

APT Wealth Management Limited

Internal Capital Adequacy Assessment Process

ICAAP Pillar 3

October 2018

APT Wealth Management Limited

Block B 1st Floor, Apex Business Centre,

Blackthorn Road, Sandyford, Dublin 18

012063010 | info@aptworkplacepensions.com | www.aptworkplacepensions.com

APT Wealth Management Limited is regulated by the Central Bank of Ireland

Introduction

The Internal Capital Adequacy Assessment Process (ICAAP) is the way in which the firm ensures that we have the appropriate level of capital necessary to operate. The Capital Requirements Directive (“CRD”) of the European Union created a revised regulatory capital framework across Europe based on the provisions of Basel II Capital Accord. The CRD was formally adopted by the EU on 14 June 2006 and became effective in Ireland on 1 January 2007. The CRD IV entered into force 17th July 2013, this update CRD transposed new standards on bank capital adequacy known as Basel III.

The rules are set out in the CRD under three pillars:

- Pillar 1 sets out the minimum capital resource requirement firms are required to maintain to meet credit, market and operational risks.
- Pillar 2 requires firms to assess firm-specific risks not covered by Pillar 1 and, where necessary, maintain additional capital.
- Pillar 3 requires firms to disclose information regarding their risk assessment process and capital resources with the aim to encourage market discipline by allowing market participants to assess key information on risk exposure and the risk assessment process.

Pillar 3 aims to promote greater market discipline by enhancing transparency in information disclosure. It means that more information concerning risks, risk management practices and capital adequacy will be made available to the public.

This document is designed to meet the Pillar 3 disclosure obligations.

Business Activities

APT ‘The firm’ engages in the following business activities under the respective authorizations;-

Insurance Mediation

As an insurance intermediary authorised to provide “insurance mediation” services, the areas of activity for the firm may be summarised as follows; -

Insurance mediation services to individuals in relation to Annuities, Approved Retirement Funds (ARF’s) and Personal Retirement Bonds (PRB’s).

The placing of group Death in Service and Income Protection policies for occupational pension scheme clients.

Markets in Financial Instruments Directive (MiFID)

As an investment firm regulated under MiFID, the firm engages in the following activities

- Provision of investment advice.
- The reception and transmission of orders in relation to one or more financial instruments.

The firm acts as Qualifying Fund Manager for the purpose of providing Approved Retirement Funds (“ARFs”). The firm is an approved Personal Retirement Bond (“PRB”) provider.

The principal business activities of the firm are the provision of financial advice to corporate and individual clients in relation to the nature and suitability of each product available; identification and selection of a suitable product producer and receipt and transmission of orders on behalf of clients for a product(s) to one or more product producers.

The products for which the firm has appointments to act are in relation to life assurance products, group risk policies and these also include life assurance policies, specified serious illness and other protection type policies, pension policies and saving and investment life assurance policies.

Basis of Disclosure

This disclosure document has been prepared by the firm in accordance with the requirements of Pillar 3. Disclosures will be updated on an annual basis and made available via the website as soon as practicable (www.apworkplacepensions.com). The Pillar 3 disclosures have been reviewed by the firm’s directors and approved by the Board. These disclosures do not constitute financial statements and are based on unaudited financial positions and should not be relied upon in making judgments about APT.

Risk Management Framework

We believe that a strong governance and compliance culture is central to the day to day running of our business and to the overall long term success of our business model. In essence, we believe our clients are best served in an environment where their interests are considered to be of paramount importance.

We foster a top down approach where our board and executive management team lead by example. Starting from the top, our board of Directors, are fully committed to maintaining appropriate standards of governance and compliance with independent oversight and accountability. Fostering such a culture has “knock-on” effects on our staff. We believe that this top down approach is the most effective and appropriate way to ensure compliance from all employees and to foster a culture of openness within the regulatory field.

We strive to ensure that we are fully compliant with the relevant regulations. We also strive not only to comply with the regulations but to encompass industry best practice in the services that we provide to customers and potential customers alike. We endeavour to act in the customers’ best interest and we believe that having a strong and efficient compliance team strengthens our customer relationships.

Corporate Governance

The firm has robust corporate governance arrangements which include a clear organisational structure with well defined, transparent and consistent lines of responsibility, effective processes to identify, manage, monitor and report the risks to which it is or might be exposed, adequate internal control mechanisms, including sound administrative and accounting procedures, IT systems, controls and practices which are consistent with and promote sound and effective risk management.

The governance arrangements are subject to regular internal review. The corporate governance structure and policies for the firm are articulated clearly and communicated to all appropriate staff.

The firm considers risk management to be an integral part of its internal controls. The firm aims to ensure that all its potential risks are identified and addressed in order to mitigate those risks.

The Firm monitors and manages risks on an ongoing basis, to ensure they are addressed appropriately. In order to achieve this objective, the firm has a Risk Management Policy in place for overall business risk, this policy establishes a structured and disciplined approach to Risk Management.

Risk Management Committee

The Board meets on a quarterly basis, or as and when necessary, and has primary responsibility for governance and oversight of the firm.

The Board of Directors has established a Committee of the Board, known as the Risk Management Committee to support and advise the Board on risk management and the effectiveness of the firm's risk management infrastructure. The Committee holds at least four meetings per annum, or more frequently as circumstances dictate. The Committee's main duties include: identification, assessment and management of the key risks.

The Compliance Officer provides independent oversight over the firm's risk management process and controls, and has overseen the development of the Risk Management Policy.

Internal Controls

As part of our Risk Management Policy each risk is identified, assessed and categorised based on our risk matrix system. The firm have comprehensive controls and processes in place which are reviewed and tested regularly. Each staff member completes comprehensive training and is subject to ongoing training and professional development. The firm have a number of manuals and procedures which act as living documents used on a daily basis and reviewed regularly. Some of the manuals which are key to our internal controls include the Corporate Governance Policy, Compliance Charter, the Compliance Plan, the Mission Statement, our Client Asset Management Plan (CAMP), Risk Management Policy and our Business Continuity Plan to name a few.

Risk Register

As part of our Risk Management Policy the firm operates a comprehensive Risk Register which details each of the risks that face the firm. This initial identification then allows for each risk to be identified, assessed, categorised and mitigated against. This register is reviewed on an ongoing basis and is contained within our Risk Management Policy and ICAAP.

The firm is exposed to a variety of risks as detailed in our Risk Register. However, the Board have adopted a conservative approach to risk, resulting in a low risk profile for the firm, for the following reasons:

- The business model is an investment firm providing investments services for the receipt and transmission of orders and investment advice. The firm does not execute orders or

trade on its own account, the risk exposure is limited to counterparty risk and the impact on income;

- The recruitment of experienced personnel throughout the firm;
- Limited exposure to credit risk;
- Other reasons are set out below.

Risks

The firm has carried out a detailed risk assessment and concluded that the firm is primarily exposed to operational risk, business risk and performance risk. The firm may also be exposed to key man, control/management and reputational risks. For the purpose of this document we have briefly summarised the following key risks.

Operational Risk

Operational risk is the risk of financial loss or impairment to reputation resulting from inadequate or failed internal processes and systems from the actions of people or from external events. The firm has a wide range of controls and processes to minimise operational risk, primarily by maintaining a strong control environment.

Business Risk and Performance Risk

The key business risk/performance risk is a reduction in funds under management/poor investment results, following a market downturn or loss of clients. The firm is subject to the normal business and performance risks, which are monitored by the Board on an ongoing basis.

Key Man Risk

The firm may be adversely affected by the loss of one or more senior members of staff. The risk of losing one of our directors is low and is mitigated mainly by the firm's Succession Plan, Business Continuity Policy, Key Man Life Care Policy and an appropriate notice period.

Control/Management Risk

Control/management risk is the risk due to control/management deficiencies and risk due to control/management limitations. The key mitigants is that APT's Corporate Governance Framework stipulates that key matters, including all major decisions, must be submitted to the CEO and/or the Board of directors for approval.

Reputational Risk

Reputational risk is the potential that negative publicity regarding a firm's business practices caused by poor customer service or breach of regulatory/compliance obligations or the failure of detailed processes and procedures in risk management and business continuity will cause a decline in the customer base. However, this risk is effectively mitigated by the following:

- Strong client take on and AML & fraud prevention procedures
- Anticipate and respond to changes of a market or regulatory nature
- Regular compliance reviews carried out by the Compliance Officer;
- The retail client base;
- The firm has comprehensive policies and procedures in place to ensure the delivery of an appropriate and high quality service to customers.

Market & Credit Risks

Market and credit risk exposures are assessed as low. The firm does not trade on its own account and therefore does not create any market risk requirements in respect of its own business.

Capital Adequacy and ICAAP

It is the firm's experience that the Fixed Overhead Requirement establishes its Pillar 1 capital requirements.

The firm must assess itself as to whether the capital it holds is adequate. The details of our capital assessment are set out in the Internal Capital Adequacy Assessment Process (ICAAP).

The ICAAP process includes an assessment of all risks faced by the firm. The level of capital required to cover identified risks is a function of impact and probability. The firm assesses impact by modelling the changes in our income and expenses caused by potential risks over a 3-year time horizon. A number of factors are considered when accessing probability. The risks identified are also stressed-tested against various scenarios to determine the impact of severe events on APT's financial position.

The firm holds additional capital to cover Pillar 2 risks and therefore operates above the minimum capital requirements set under Pillar 1.



APT Wealth Management Limited

Block B 1st Floor, Apex Business Centre,
Blackthorn Road, Sandyford, Dublin 18

012063010 | info@aptworkplacepensions.com | www.aptworkplacepensions.com

APT Wealth Management Limited is regulated by the Central Bank of Ireland