2018 and in accordance with its obligations under the Remuneration Code and the Pillar 3 requirements.

8. Leverage

The Firm is not a credit institution and accordingly this disclosure is not applicable.