COURTIERS

Pillar 3 Disclosures at 31 March 2020

The Financial Conduct Authority (FCA) requires Courtiers Investment Services Limited ("CISL") to make a disclosure in accordance with the Prudential Sourcebook for Investment Firms (IFPRU).

Basis of Disclosures

IFPRU 9 requires CISL to disclose Return on Asset. This is calculated using net profit divided by total balance sheet.

	2020	2019
	£	£
Profit after tax for the financial year	722,297	206,754
Net Assets	2,901,368	2,179,071
Return on Asset	24.9%	9.5%

In 2020, Return on Asset increased from 9.5% to 24.9% from the previous year, Courtiers Investment Services pre-tax profits had risen due to general decrease in overhead plus an increase in turnover. Debtors which, at the year end, was primarily intercompany debt, increased the Net Assets as Courtiers continue to invest for the future.

The Capital Requirements Directive IV ("CRD") of the European Union created a revised regulatory capital framework across Europe governing how much capital financial services firms must retain. The rules are set out in the CRD under three pillars:

Pillar 1 sets out the minimum capital resource requirement firms are required to maintain to meet identified risks including credit, market and operational risks.

Pillar 2 requires firms to assess firm-specific risks not covered by Pillar 1 and, where necessary, maintain additional capital. This is implemented through an ongoing Internal Capital Adequacy Assessment Process (ICAAP) undertaken by the firm.

Pillar 3 requires firms to disclose information regarding their risk assessment process and capital resources. The intention of this is to encourage market discipline by allowing market participants to assess key information on risk exposure and the risk assessment process.

EU Regulations set out the provision for Pillar 3 disclosure. The remainder of this document is designed to meet our Pillar 3 disclosure obligations. The Pillar 3 disclosures have been reviewed and approved by the Board and will be issued on an annual basis. The disclosures are not subject to audit.

The firm is classified as an IFPRU €125,000 limited licence firm, which holds client money and assets but does not trade on its own account.

In line with EU Regulation 575/2013[1] we have read through all the articles and have disclosed all items that in our opinion are relevant to CISL. All figures below are calculated in respect of CISL being the firm which is subject to EU CRR.

Capital Resources

		31st March 2020
		£ 000s
OWN FUNDS		**2,898**
TIER 1 CAPITAL		**2,898**
COMMON EQUITY TIER 1 CAPITAL		**2,898**
Capital instruments eligible as CET1 Capital		**227**
Paid up capital instruments		215
Share premium		12
Deductible deferred tax assets that rely on future profitability and arise from temporary differences		**0**
Retained earnings (including profits which have been audited since 31 March 2020)		**2,671**
Previous years retained earnings		1,949
Profit or loss attributable to owners of the parent		**722**
Part of interim or year-end profit not eligible (audited since 31 March 2020)		0
Exposures		**13,593**
Of which: Investment firms under Article 96 paragraph 2 and Article 97 of CRR		13,593
RISK WEIGHTED EXPOSURE AMOUNTS FOR CREDIT, COUNTERPARTY CREDIT AND DILUTION RISKS AND FREE DELIVERIES		**4,469**
Standardised Approach (SA)		**4,469**
SA exposure classes excluding securitisation positions		**4,469**
Institutions		419
Corporates		3524
Retail		364
		0
Items associated with particular high risk	0	
Equity		0
Other items		162
ADDITIONAL RISK EXPOSURE AMOUNT DUE TO FIXED OVERHEADS		**9,125**

[1] Regulation (EU) 575/2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) number 648/2012

Summary

Capital resource	2,898
Capital requirement based on 8% of 13,593 (calculated exposure (being based on the most stringent of the EU CRR requirements))	1,087
Surplus of Capital resource as at 31 March 2020 under Pillar 1	**1,811**

Governance

The Directors of CISL take risk management seriously with risk and compliance being reviewed at all Board Meetings.

The risk appetite is discussed and agreed by the board and in summary there is a low risk tolerance in matters that would affect capital value, investment, the brand, customers and legislation and a medium risk tolerance in matters relating to tactical and development opportunities.

The board are satisfied that adequate reviews and processes are in place to identify risks that are material and probable that could impact the ability to achieve the company's strategic objectives.

CISL has a strong compliance department that oversees the activities in CISL.

The Head of Company Accounts and Finance is responsible for monitoring capital adequacy and generating the Internal Capital Adequacy Assessment Process (ICAAP) for review by the Board. The ICAAP is produced every year and more frequently if required.

CISL runs its own Risk Management Committee, which meet on a monthly basis and then present their findings to the Board. The Board will then act on any issues which are above their risk tolerance in order to protect the firm but not to stifle the business. The committee reviews risks and potential conflicts of interest across each business, including within the ICVC and discretionary managed model portfolios.

A review of new risks is undertaken on an annual basis and these risks are RAG-rated (red-amber-green) accordingly. Interim reviews of these risks and potential mitigating factors are undertaken quarterly.

The objective of the committee and these reviews are to identify and evaluate significant risks assess them in terms of magnitude of impact, determine a response strategy and monitor progress.

Each Risk Management Committee is comprised of the Compliance Officer, Head of Investment, Accounting and Dealing, Head of Compliance (CISL), Head of Compliance & Risk (CAML) and any other external or internal representatives as each committee deems appropriate. The Chief Executive Officer, who is also on the Board, is the only member with directorship and sits on each committee and is authorised by the Board to take any action to mitigate any risk that is considered outside the risk tolerance.

In addition, a risk review is undertaken by each department on an annual basis and these risks are also RAG-rated. Interim reviews of these risks and potential mitigating factors are undertaken quarterly. These reviews cover all activities undertaken by CISL.

The Senior Management Team and the Board review all Group-wide risks with the aim of identifying the key risks to the Group. The Risk Management Committee meet quarterly. Once identified, the Board instigates a strategy to mitigate these risks with the aim of preventing them from crystallising. This is done with the assistance of the Senior Management Team.

The Senior Management Team includes one Director, Jamie Shepperd (who also holds directorship in 10 other companies) and the heads of all departments. Heads of departments are selected based on experience, skills and qualification which gives a diverse range of knowledge and the ability to achieve objective and targets.

The Board have assessed the adequacy of the risk management arrangement of the Company and consider these provide assurances that the systems are adequate with regards to the Company's profile and strategy.

The Board is also satisfied that the risk profile of the company is in line with the agreed risk tolerance and appetite.

Key Risks Faced

Operational Risk is defined as the risk of loss arising from inadequate processes, failed processes or systems or from external events.

Operational risk is minimised by internal controls and loss mitigation tools, which includes insurance.

Operational risk can never be eradicated but can be minimised and the risk procedures mentioned in the previous section aim to do this.

Operational risk is quantified in the latest ICAAP as being £270,000 and is made up of various different elements.

Credit Risk is the loss suffered should a counterparty fail to perform. The capital allocated in the most recent ICAAP was £254,000 based on the pillar 1 calculation. All exposure is classified as UK-based.
For accounting purposes past due is defined as an exposure not received by its contractual date. Impaired would be defined as a client or company who is unable to pay in full or there is a significant doubt.

The company adopts the standard approach for credit risk for pillar 1 purposes, for pillar 2 purpose we then assess any specific factors that would warrant an adjustment to the pillar 1 credit risk calculation.

Substantially all credit risk exposure is in the UK. It is not possible to breakdown corporate and retail classes any further.

Market Risk – The Company has no non basic financial instruments and therefore there is no exposure to this type of risk.

Regulatory Risk – Increased regulation together with the loss of FCA permissions present a risk. It is assumed that a cost of additional compliance and specialist advice of £70,000 may be incurred at some stage.

Key Staff – Two or three key staff could leave or become incapacitated and the cost of buying in the expertise could be £60,000 to cover the immediate issues.

Insurance Risk - The firm uses insurance to cover the risk to which it is exposed. The risk that in the event of a claim the insurer may not meet its obligation and leaving us with the full exposure to the risk to fund the claim, such risk include DB pension where individuals may feel that advice given was not appropriate at the time and file a complaint. The capital allocated in the most recent ICAAP was £150,000.

CISL does not normally hold foreign currency balances and consequently there are no exposures to exchange rate fluctuations.

Although changes in interest rates will impact revenue it does not present a significant risk to CISL.

Liquidity Risk is the risk that CISL does not have significant resources to enable it to meet obligations as they fall due. The company policy is to maintain sufficient liquidity to meet all obligations and stress testing is done as part of the ICAAP process to ensure we set the liquidity levels correctly.

Business Risk comprises any risk from changes in business conditions which would mean the firm may not be able to carry out its business plan. We have consider the impact of Covid as a part of the review. These risks are tested as part of the ICAAP process.

No internal capital requirement for this risk was identified in this ICAAP.

Capital Adequacy –

Pillar 1 Capital Adequacy is monitored constantly.

Pillar 2 assesses internal capital adequacy via the ICAAP and this takes account of current and planned activities, stress testing and any other risks identified. The ICAAP is produced every twelve months or more frequently if deemed necessary.

Remuneration

Courtiers Supports Services Limted (“CSSL”) is part of the Courtiers Group. Some members of CSSL staff provide services to other entities within the Group this is reflected in how they are remunerated. CSSL’s remuneration policy is consistent with the remuneration policy of the other UK-based entities within the Group and, in particular, with the remuneration policy that applies to Courtiers Asset Management Ltd and Courtiers Investment Services Ltd. The policy is designed to ensure that the firm does not encourage any excessive risk taking and that staff interests are aligned with those of our clients. We are classified as a level 3 firm within SYSC 19 Remuneration Code with regard to remuneration policies and consider our disclosures are appropriate for a firm of this size.

CISL provides remuneration in the form and amount that is consistent with the FCA’s Remuneration Code as set out in SYSC 19A of the FCA Handbook.

CISL has a fixed salary policy which operates five financial incentive schemes. The schemes can be amended as required and the fact that any scheme was available in one financial year does not generate any contractual obligation to offer it in subsequent years.

- Phantom Share Option Scheme
- Company Bonus Scheme
- Adviser Bonus Scheme
- Investment Team Bonus Scheme
- Adviser New Business Bonus Scheme

CISL does not award guaranteed variable remuneration.

CISL’s remuneration policy is reviewed periodically as necessary and at least annually by the Board.

In 2020 all Directors were employed and paid through Courtiers Support Services Limited. Directors’ remuneration for the year including benefits in kind amounted to £116,430.