

# Thomas Miller Wealth Management Limited

## Pillar 3 Disclosure: 2015

### 1. Introduction

Thomas Miller Investment (“TMI”) is the trading name for Thomas Miller Investment Ltd (“TMIL”), Thomas Miller Investment (Isle of Man) Limited (TMI-IOM”) and Thomas Miller Wealth Management Limited (“TMWM”); these companies are subsidiaries of Thomas Miller Investment Holdings (“TMIH”), based in Bermuda. TMIH is a 100% owned subsidiary of Thomas Miller Holdings Ltd. TMI manages funds of mutual insurance businesses together with charities, captive insurance companies, pension funds, private clients, trusts and collective funds.

TMWM provides discretionary investment management services and financial advice to both institutional and private clients. This disclosure is in respect of TMWM and does not include any of the activities or relate to the capital requirements of either TMI IOM or TMIL

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 Conduct Authority (“the FCA”) 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 FCA; 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 TMIL’s Pillar 3 obligations.

TMWM 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 TMWML 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**

TMWM is authorised and regulated by the Financial Conduct 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. TMWM does not hold client money and assets but may 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**

TMWM is included in the TMI Group risk register which identifies the TMI Groups business objective and the risks including the controls and mitigating actions as well as key risk indicators. The risk register is reviewed by the Directors at each board meeting.

There is a TMIH Audit & Risk Committee chaired by an Independent Non Executive Director which oversees the TMI Groups risks, its members are solely Independent Non Executive Directors with executive staff reporting to the Committee as required.

Following a review of the risk register the main areas of risk to which TMWM is exposed are listed below:

1. Loss of key staff, especially revenue generating front-office staff, which leads to a significant loss of clients and impacts revenue growth.
2. Ineffective investment process and/or poor investment performance, leading to inability to win new business.
3. Major sustained market downturn.
4. Lack of profitability / Inability to absorb the TMI UK PIM business if Assets Under Management (AUM) cannot build up to the preferred range of £100 - £500 million.

The TMI Group maintains a risk management framework and a risk appetite, both of which enable the Company to monitor its risks in order to identify potential weaknesses and 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, TMWM has adopted the fixed overhead requirement method to calculate operational risk and the simplified method of risk weighting to calculate its credit exposure. As TMWM 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*</b>	<b>ICAAP*</b>
	<b>Minimum capital</b>	<b>Pillar 2 capital</b>
	<b>£000s</b>	<b>£000s</b>
Credit risk	<b>123</b>	
Market risk	<b>0</b>	
Operational risk	<b>0</b>	
Fixed Overhead Requirement (FOR)	<b>1,291</b>	
<b>Pillar 1 total</b>	<b>1,291</b>	<b>1,291</b>
Pillar 2 concentration risk		<b>0</b>
Pillar 2 economic risk		<b>0</b>
<b>Pillar 2 total</b>		<b>1,291</b>
Additional capital to cover stress testing		<b>0</b>
<b>ICAAP Capital</b>		<b>1,291</b>
<b>Current total capital</b>	<b>1,357</b>	<b>1,357</b>
<b>Surplus</b>	<b>66</b>	<b>66</b>

\*Data based on 30 June 2015 FCA regulatory returns.

#### **4. Remuneration Disclosure**

In accordance with FCA Handbook BIPRU11.5.18R we can disclose the following information in respect of TMWM as a proportionality tier three firm ;

##### **BIPRU11.5.18R (1) &(2)**

TMWM is part of the Thomas Miller Group and is subject to the Thomas Miller Group remuneration policy.

The Thomas Miller Group operates an annual discretionary bonus scheme which TMWM Code Staff are eligible to participate in. The scheme's purpose is to reward staff who have met or exceeded expectations during the review year and is operated on the basis of performance ratings (on a scale of 2, 3, 4 and 5 respectively). Performance is measured on achieving objectives and demonstrating behaviours which are rated by both a line manager and 2nd line manager as part of a formal annual review process, overseen by HR.

TMWM code staff are eligible for participation and awards typically range from 5 – 15% of basic salary, depending on the rating awarded. The range of awards is determined by the Thomas Miller Holdings and Thomas Miller & Co Boards and is

based on the accrual from the previous year and the bonus budget available. The top end of the Group bonus range applicable to TMWM Code Staff (and all other employees other than Holdings Board Directors) has never exceeded 15% and is unlikely to do so in the future. Payments under the Group discretionary bonus scheme are made in July each year and no portion of the bonus is deferred.

All remuneration decisions are made on the basis of a system of governance, comprised of the Thomas Miller & Co Board (Remuneration Group), the Thomas Miller Holdings HR Committee, with oversight by the Thomas Miller Group HR Director. The Thomas Miller Group bonus scheme is a 'traditional' scheme, which is naturally risk averse, being based largely on the achievement of competencies (i.e. soft/ behavioural competence rather than hard targets). Employees are rewarded, therefore, largely for how they do something, rather than what they do. This encourages team working, collaboration and a long-term view of, for example, business development.

In addition to the Thomas Miller Group scheme certain code staff may be eligible to join the Thomas Miller Long Term Share Acquisition Plan (LTSAP). The LTSAP is a share scheme available to certain code staff and is awarded if the Thomas Miller Group attains specific profitability above the Thomas Miller Corporate Plan. The scheme is a long term incentive scheme, but is only linked to personal performance in the sense that senior staff are able to influence Thomas Millers business results and therefore profitability. The terms of the LTSAP scheme and awards made under these terms are agreed by the Thomas Miller Remuneration and Nominations Committee.

A TMWM staff retention scheme is available to qualifying staff transferring to TMI as a result of the acquisition of Broadstone Wealth Management Limited. Payments may be made to qualifying staff at defined dates as specified by the Sale & Purchase Agreement, the amount of the final payment is subject to the discretion of the Board of Thomas Miller & Co.

A quarterly cash bonus is available to certain TMWM code staff. Awards are based on revenue and are designed to reward client retention as well as new business. Awards are subject to downward adjustments where quality and compliance standards are not met. Awards are made at the discretion of the Board of Thomas Miller & Co.

Lastly, code staff may be eligible for the TMI Sales Commission Scheme ("The Scheme"). The Scheme is a cash bonus available to certain TMI employees involved in business development. Remuneration is awarded based on the first year's revenue (and in some cases second year) derived from introduced business and is payable in instalments. The Scheme is structured to ensure that employees are incentivised whilst at the same time promoting responsible risk management.

#### **BIPRU11.5.18R (6) & (7)**

Number of executive remuneration code staff for the year ending 31 July 2015 – 29.

Aggregate quantitative remuneration for remuneration code staff for the year ending 31 July 2015- £2,453,622. Aggregate remuneration is based on payments received by transferring staff from 1 December 2014 to 31 July 2015. All other executive staff remuneration is for entire period.

#### **December 2015**