

## **Thomas Miller Investment Ltd**

### **Pillar 3 Disclosure: 31 December 2009**

#### **1. Introduction**

Thomas Miller Investment (“TMI”) is a trading name for Thomas Miller Investment Ltd (“TMIL”) and Thomas Miller Investment (Isle of Man) Limited (TMI-IOM”); the ultimate parent of both companies is Thomas Miller Holdings Ltd. TMI manages funds of mutual insurance businesses, charities, captive insurance companies, pension funds, private clients and trusts. TMI also provides cash management and treasury advice services. TMIL provides investment management services to UK based clients and client reporting and investment advisory services to TMI-IOM.

This disclosure is in respect of Thomas Miller Investment Ltd in the UK and does not include any of the activities or relate to the capital requirements of Thomas Miller Investment (Isle of Man) Limited.

The European Capital Requirements Directive (“the Directive”) establishes a revised regulatory capital framework across Europe governing the amount and nature of capital which credit institutions and investment firms must maintain. In the United Kingdom, the Directive has been implemented by the Financial Services Authority (“the FSA”) in its regulations through the General Prudential Sourcebook (“GENPRU”) and the Prudential Sourcebook for Banks, Building Societies and Investment Firms (“BIPRU”).

The Directive’s framework consists of three “Pillars”:

- Pillar 1 sets out the minimum capital amount that meets the firm’s credit, market and operational risk;
- Pillar 2 requires the firm to assess whether its capital is adequate to meet its risks that are not covered by Pillar 1 and is subject to review by the FSA; and
- Pillar 3 requires public disclosure of qualitative and quantitative information about the underlying risk management controls and capital position of a firm.

The rules in BIPRU 11 set out the provision for Pillar 3 disclosure. This document is designed to meet Thomas Miller Investment Ltd’s Pillar 3 obligations.

Thomas Miller Investment Ltd is permitted to omit required disclosures if it believes that the information is immaterial such that omission would be unlikely to change or influence the decision of a reader relying on that information. In addition Thomas Miller Investment Ltd may omit required disclosures where it believes that the information is regarded as proprietary or confidential.

The Company has made no omissions on the grounds that it is immaterial, proprietary or confidential.

#### **2. Scope and application of the requirements**

Thomas Miller Investment Ltd is authorised and regulated by the Financial Services Authority as a €50k limited licence firm (i.e. subject to the minimum regulatory capital

requirements). The Firm is an investment management company and has no trading book exposures. TMIL does not hold client money and assets but they control client money and assets for the purpose of settlement.

The Firm is not a member of a UK consolidated group or a non-EEA sub-group (BIPRU 8.5), therefore it is not required to prepare consolidated reporting for prudential purposes.

### **3. Risk management**

Thomas Miller Investment Ltd maintains a Risk Register which identifies the business objectives, the threat to achieving those objectives and an associated risk score based on probability and impact. Mitigating actions are noted and the impact on the associated risk scores, the Risk Register also shows the embedded monitor and early warning indicator for each risk and proposed improvement plan where relevant. The register is monitored by the management team and reviewed by the Directors at each board meeting.

The main areas of risk to which the Firm is exposed are set out below:

- Loss inherent in a firm's operations and environment (such as competition and adverse economic conditions) that may impair its ability to provide returns on investment.
- Loss resulting from inadequate or failed internal processes, people and systems or from external events.
- Loss of existing and prospective customers due to poor service, inappropriate investment policy and/or strategy leading to poor performance.
- Fines or loss of reputation due to Regulatory risk, including lack of compliance resources, inadequate client due diligence, money laundering procedures and training.

The firm maintains a risk and control framework and carries out operational and compliance monitoring to help identify weaknesses and potential failures.

### **4. Regulatory Capital**

Calculation of Pillar 1 Requirement;

A limited licence firm's capital resources requirement is the greater of:

- 1) the base capital resource requirement (€50,000); or
- 2) the sum of the credit risk requirement plus the market risk requirement; or
- 3) the fixed overhead requirement (operational risk).

In calculating its Pillar 1 Requirement, TMIL has adopted the fixed overhead requirement method to calculate operational risk and the simplified method of risk weighting to calculate its credit exposure. As the Company does not act as principal or hold proprietary positions in financial instruments, it does not have any market risk requirement under this heading.

The capital requirement calculation is set out below:

<b>Pillar 1 and Pillar 2 capital requirement</b>		
	<b>Pillar 1</b>	<b>ICAAP</b>
	<b>Minimum capital</b>	<b>Pillar 2 capital</b>
	<b>£000s</b>	<b>£000s</b>
Credit risk	<b>53</b>	
Market risk	<b>0</b>	
Operational risk	<b>n/a</b>	
Fixed Overhead Requirement (FOR)	<b>911</b>	
<b>Pillar 1 total</b>	<b>911</b>	<b>911</b>
Pillar 2 concentration risk		<b>0</b>
Pillar 2 economic risk		<b>0</b>
<b>Pillar 2 total</b>		<b>911</b>
Additional capital to cover stress testing		<b>0</b>
<b>Capital requirement</b>		<b>911</b>

The Firm's capital resources based on the audited Report and Financial Statements for the year ended 31 December 2009 is set out below:

<b>Core tier 1 Capital</b>	<b>£000s</b>
Called up share capital	<b>650</b>
Retained earnings and reserves	<b>689</b>
<b>Tier 1 Capital</b>	<b>1,339</b>
<b>Tier 2 Capital</b>	<b>0</b>
<b>Total Capital Resources</b>	<b>1,339</b>