



# Pillar 3 Disclosure & Remuneration Policy

**8AM Global LLP**

## **RISK PROFILE DISCLOSURE**

### **CAPITAL RESOURCES DIRECTIVE BASEL II PILLAR 3 DISCLOSURE**

**30/06/19 INTRODUCTION**

8AM Global LLP (the firm)(8AMG) is classified as a Limited Licence €50,000 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	Internal Capital Adequacy Assessment Process (ICAAP) and Supervisory Review and Evaluation Process (SREP)	Disclosure

This document is designed to satisfy the requirements of Pillar 3 by setting out the firm's risk management objectives and policies.

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.

All figures in this document are correct at 30/06/19 unless stated otherwise.

## **RISK MANAGEMENT POLICIES AND OBJECTIVES**

The firm is an LLP established in 2006. It is primarily a Fund Management operation, currently managing one Collective Investment Scheme with a total of six sub-funds. It also manages Model Portfolio Services on Financial Platforms (Transact, Aviva, etc.)

Where possible, the firm will attempt to manage all the risks that arise from its operations. As the firm is a Limited Licence €50,000 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 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 Management and Board Committees to monitor and control specific risks.

Operational Risk is managed at two levels: internally and externally. Internally, the firm operates segregation of duties to the best of its ability given the size of the business. The firm has external auditors. The auditor has not qualified its opinion. There is regular dialogue between all staff in an open plan office and any issues are brought to the attention of all operational Partners as appropriate.

Externally, The Funds the Firm manages have outsourced the key activities of ACD, Administrator and Depositary to WAY Funds Ltd, and Northern Trust Ltd respectively. As such the Firm is neither responsible for maintaining the books and records of the funds nor of settling the trades that are executed on their behalf. The firms are regulated entities and as such are subject to equivalent regulatory jurisdiction as is the Firm. The outsourcing of these activities to specialists in their field reduces the Firm's operational risk and as such not only does not require the need for any additional operational risk capital requirement but could be construed as providing an adjusting factor reducing the Firm's overall ICAAP capital requirements.

The Model Portfolio Services are run by 8AM from an investment perspective with all investment decisions being taken within relevant investment committees. Decisions on portfolio changes are then transmitted to the Financial Platforms who are responsible for all aspects of transaction management and settlement. 8AM only has an agreement with the platform and the Intermediary (Financial Adviser – who is deemed a Professional Investor). There is no contact or agreement with the underlying client.

Liquidity Risk. The Firm will always have sufficient liquid cash resources in order to meet its liabilities. Therefore, there is no need to provide additional capital to cover this risk. Business Risk The firm's operational activities have been organised in a manner such that in the event of any operational partner becoming incapacitated, the Firm can service its clients and maintain its operational integrity in the short term. A longer term strategy is also in place.

Market Risk .The firm's revenues are a function of the value of the overall portfolio under management. We have applied two stress tests: that FUM will remain at current levels, and that FUM will decrease by 62% in the next 12 months. The test demonstrates that the firm can continue to meet its obligations even under these conditions. Clearly a reduction in FUM would have a serious impact on the business. However 8AMG is in a period of change and seeking to expand and the risk of this is seen as minimal.

## **RISK MANAGEMENT FUNCTION**

### **Structure**

Risk management is overseen by 8AMG's Compliance Officer, Jeremy Nunn. However in practice risks are constantly assessed by 8AMG's four active partners.



## **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. The report is presented to the firm's governing body for review and approval and is used as the basis for the firm's compliance monitoring for the following period.

### **Compliance Oversight Officer's Report**

An annual consideration of the standard of the firm's compliance over the preceding year. The report is presented to the firm's governing body for consideration and action as necessary.

### **MLRO Report**

An annual consideration of the standard of the firm's anti money laundering and other financial crime practices over the preceding year. The report is presented to the firm's governing body for consideration and action as necessary.

## **CAPITAL RESOURCES**

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

Tier 1, Tier 2 and Tier 3 capital is as set out below:

Tier 1 Capital	
Gross	£101,376
Less Innovative Tier 1 capital	£0
Deductions	£0
Net	£101,376

Tier 2 Capital
----------------



Gross	£0
Plus Innovative Tier 1 capital	£0
Deductions	£0
Net	£0

Tier 3 Capital	
Gross	£0
Net	£0

Total Capital Resources	
Gross*	£101,376
Deductions	£0
Net	£101,376

[\*NET OF DEDUCTIONS IN GENPRU 2.2 AND LIMITS LAID DOWN IN GENPRU 2.2.25R TO 30R AND GENPRU 2.2.42R TO 50R]

### **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 UK Retail Fund Management sector and to provide a reasonable return for the partners of the firm. In order to maintain this capital the firm must generate and retain profits that will add to the firm's financial reserves.

### **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.

The result of the ICAAP is challenged by a party independent of the preparation of the ICAAP and this is ultimately reviewed and approved by the firm's governing body to ensure that there is sufficient capital within the firm to meet our future plans and anticipated risks.

## **FCA Remuneration Code**

The Remuneration Code's objective is to ensure that all regulated firms and their related parties (i) have robust governance arrangements in place, (ii) have established remuneration controls for staff members whose professional activities could have a material impact on the risk profile of their firms, and (iii) have prepared qualitative and quantitative disclosures of their remuneration policies. 8AMG is authorised and regulated by the FCA. As a result, 8AMG, its employees and partners are subject to the Remuneration Code. 8AMG is a BIPRU Limited License Firm and, under the classification provisions set out in the Remuneration Code, is considered to be a Tier 4 firm.

## **Applicability of the Remuneration Code**

The Principles of the Remuneration Code are codified in the SYSC Handbook 19A. Under SYSC 19A.3.7, 8AMG must establish, implement and maintain remuneration policies, procedures and practices that are consistent with and promote effective risk management. The policies, procedures and practices must not encourage excessive risk-taking. The FSA expects 8AMG to apply the Remuneration Code in a proportionate manner based on the size, nature and complexity of its business. 8AMG is required to assess its own characteristics and to develop and implement remuneration policies and practices that appropriately align the firm with the risks faced by the business. 8AMG must also ensure that adequate and effective incentives are given to its employees and members (collectively defined as "Staff"). The FSA is not expecting all firms to adhere to the remuneration requirements in the same way and to the same extent - ie there is no "one size fits all" approach. In developing its policies, procedures, and practices, 8AMG has taken into account its structure (a Limited Liability Partnership or "LLP") and the size, nature and complexity of its business.

## **Identification of Code Staff**

As a Tier 4 firm, 8AMG is required to identify those members of Staff who are covered by the Remuneration Code ("Code Staff"). Because of its small size and the responsibilities assumed by Staff, 8AMG considers all Staff to be Code Staff. Code Staff generally includes any Staff who are Approved Persons on the FCA Register, senior management of the firm, Staff engaged in control functions (such as dealing), Staff that receive total remuneration in an amount similar to that of other members of senior management, risk takers and Staff whose professional activities (including members of the marketing dept.) could have a material impact on 8AMG's risk profile or day to day business operations. The more burdensome provisions of Principle 12 of the Remuneration Code (ie the requirement to restrict the ratio of discretionary payments to base salary/bonuses, to defer remuneration and/or bonuses over a period of time or to pay a portion of remuneration in shares) do not apply to 8AMG's business. As of 30th June 2019, 8AMG had five staff all of whom are deemed to be Code Staff. Code Staff are provided an update of 8AMG's remuneration code when the Pillar 3 Disclosure is updated, no less frequently than annually. It is also supplied to any new members of Staff joining.

