

# APT Wealth Management Limited

## Disclosures

for the year ended 31 December 2020



2021

APT Wealth Management Limited

Block B 1st Floor, Apex Business Centre,

Blackthorn Road, Sandyford, Dublin 18

012063010 | [info@apt-wealth.com](mailto:info@apt-wealth.com) | [www.apt-wealth.com](http://www.apt-wealth.com)

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

## Introduction

The Investment Firm Regulation EU 2019/2033 (IFR) and Investment Firm Directive EU 2019/2034 (IFD) establishes a tailored prudential regime for Investment Firms. These regulations are effective from 26<sup>th</sup> June 2021.

## Business Activities

APT Wealth Management Limited, (“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 (ARFs) and Personal Retirement Bonds (PRBs).
- The placing of group Death in Service and Income Protection policies for occupational pension scheme clients.

### MiFID

As an investment firm regulated under the Markets in Financial Instruments Directive (“the MiFID”), the firm engages in the following activities: -

- Provision of investment advice; and
- 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 ARFs. The firm is an approved 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 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. The firm is part of the Irish Life Group which is part of Great West Life-Co.

## **Basis of Disclosure**

This disclosure document has been prepared by the firm in accordance with the requirements of The Investment Firm Directive and the Investment Firm Regulation. Disclosures will be updated on an annual basis and made available via the website as soon as practicable ([www.apt-wealth.com](http://www.apt-wealth.com)). This document has been reviewed and approved by the Board. This document constitutes financial statements that 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. We operate a comprehensive three levels of defence model as detailed below.

## **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.

As the first line of defence, operational managers own and manage risks. The second line of defence, risk management and the Compliance function. The third line of defence, internal audit, providing senior management with comprehensive assurance based on the highest level of independence and objectivity.

### **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 and 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.

### **Third Line of Defence- Internal Audit**

The third line of defence comprises of the Internal Audit team which provides independent assurance. Internal auditors provide the board and senior management with comprehensive assurance based on the highest level of independence and objectivity within the organisation.

### **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.

### **Internal Controls**

As part of our Risk Management Policy, each risk is identified, assessed and categorised based on our risk matrix system. The firm has 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 has a number of manuals and procedures which act as living documents which 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, Compliance Plan, Mission Statement, Client Asset Management Plan (CAMP), Risk Management Policy and 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 has adopted a conservative approach to risk, resulting in a medium-low risk profile for the firm, for the following reasons:

- The business model is an investment firm providing investment 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 in place 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 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; and
- 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 detailed in the ICAAP.

## Capital Resources

The regulations in force during the financial year require the firm to disclose information in relation to own funds in accordance with The Capital Requirements Directive (Regulation (EU) No.575/2013, the Regulations).

The table below details the composition of the capital resources of the firm at 31 December 2020.

<b>Capital Resources</b>	<b>as at 31 December 2020</b>
	€'000*
Paid Up Shares Capital	100
Retained Earnings	1466
<b>Common Equity Tier 1 Capital</b>	<b>1566</b>
Additional Tier 1 Capital	0
<b>Tier 1 Capital</b>	<b>1566</b>
<b>Tier 2 Capital</b>	<b>0</b>
<b>Total Capital Resources</b>	<b>1566</b>

\*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 2020 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 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 49 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 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.

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.

<b>Fixed remuneration</b>	Fixed remuneration is determined based on the role of the individual employee, including responsibility and job complexity, performance and local market conditions.
<b>Pension Scheme Membership</b>	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.
<b>Benefits in kind</b>	The firm does not provide any other type of remuneration which is subject to BIK.
<b>Performance Based Remuneration</b>	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 code staff of the firm as per 31 December 2020 financial statements.

	€'000	Number of Beneficiaries
Senior Management*	170	5
Code Staff	845	10
<b>Total</b>	<b>1015</b>	<b>15</b>

\*Senior management includes CEO and directors of the firm.



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