

Prestige Asset Management
Pillar 3 Disclosures



PILLAR 3 DISCLOSURES AND REMUERATION NOVEMBER 2017

Pillar 3

Background

The Basel II Accord has been implemented by the European Union through the Capital Requirements Directive (“CRD”). The CRD details the standard regulatory capital framework for the financial services industry within the EU and consists of three pillars:

- Pillar 1** - specifies the minimum capital requirements of firms to cover credit, market and operational risk;
- Pillar 2** - requires firms to assess the need to hold additional capital to cover risks not covered under Pillar 1; and
- Pillar 3** - requires a set of disclosures to be made which enable market participants to assess information on a firm’s capital, risk exposures and risk management procedures.

Introduction

The firm is required by the Financial Conduct Authority (“FCA”) to disclose information relating to the capital it holds and each material category of risk it faces to assist users of its accounts and to encourage market discipline. These disclosures aim to provide information on the risk exposures faced by the firm and the risk assessment process it has in place to monitor these.

The Pillar 3 disclosures are required to be made under Chapter 11 of the FCA’s Prudential Sourcebook for Banks, Building Societies and Investment Firms (“BIPRU”). The Pillar 3 disclosures will be made on an annual basis. The disclosure will be published on our website. It should be noted that the information within this document has not been audited by the Firm’s external auditors.

The Rules provide that we may omit one or more of the required disclosures if we believe that the information is immaterial. Materiality is based on the criteria that the omission or misstatement of material information would be likely to change or influence the assessment or decision of a user relying on that information for the purposes of making economic decisions. We are also permitted to omit one or more of the required disclosures where we believe that the information is regarded as proprietary or confidential. Proprietary information is that which, if it were shared, would undermine our competitive position. Information is confidential where there are obligations binding us to confidentiality with our customers and counterparties.

Prestige Asset Management Limited is authorised and regulated in the UK by the Financial Conduct Authority as an Investment Management Firm. The firm’s activities give it the BIPRU categorisation of a “Limited License Firm” and a “BIPRU EUR 50,000” firm.

Risk Management

The Firm has adopted a risk management process to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising from the business. A high-level risk management matrix has been produced to identify and quantify risks within the business.

Credit Risk

This is the current or prospective risk to earnings identified and capital arising from an obligor’s failure to meet the terms of any contract. The Firm has limited exposure to risk in this category. The credit risk exposure mainly relates to deposits held with banks. However, this risk is mitigated through the use of highly rated banks.

Market Risk

This is the current or prospective risk to earnings or value arising from adverse movements in investment instrument prices, including equities, commodities, foreign exchange and interest. This risk can arise from open positions in bonds, securities, currencies, commodities, or derivatives. The firm does not hold positions in its own name.

Operational Risk

This is the risk, direct or indirect, of loss resulting from inadequate or failed internal processes, people and systems or from external events. The firm has identified several key operational risks to manage. These relate to loss of key members of staff, systems failure and failure to follow investment guidelines or restrictions, mispricing of a fund net asset value, failure in the IT infrastructure, inadequate business continuity planning and likelihood of failure or weakness in the systems and controls procedures for the prevention of market abuse. This also includes legal, compliance / regulatory risk and reputational risk. Note: failure to follow investment guidelines or restrictions, mispricing of a fund net asset value are not a risk as PAM are not actively involved in asset management currently.

Business Risk

This is the risk from changes to a firm's internal and external environment and includes the risk that the firm may not be able to carry out its business plan and desired strategy. The Firm has assessed that the key business risks relate to the failure to adopt an appropriate business strategy or failure to deliver it.

Our 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. However, this is not a risk as PAM are not actively involved in asset management currently.

Concentration Risk

This is the risk arising from a lack of diversity in business activities i.e. the risks associated with large exposures from individual commercial relationships, reliance upon a single transaction / income type and exposure to a substantial client. Prestige feel that this risk is minimised as they have several clients.

Interest Rate Risk

This is the risk of potential adverse movements in interest rates and the impact these have on planned future cash flows. The Firm has no outstanding loans or debt. Interest income does not form a significant part of revenue.

Capital Adequacy

Capital Resources: As at 31st December 2016 the Firm held regulatory capital resources of GBP 183,000. This comprised solely of core Tier 1 capital.

Capital Requirement:

The Pillar 1 Capital requirement for the coming year is GBP 99,000. This has been determined by reference to the Firm's fixed overhead requirement and calculated in accordance with the FCA's General Prudential Sourcebook ("GENPRU"). The base capital requirement and the sum of the market risk and credit risk capital requirement were lower than the fixed overhead requirement.

Compliance with the rules in BIPRU and Pillar 2 Rule Requirements:

The Firm's overall approach to assessing the adequacy of our internal capital is set out in our Internal Capital Adequacy Assessment Process ("ICAAP").

The ICAAP process involves separate consideration of risks to our capital combined with stress testing analysis to determine whether any additional capital is required for Pillar 2.

The Firm is a limited license EUR 50,000 firm and as such its capital requirements are the greater of:

- Its base capital requirement of EUR 50,000; or
- The sum of the market risk and credit risk capital requirements; or
- Its Fixed Overhead Requirement.

The Firm has calculated its capital requirement in accordance with the relevant FCA rules and the final level of capital is calculated as the fixed overhead requirement. On completion of the ICAAP process it was concluded that no additional Pillar 2 capital is required.

Remuneration Disclosure November 2017

As a BIPRU limited licence firm, Prestige Asset Management Limited (PAM) is within scope of the Financial Conduct Authority's (FCA) Remuneration Code SYSC 19C (the "Code"), which governs the application of remuneration policies and practices within the firm to promote sound and effective risk management. The Firm is classified as a Level 3 firm, which allows for a proportional approach to be taken in the application of the Code. In addition, PAM is required to make certain remuneration disclosures under the Basel Pillar 3 framework, as encapsulated in BIPRU 11.

Whilst appreciating the contribution that can be made by a remuneration committee, PAM considers that such a body would not be proportionate to the size and complexity of the business. The role of setting remuneration policy (the "Policy") is undertaken instead by PAM's governing body, with input and the monitoring of the application of the policy provided by the firm's Compliance Officer. The Policy is reviewed at least annually by the governing body, using all available information, for example risk metrics and financial performance reports.

Remuneration for Code Staff consists of either fixed ('salary') or a reimbursement of expenses for work completed on behalf of the firm. There are no bonus schemes and no other variable components. Salary is set in line with market rates to retain and if necessary attract appropriately skilled staff. The governing body reserve the right to introduce bonus or other variable rate schemes but in doing so they would be performance related, taking into consideration both success in meeting individual targets, and the overall results of the firm, especially the accrual of success-related fee income. Individual targets would not relate solely to financial criteria, but would also look at skills acquisition, compliance with regulatory obligations, and adherence to effective risk management over both the short and long-term time horizon. Such Bonuses would normally be paid in the year that they are declared as the total salary and the variable element would be unlikely to breach the criteria where deferral for later payment is required. Such payments would not be considered unless the firm was either in profit or had made a profit in the financial period and would be consistent with the underlying principles of the Remuneration code as implemented in the firm's policy.

PAM's business falls within one business area (the provision of marketing and administration services to specific investment management firms). Aggregate remuneration data is provided on a firm-wide basis. For the financial year ended 31 December 2016, aggregate remuneration awarded to senior management within the single marketing and administration services business area was all of a fixed nature, was minimal and certainly less than GBP 1 million.



MARKETING AND DISTRIBUTION SERVICES AGENT

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Authorised and regulated by the Financial Conduct Authority (FCA)

Member of the Alternative Investment Management Association (AIMA)

Member of the Chartered Institute for Securities & Investment (CISI)