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Capital Requirements Directive Pillar 3 Disclosure 2018

Background

The Capital Requirements Directive has been implemented in the UK by the FCA in its Handbook and the rules are included in the General Prudential Sourcebook (GENPRU) and the Prudential Sourcebook for Banks Building Societies and Investment Firms (BIPRU).

Frequency and location of disclosure

The Firm will make a disclosure on an annual basis on its website www.brunswickim.com as soon as possible after the year end accounts have been approved and the Firm has completed its annual Internal Capital Adequacy Assessment Process (ICAAP) review.

The Accounting Reference date of Brunswick Investment Management Ltd is 31st December.

Verification

The information contained in this document has not been audited by the Firm's accountants and does not constitute any form of financial statement but is based on the accounts up to 31st December 2017, which have been approved by the directors. The effective date of the ICAAP review is 31st March 2018.

Scope and Application of the Requirements

Brunswick Investment Management Ltd is incorporated in the UK and authorised and regulated by the Financial Conduct Authority (FCA). It is an investment management firm, which comes under the prudential category for Banks, Building Societies and Investments firms (BIPRU) in the FCA Handbook.

It is a 'limited licence' Euros 50k firm and does not hold client money or deal on own account.

Its minimum regulatory capital resource requirements are the greater of €50k or the Firm's Fixed Overhead Requirement (FOR). The Firm is not a member of a group and does not have any subsidiary companies.

This document is designed to meet our obligations under the Pillar 3 disclosure rules, which are detailed in the FSA Handbook under BIPRU 11.

Under the rules, except in relation to disclosures under Remuneration, we are permitted to omit required disclosures where we consider that the information is of a proprietary or confidential nature. Information of a proprietary nature is that which, if revealed, could have the effect of undermining our competitive position. Information that is regarded as confidential is that which binds us to confidentiality with our customers and counterparties.

We are also permitted under the rules to omit required disclosures if in our opinion such an omission would be unlikely to change or influence the decision of the reader relying on it. We have made no omissions in this disclosure relating to information which we consider is immaterial, confidential or proprietary.

Risk Management

The Directors have designed and implemented a risk management framework, which identifies the risks that the business faces. They have also determined how those risks are to be mitigated and regularly assess the procedures and controls necessary to manage those risks.

The Firm's main business activities are the management of two OEICs and the management of investor portfolios under discretionary mandates for professional adviser firms.

Risk appetite and material risks

The Firm has identified the material risks to which it could be exposed, and these have been assessed in the ICAAP. Their potential impact on the need for additional capital has been quantified.

The Firm has considered and assessed the following areas of potential risk to its business and summarises its approach to each one:

- **Business risk**

  The main business risks that the Firm could be exposed to are a fall in funds under management due to significant withdrawals and the loss of the services of key staff. Business risks have been assessed and mitigated as part of the Firm's Internal Capital Adequacy Assessment Process (ICAAP).

- **Operational risk**

  This covers the risks of poor fund management performance, breach of a Fund's investment objectives including legal and reputational risks. Operational risks have been assessed and mitigated as part of the ICAAP. The operational risk capital component as specified in BIPRU 6 does not apply as the Firm is a 'limited licence' BIPRU firm.

- **Credit risk**

  This risk relates only to possible delays in the payment of fund management fees. In practice, however, all fees are paid on time and none are more than 2 months old. The Firm is not exposed to the credit risk capital component referred to in BIPRU.

- **Investment risk**

  The Firm could be exposed to a fall in income as a result in a fall in the value of funds under management caused by poor investment performance because of falling asset prices and to a limited extent, currency fluctuations. The impact of this risk on the Firm's viability has been assessed in the ICAAP and appropriate mitigating procedures have been put in place for its management.

- **Liquidity risk**

  The Firm maintains sufficient liquid resources to cover any potential imbalances and fluctuations in fees receivable and all expenditure is known and planned for in advance.

- **Securitisation**

  The Firm does not securitise any of its assets.

- **Market Position and Concentration risk**

  The Firm does not have any large exposures as defined in BIPRU 10 and does not predominately hold positions in the market as defined in BIPRU 7.

- **Interest Rate risk**

  The Firm does not deal on own account as it is a limited licence firm and is therefore not subject to interest rate risk as defined in BIPRU 2.3. Any fluctuations in markets impacted by this risk are covered under Investment Risk.

Capital Resources

The Firm has developed an Internal Capital Adequacy Assessment Process (ICAAP) and reviews this at least every 12 months.

The Firm's Pillar 1 capital is the greatest of €50k (which equates to £44K based on the exchange rate of €1 = £0.88 on 31st March 2018), the sum of market and credit risk requirements or the Fixed Overhead Requirement (FOR). The Firm's Pillar 2 capital is calculated as any additional capital that the Firm considers it should hold against any risks that are not adequately covered under the Pillar 1 requirement.

The Firm's regulatory capital resource requirement is £41,652, which is made up of its Fixed Overhead Requirement (FOR) of £27,652, Pillar 2 capital of £0 and a further £14,000 under the rules in IPRU(INV).

The Firm holds Tier 1 capital of £107,065 which comprises the balance held on the profit and loss account reserves.

This is £65,413 above its regulatory capital resource requirements. As at 31st December 2017, the Firm's capital resources were as follows:

Categories	Firm's Pillar 1 Capital	Firm's Pillar 2 Capital
Credit risk	£0	
Market risk	£0	
Operational risk	£0	
Concentration risk	£0	
Counterparty risk	£0	
Fixed Overhead Requirement	£27,652	
Pillar 1 Total	**£27,652**	
Pillar 2 risk A		£0
Adjustments		£0
Additional capital to cover stress testing		£0
Pillar 2 Total		**£0**
Additional capital for PI cover excess	£14,000	
Profit and loss account reserves	£107,065	
Current total capital	**£107,065**	
Surplus	**£65,413**	

The Firm has undertaken an assessment of the minimum capital it would require holding if it might be required to wind up the business in an orderly fashion such that all liabilities could be met. The capital required would be less than the Pillar 1 requirement.

Remuneration

Background

The Firm is required by BIPRU 11.5.18R to make certain disclosures to the market regarding its remuneration policy in relation to those categories of staff whose professional activities have a material impact on its risk profile. (Remuneration Code Staff)

The Firm is small and manages client portfolios on a discretionary basis. The securities and investments that the Firm deals in on behalf of its clients are non-complex financial instruments.

The Firm employs two operational directors, one investment manager, one portfolio manager/compliance officer/secretary, one investment analyst consultant and one graduate trainee administrative staff.

Controlled functions are held by the directors, the investment manager and the portfolio manager/compliance officer. There are two partners in the firm.

The directors, the investment manager and the portfolio manager/compliance officer are considered to be Remuneration Code Staff as defined in SYSC 19C.3.4R.

As a limited licence firm, it is required to disclose the following information:

1. Remuneration policy and the decision-making process

The investment manager is paid a salary but no bonus or other benefits. Income is not directly linked to the performance of the portfolios.

The partners control their own drawings. These are not based directly on individual performance but on the overall profitability of the Firm.

2. The link between pay and performance

The pay of Remuneration Code staff is not linked solely to performance.

3. Aggregate remuneration by business area

The Firm is a small business with six employees and as such there is no breakdown by business area.

4. Aggregate quantitative information on remuneration broken down by senior management and other remuneration code staff.

Aggregate income by bands:

Senior management	Other remuneration code staff
< £500,000 – four code staff	< £500,000 – nil code staff
£500,000 to £1m – nil code staff	£500,000 to £1m – nil code staff
£1m to £2m – nil code staff	£1m to £2m – nil code staff