

APT Wealth Management Limited

Pillar 3 Disclosures

for the year ended 31 December 2018



2019

APT Wealth Management Limited

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

Introduction

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.

MiFID (Markets in Financial Instruments Directive)

As an investment firm regulated under MiFID since updated by MiFID II, 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.apt-wealth.com). The Pillar 3 disclosures have been reviewed by the firm’s directors and approved by the Board. These disclosures constitute financial statements and are based on audited financial statements.

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 that 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.

Risk 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 and controls and practices which are consistent with and promote sound and effective risk management.

The firm has a Risk Management Policy in place for overall business risk. This policy establishes a structured and disciplined approach to Risk Management. The firm aims to ensure that all its potential risks are managed and addressed in order to mitigate those risks. The Board is responsible for setting the company’s strategy in managing the risks. The firm has set out the corporate structure where the operations team acts as the first line of defence and the compliance team as the second line of defence. The Head of Compliance (HOC) will report the risks or any issues arising to the Board on a quarterly basis.

First Line of Defence – Operations Team

The first line of defence is provided by front line staff who are involved in business operations. They have the responsibility and accountability for directly assessing, controlling and mitigating the risks to which the firm is exposed. The operations team is aware of their duty to report any breaches or any issues arising to the HOC without delay. All staff members are aware of their specific responsibilities in relation to reporting and escalating any issues to the correct person.

Second Line of Defence – Compliance Team

The second line of defence consists of internal governance such as identifying, managing and monitoring risks. This is provided by the compliance team. Compliance team provides the oversight

and advice necessary to support the first line. Compliance team will carry out daily, weekly, monthly, quarterly or annually testing and monitoring on the tasks carried out by the first line. Compliance team will carry out ongoing training programmes to first line to ensure they are aware of the current regulations and any changes in the processes or procedures.

Risk Committee and Board of Directors

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 Independent Non-Executive Director is Chairman of the Risk Management Committee.

The HOC 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 and are 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.

Risk Register

As part of our Risk Management Policy the firm operates a comprehensive Risk Register which details each of the key 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 Internal Capital Adequacy Assessment Process (“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; and
- 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, performance risk and cyber risk. The firm may also be exposed to senior management, reputational and credit 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.

Performance Risk

The 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.

Cyber Risk

Cyber risk is the risk due to the failure of the information technology systems in the firm which could eventually lead to financial loss, disruption or damage to the reputation of the firm. The firm has

deployed a leading cyber-security suite which adopts a Defence in Depth approach with multiple tiers of security.

Senior Management 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.

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 which 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
- Anticipating and responding to changes of a market or regulatory nature
- Regular compliance reviews carried out by the Compliance function;
- The retail client base;
- The fact that the firm has comprehensive policies and procedures in place to ensure the delivery of an appropriate and high-quality service to customers.

Credit Risks

Credit risk is the risk of loss resulting from the failure of counterparties to fulfil their contractual obligations. Default risk, counterparty risk and concentration risk are part of the credit risks faced by the firm. As the firm does not trade on its own account, all financial instruments are held in pooled accounts with Investment Managers under the firm's nominee company. Client assets are invested with Investment Managers from a pre-approved list which is subject to constant review by management.

Please note that the above risks are the key risks the firm faces. These may not include all of the risks the firm faces. The details of the risks that the firm face is available in the ICAAP.

Capital Resources

The firm is required to disclose the own capital resources under Capital Requirement Regulations (Regulation (EU) No.575/2013, 'the Regulations'). The table below details the composition of the capital resources of the firm at 31 December 2018.

Capital Resources	as at 31 December 2018
	€'000*
Paid Up Shares Capital	100
Retained Earnings	1,071
Common Equity Tier 1 Capital	1,171
Additional Tier 1 Capital	0
Tier 1 Capital	1,171
Tier 2 Capital	0
Total Capital Resources	1,171

*Note – figures are rounded up to nearest thousand.

The total capital resources of the firm comprise paid up share capital and audited retained earnings as per 31 December 2018 financial statements of the firm. The firm has no Tier 2 capital.

Capital Requirements and ICAAP

The firm has the responsibility to assess the adequacy of its internal capital to ensure it maintains adequate capital to meet the capital requirements set under the Regulations. The details of our capital assessment are set out in the ICAAP. The ICAAP is reviewed annually and approved by the board.

The Board has undertaken an internal assessment for Pillar 2 capital requirements. These capital requirements are assessed in accordance with the potential impact and likelihood rating.

The Regulations require that institutions shall at all times satisfy the capital ratio thresholds and minimum own funds requirements which set out in Article 92 of the Regulations:

- (a) a Common Equity Tier 1 capital ratio of 4.5%;
- (b) a Tier 1 capital ratio of 6%;
- (c) a total capital ratio of 8%.

The firm operates above the required minimum levels set out in the Regulations.

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 stress-tested against various scenarios to determine the impact of severe events on the firms' financial position.

Remuneration Policy

The firm has set out a remuneration policy to ensure that the firm appropriately compensates its employees, attracts and retains employees and motivates employees to perform in the best interests of the company and its stakeholders. Employees are assessed throughout the year and compensated based on their performance and contributions to the firm and stakeholders.

As allowed under the terms of the "Corporate Governance Requirements for Investment Firms and Market Operators 2018" the Board acts as the Remuneration Committee. They have the responsibility to oversee the process of remuneration for employees. The Remuneration Committee will meet and review the remuneration policy annually or as required throughout the year.

Remuneration consists of all forms of payment and benefits made directly or indirectly in exchange for professional services rendered by staff. The table below details the components of our remuneration for our employees.

Fixed remuneration	Fixed remuneration is determined based on the role of the individual employee, including responsibility and job complexity, performance and local market conditions.
Pension Scheme Membership	All permanent employees are eligible to join a defined contribution pension plan. The company operates a defined contribution pension scheme which includes a death in service provision.
Benefits in kind	The firm does not provide any other type of remuneration which is subject to BIK.

**Performance Based
Remuneration**

Remuneration is awarded in a manner which promotes sound risk management and corporate governance in line with the firm's culture and risk management policy.

The following table provides a breakdown of the remuneration between senior management and staff of the firm as per 31 December 2018 financial statements.

	€'000	Number of Beneficiaries
Senior Management*	202	4
Code Staff	699	12
Total	901	16

*Senior management includes CEO and directors of the firm.



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