

**INVESTMENT QUORUM LTD**

**CAPITAL RESOURCES DIRECTIVE**

**BASEL II - PILLAR 3 DISCLOSURE**

**January 2012**

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**INTRODUCTION**

Investment Quorum Ltd (the firm) is classified as a BIPRU Limited Licence €50k 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 January 2011 unless stated otherwise.

## **RISK MANAGEMENT POLICIES AND OBJECTIVES**

The Firm acts as a wealth manager offering independent financial advice and investment services on both an advisory and discretionary basis.

Where possible, the firm will attempt to manage all the risks that arise from its operations. As the firm is a BIPRU Limited Licence €50k firm it is not usually exposed to Credit Risk, Market Risk (including interest rate risk) or Operational Risk. Nevertheless, the firm has separately considered the risks associated with its business.

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

The firm is not currently exposed to Market Risk, Position Risk, Foreign Exchange Risk, Counterparty Risk or Large Exposures resulting from the same, as the firm is not authorised to and does not Deal as Principal or underwrite new issues of securities.

The firm has potential Credit Risk arising from clients. However, in practice the firm's fees are invoiced to and settled direct from clients or by third party settlement. As a result the firm has virtually no credit risk exposure.

The firm is highly unlikely to have any significant exposures to any client or third party.

The firm is not subject to Consolidated Financial Reporting

## **RISK MANAGEMENT FUNCTION**

### **Structure**

IQ is a small firm with nine employees of which three are directors. The directors hold bi monthly meetings to review and identify any new risks and monitor previously identified risks.

### **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, actioned and managed. These may 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 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 annually and is presented to the firm's governing body for review and approval.

#### Money Laundering Risk Assessment

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

#### 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 has £55,000 of subordinated loans provided by the firm's directors.

The remainder of the firm's capital resources comprise entirely share capital and reserves.

Our Tier 1, Tier 2 and Tier 3 capital at 30 September 2011 is as set out below:

|            | Tier 1 Capital £000's |
|------------|-----------------------|
| Gross      | £140                  |
| Deductions | £0                    |
| Net        | £140                  |

|       | Tier 3 Capital £000's |
|-------|-----------------------|
| Gross | £55                   |
| Net   | £55                   |

|            | Total Capital Resources £000's |
|------------|--------------------------------|
| Gross*     | £195                           |
| Deductions | £0                             |
| Net        | £195                           |

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

## **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 private wealth management sector and to provide a reasonable return for the shareholders 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.

The firm considers it needs no further capital resources to meet any identified Pillar 2 requirements.