Thomas Miller Investment Ltd
Pillar 3 Disclosure: 2019

1. Introduction

Thomas Miller Investment (“TMI”) is the trading name for Thomas Miller Investment Ltd (“TMIL”) and Thomas Miller Investment (Isle of Man) Limited (“TMI-IOM”). These companies are subsidiaries of Thomas Miller Investment Holdings Ltd (“TMIH”), based in Bermuda. TMIH is a 100% owned subsidiary of Thomas Miller Holdings (“TMH”) Ltd. TMI manages funds of mutual insurance businesses and other institutional clients.

TMIL provides investment management services to UK based clients and investment advisory services to TMI-IOM. This disclosure is in respect of TMIL and does not include any of the activities or relate to the capital requirements of TMI IOM.

The European Capital Requirements Directive (“the Directive”) established a 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 Handbook 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 firms are required to meet for credit, market and operational risk;

- Pillar 2 requires firms to assess if additional capital is required for the risks that are not covered by Pillar 1. In the UK, this is implemented through the Internal Capital Adequacy Assessment Process (ICAAP); and

- Pillar 3 requires firms to publicly disclose certain information about their risks, capital and risk management controls.

The rules in BIPRU 11 of the FCA Handbook set out the provision for Pillar 3 disclosure. This document is designed to meet TMIL’s Pillar 3 obligations.

TMIL 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 TMIL 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

TMIL is authorised and regulated by the FCA. It is an investment management company and has no trading book exposures. TMIL 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). Consequently, it is not required to prepare consolidated reporting for prudential purposes.

3. Risk management

Risk management in TMIL is based on three lines of defence:

First Line – Business management and staff;
Second Line – Compliance and Risk; and
Third line – Internal Audit

TMI maintains a risk management framework which is designed to monitor its risks in order to identify potential weaknesses or failures. A risk register identifies the business objectives, risks, controls and key risk indicators.

The TMIL Board meets at least four times a year. It is responsible for ensuring that an effective control framework is in place and it reviews and approves the firm's risk appetite and risk register on an annual basis.

There is a TMH Risk Committee chaired by an Independent Non-Executive Director which oversees the TMH Group's risks including TMIL.

4. Regulatory Capital

TMIL is a BIPRU €50k limited licence firm.

Calculation of Pillar 1 Requirement (minimum capital requirement)

As a BIPRU €50k limited licence firm, TMIL's minimum 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.

The capital requirement calculation is set out below:

	Pillar 1*	ICAAP*
	Minimum capital	**Pillar 2 capital**
	£000s	**£000s**
Credit risk	85*	0
Market risk	0	0
Operational risk		100
Fixed Overhead Requirement	896	
Pillar 1 total	**896**	
Pillar 2 risks		608
Pillar 2 total		**608**
Additional capital to cover stress testing		0
ICAAP Capital		**708**
Current total capital	**1,264**	**1,264**
Surplus	**368**	**556**

*Data based on 30 June 2018 FCA regulatory returns.

Pillar 2

TMIL has policies and procedures to minimise operational risk. TMIL's breach and error procedures are designed to ensure that any incidents are investigated and reported to senior management promptly so that the operational issue is addressed and any client detriment made good.

Credit risk is not a material risk as TMIL is not exposed to credit risk other than in respect of fees receivable.

As TMIL does not act as principal or hold proprietary positions in financial instruments, it does not have any market risk.

5. Remuneration Disclosure

In accordance with FCA Handbook BIPRU11.5.18R, TMI discloses the following information in relation to its Remuneration Code Staff (senior management and other staff that can have a material impact on TMIL's risk profile:

The Thomas Miller Group operates an annual discretionary bonus scheme which TMIL 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 it is operated on the basis of performance ratings (on a scale of 2 to 5 respectively). Performance is measured on achieving objectives and demonstrating behaviours which are rated by a line manager as part of a formal annual review process, overseen by Human Resources (HR).

The range of awards in the TM discretionary bonus arrangement is determined by the Thomas Miller Group Executive Committee and Group Operating Committee and is based on the accrual from the previous year and the bonus budget available. 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 Remuneration and Nominations Committee and Group Operating Committee with oversight by the Thomas Miller Group HR Director. The Thomas Miller Group bonus scheme is currently designed to be risk averse by being based largely on the achievement of competencies (i.e. soft/ behavioural competence rather than hard targets). Employees are rewarded on a combination of what they do and how they do something.

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 and is not directly linked to personal performance except that those who receive a ‘poor performance’ rating would not receive a pay-out. Senior staff are able to influence the LTSAP through their contribution to Thomas Miller Group results and therefore profitability, although the link for the majority of code staff is remote. The terms of the LTSAP scheme and awards made under these terms are agreed by the Thomas Miller Remuneration and Nominations Committee.

Number of remuneration code staff for the year ending 31 December 2018 – 13] (10 senior management and 3 other employees).

Total aggregate quantitative remuneration for the year ending 31 December 2018 was £2,022,138. This included variable remuneration of £338,048.

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