

Introduction

Dewhurst Torevell & Co Limited (the firm) is classified as a Limited Licence €125,000 firm and, as such, is required to comply with the three Pillars of Basel II (the Capital Requirements Directive). The three Pillars that make up the Capital Requirements Directive are set out below.

| Capital Requirements Directive | | |
|---------------------------------------|---|-----------------|
| Pillar 1 | Pillar 2 | Pillar 3 |
| Minimum Capital Requirements | Additional capital requirements based on risks not covered in Pillar 1 and addressed via Internal Capital Adequacy Assessment Process (ICAAP) and other risk management processes | Disclosure |

This document is designed to satisfy the requirements of Pillar 3 by setting out the firm’s risk management objectives and policies. For the avoidance of doubt, whilst this is a public document, it does not constitute a financial statement, record or opinion of Dewhurst Torevell.

The aim of Pillar 3 is to encourage market discipline by developing a set of disclosure requirements for investment firms and credit institutions that will allow other market participants to assess key pieces of information on a firm's capital, risk exposures and risk assessment processes. The disclosures are to be made public for the benefit of the market.

The firm does not use the IRB Approach when calculating its Credit Risk Capital Component. The firm is not subject to consolidated supervision.

Risk Management Policies and Objectives

The firm is a limited company wholly owned by its directors and senior management. The company is authorised and regulated by the Financial Conduct Authority (“FCA”) as Independent Financial Advisers. Our FCA Register number is 183210 and was established in March 1997, being regulated from the outset by the PIA. The company provides independent financial advice to high net worth individuals, trusts and small corporate bodies. It is authorised to handle client money and provide a safe custody service for client assets. Dewhurst Torevell does not carry out discretionary management; it operates on an active advisory basis. The company has a strong reputation in the market place for providing quality service and has a longstanding client base. Our permitted business is advising and arranging investment business, life insurance and pensions (including transfers and opt outs).

Where possible, the firm will attempt to manage all the risks that arise from its operations. As the firm is a Limited Licence €125,000 firm it is not usually exposed to Credit Risk, Market Risk (including interest rate risk) or Operational Risk. However, the firm has separately considered the risks associated with its business and these are detailed both in the ICAAP and later in this document.

The ways in which the firm manages the risks faced include producing key risk information and indicators to measure and monitor performance and using the Board of directors to monitor and control specific risks.

Risk profile disclosure document – year ended 30 June 2015

Credit Risk

‘The risk that a counterparty will fail to meet its obligations.’ The company has only incidental credit risk exposures and so has chosen to adopt the simplified standard approach when calculating the credit risk requirement. A single weight of 8% has been applied to all exposures in this class. From a practical perspective this is classed as trade debtors.

Market risk

‘The risk arising from fluctuations in asset values, income generated from assets, interest rates or exchange rates.’ The company does not take principal positions. The company’s exposure to market risk is derived from the relationship between market values and the income structure of the business. Income generated from assets held on platforms will decline if the market falls. The risk to capital is low as the company continues to grow its assets under influence. Should the company be required to do so, costs could be reduced significantly without harming the business.

The company holds fixed asset investments in a range unit trust funds. The cost of these investments at 30 June 2015 is £358,306. At 30 June 2015 the holdings were valued at £474,142 (excluding dividends received over the period). The funds are used widely and so can be seen within the majority of client portfolios. The performance of the funds has been consistently good and the capital risk is considered to be low. It should be noted that if anything catastrophic were to happen to the funds then the implication on the business as a whole and the wider client base would be significant.

Operational risk

‘The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.’

Risks not applicable to the company

Liquidity risk

Insurance risk

Concentration risk

Interest rate risk

Securitisation risk

Pension obligation risk

Risk Management Function

The directors take risk management seriously and have regular directors meetings when risk may be discussed. As the company is owned and controlled by a small number of directors/senior managers, there is no need to have a separate risk committee. The risk aspect of any new business propositions will be considered at an appropriate stage. The monthly directors’ business meeting includes a regular compliance agenda item and this addresses specific risk if necessary.

Risk Reporting and Management Systems

There are a number of reports and processes that are employed by the firm to enable key risks to be identified, reported to appropriate personnel for consideration and, where required, action and managed. These include:

Compliance Risk Assessment

This is an assessment of all relevant risks that the firm is likely to face in the next twelve months and is performed on an annual basis to be effective at the start of the financial year. This element of the compliance plan is presented to the board for review and approval and is used as the basis for the firm’s compliance monitoring for the following period.

Risk profile disclosure document – year ended 30 June 2015

Compliance Resource Assessment

This assessment determines the level of internal compliance resource required by the firm for the period covered by the compliance risk assessment and will identify shortfalls in resourcing that could lead to compliance weaknesses and breaches. This is performed bi-annually and is presented as part of the compliance officer's report to the board.

Money Laundering Risk Assessment

A forward looking assessment of the risks the firm faces from money laundering and wider financial crime takes place as part of the MLRO bi-annual report. The MLRO will use this assessment to drive the necessary anti financial crime initiatives within the firm.

Compliance Oversight Officer's Report

A bi-annual consideration of the standard of the firm's compliance over the preceding half year. The report is presented to the board for consideration and action as necessary.

MLRO Report

A bi-annual consideration of the standard of the firm's anti money laundering and other financial crime practices over the preceding half year. The report is presented to the firm's board for consideration and action as necessary.

Remuneration policy and practices

No separate remuneration committee exists; this function is undertaken by the governing body of the firm. The firm is not considered to be large enough to warrant the establishment of such a committee. The firm retains the service of a single non-executive director and apart from the external auditors and compliance consultants, does not engage the services of specialist consultants.

Remuneration policy

This policy applies to executive directors and other senior managers with a material impact on the firm's risk profile ('Code Staff'):

The overall policy is that the remuneration of executive directors and other Code Staff should comply with the FCA's Remuneration Code as far as practical, with an appropriate balance being struck between financial performance and risk management;

A material part of the remuneration of executive directors and other Code Staff is variable based on the firm's financial performance as a whole. In respect of Code Staff, it is also based on individual performance, using predetermined targets to motivate and reward success. In years where business performance does not merit the award of a bonus, no bonus is paid.

Pay and performance

The executive directors and other Code Staff receive bonuses which reflect the firm's overall net profitability. A similar approach is adopted for all other staff. The approach ensures that threshold conditions regarding sustainable levels of capital and liquidity are maintained.

There is no minimum amount of variable pay and the maximum amount in the 2015 year, as a percentage of basic salary, was 80% for executive directors and up to 10% for other Code Staff.

Aggregate remuneration data:

The total fixed pay to employees in the year ended 30 June 2015 was £1,753k, total undeferred variable pay was £1,275k.

Risk profile disclosure document – year ended 30 June 2015

Details of remuneration paid to Directors/Code Staff are as follows:

| | |
|--------------|------------|
| | £'000 |
| Fixed pay | 327 |
| Variable pay | 1,085 |
| Benefits | 28 |
| Pension | <u>216</u> |
| Total | 1,656 |

Capital Resources

The firm's capital resources comprise entirely share capital and audited reserves.

Capital ratios

| | 30/06/2015 | 30/06/2014 |
|------------------------------|--------------|--------------|
| Tier 1 | | |
| Share capital | 102 | 102 |
| Capital redemption reserve | 38 | 38 |
| Profit & loss account | 1,001 | 1,137 |
| Core tier 1 capital | 1,141 | 1,277 |
| Tier 2 | | |
| Revaluation reserve | 116 | 105 |
| Total capital | 1,257 | 1,382 |
| Risk asset ratios | | |
| CET1/TRE (threshold 4.5%) | 12.47% | 14.58% |
| Own funds/TRE (threshold 8%) | 13.88% | 16.06% |

Integration into Business Strategy

It is the intention of the firm to maintain sufficient capital resources to allow it to continue to operate profitably in the independent financial advice sector and to provide a reasonable return for the shareholders of the firm.

Internal Capital Adequacy Assessment Process (“ICAAP”)

The ICAAP combines Pillar 1 and Pillar 2 requirements and involves a detailed analysis of the various elements of the business to understand the need for capital in the forthcoming period. Various models are tested in the process to identify areas where additional capital may be required to manage the risks to which the firm is exposed. It has been concluded that regulatory capital is an appropriate measure of the level of capital to be held within the business. The relative simplicity of the business means that the company does not need any additional capital to meet its objectives.