

APT Wealth Management Limited

IFD/IFR Annual Disclosures for the year ended 31 December 2021



2022

APT Wealth Management Limited

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

Background

Introduction

In December 2017, the European Commission published its legislative proposal for the Investment Firms Regulation (EU) 2019/2033 (“IFR”) and the Investment Firms Directive (EU) 2019/2034 (“IFD”), aiming to harmonise and recalibrate the prudential and supervisory requirements that apply to investment firms across the EU. The IFR and IFD were published in the Official Journal of European Union on 5 December 2019. The IFR and IFD came into force in January 2020 which apply to investment firms authorised under the Markets in Financial Instruments Directive (“MiFID II”).

On 21 September 2021, the majority of the IFD was transposed into Irish law, and the final transposition was completed on 27 June 2022. MiFID firms are required to comply with the new requirements in relation to capital, liquidity, reporting, governance, remuneration and public disclosure.

Business Activities

APT Wealth Management Limited, (“APT”, the “Firm”) engages in the following business activities under the respective authorisations: -

Insurance Mediation

As an insurance intermediary authorised to provide “insurance mediation” services, the areas of activity for APT 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 II

As an investment firm regulated under the MiFID II, APT engages in the following activities: -

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

APT acts as Qualifying Fund Manager for the purpose of providing ARFs and it is an approved PRB provider.

The principal business activities of APT 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. APT 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 IFR and IFD. Disclosures will be updated on an annual basis and made available via the website as soon as practicable (www.apr-wealth.com). This document has been reviewed and approved by APT's Board of Directors (the "Board"). This document constitutes financial statements that are based on audited financial statements.

Risk Management Objectives and Policies

Risk Management Policy

APT considers risk management to be an integral part of its internal controls. APT has a Risk Management Policy that establishes a structured and disciplined approach to risk management. The Firm aims to ensure that all its potential and actual risks are appropriately identified and addressed on an ongoing basis.

In general, APT risk management process consists of the following steps:

- Risk Identification;
- Risk Assessment and Categorisation;
- Risk Mitigation and Control;
- Risk Monitoring and Testing; and
- Risk Reporting and Escalation.

Each risk is identified, assessed, and categorised based on APT's risk matrix system. All the risks identified will be reviewed by the Firm and appropriate controls will be put in place to mitigate those risks. Compliance is responsible for the controls testing and monitoring. Any breach of controls or issues arise will be reported to the Board on a quarterly basis by the Head of Compliance.

Overall Risk Profile

APT maintains 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 APT's Risk Management Policy and Internal Capital Adequacy Assessment Process ("ICAAP").

APT is exposed to a variety of risks as detailed in the Firm's Risk Register. However, the Board has 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. APT 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.

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 Irish Life Group 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 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 Risk

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 APT 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.

Liquidity Risk

Liquidity risk is the risk that the firm does not have the ability to meet its short-term obligations or capital requirements. APT's actively monitors the cash balances to ensure that it has a sufficient amount as required.

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 APT face is detailed in the ICAAP.

Governance

APT 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.

Board of Directors

APT's Board is responsible for the strategic planning and oversight on the risk management to ensure appropriate governance structures are in place to control and manage the risk. The Board meets at least quarterly to discuss and setting the Firm's level of risk appetite or tolerance, as well as to review and approve the Risk Management Policy and ICAAP.

Directorships held by Management Body

| Number of Directors | Number of Directorships Held |
|----------------------------|-------------------------------------|
| 5 | 37 |

Diversity of Management Body Objectives

The Board of APT are committed to diversity within the Firm, including the management body. The Firm is led by an experienced, gender diverse board and similarly with a gender balanced diverse senior management team. APT believes that a diverse management team is able to make decisions effectively by contributing different opinions and experiences to the decision-making process.

Diversified board members are more likely to possess different personal characteristics, risk preferences and behaviours, thus offering a wider discussion and challenge.

Committees of the Board

Risk Management Committee

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

Audit Committee

The Board has also established an Audit Committee as part of best practice. The Audit Committee meets twice a year and reports to the Board accordingly. The Audit Committee's main remit is monitoring the integrity of the financial statements of the company, keep under review the internal financial controls and overseeing the work of the external auditor.

Three Lines of Defence

APT's governance structure is based on the three lines of defence model of risk management. The first line of defence lies with the operations team, the second line of defence is provided by the Compliance and Internal Audit forms the third line of defence.

First Line of Defence – Operations Team

The first line of defence is provided by front line staff who are involved in business operations. The operational manager is responsible for maintaining effective internal controls and for executing risk and control. The operations team is aware of their duty to report any breaches or any issues arising to the Head of Compliance without delay. Training will be provided to the operations team to ensure they are aware of the current regulations and any changes in the policies and procedures.

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 is responsible for performing compliance control testing and monitoring on risk-based approach, as outlined in the Compliance Plan. The Head of Compliance has a direct reporting line to the Board and the Irish Life Group Risk and Compliance.

Third Line of Defence – Group Internal Audit

The third line of defence comprises of the Internal Audit which provides independent assurance to the Board and senior management. Internal Audit is responsible for carrying out a risk-based independent assessment of the adequacy, effectiveness, and sustainability of APT's governance, risk management and control processes. Any findings identified by the Internal Audit will be issued to the senior

management in APT and the wider group, and resultant actions will be agreed in advance before the reports are issued.

Capital Resources

The table below details the composition of the capital resources of the Firm as at 31 December 2021.

| Capital Resources | as at 31 December 2021 €'000* |
|-------------------------------------|----------------------------------|
| Paid Up Shares Capital | 100 |
| Retained Earnings | 5131 |
| Common Equity Tier 1 Capital | 5231 |
| Additional Tier 1 Capital | 0 |
| Tier 1 Capital | 5231 |
| Tier 2 Capital | 0 |
| Total Capital Resources | 5231 |

*Note – figures are round up to nearest thousand.

The total capital resources of APT comprise paid up share capital and audited retained earnings as per 31 December 2021 financial statements of the Firm. APT has no Tier 2 capital.

Capital Adequacy

Pillar 1 Capital Requirement

APT is required, at all times, to have own funds in accordance with Article 9 of the IFR. The Firm is required to continuously monitor the level and composition of the capital and to ensure it holds sufficient capital to cover the risks to which the Firm is exposed.

As per the IFR the Firm's own funds requirement is the highest of the following:

- The fixed overheads requirement calculated in accordance with Article 13.
- The permanent minimum capital requirement in accordance with Article 14; or
- The K Factor requirement calculated in accordance with Article 15.

| Own Funds Requirement | € 000's | Comment |
|-------------------------------------|------------|--------------------------------|
| (A) Fixed Overhead Requirement | 708 | As at December 2021 |
| (B) Permanent Minimum Capital | 150 | As per IFR |
| (C) K Factor | 146 | As per IFR calculation |
| Pillar 1 Capital Requirement | 708 | The greater of (A), (B) or (C) |

APT Pillar 1 capital requirement as at 31 December 2021 is **€708k**.

Pillar 2 Capital Requirement

The Firm has carried out a detailed risk assessment on the potential and actual risks that may impact APT, APT's clients and the market, in accordance with Article 29 of the IFD.

| Own Funds Requirement | € 000's | Comment |
|------------------------------|---------|---------------------|
| Pillar 2 Capital Requirement | 70.75 | Internal Assessment |

APT's Pillar 2 capital requirement as at 31 December 2021 is €70.75k.

The Firm's Pillar 1 capital requirement is higher than its Pillar 2 capital requirement, therefore the Pillar 1 capital requirement is adopted as the Firm's current regulatory capital requirement.

Own Funds Composition

APT 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 IFR. The details of APT capital assessment is set out in the ICAAP. The ICAAP is reviewed annually and approved by the Board.

The ICAAP process includes an assessment of all risks faced by APT. The level of capital required to cover identified risks is a function of impact and probability. APT assesses impact by modelling the changes in the Firm's 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 APT's financial position. The composition of the APT's own funds must, at all times, at least equal to the capital ratio thresholds set out in the Article 9 of the IFR.

| Own Funds Composition | IFR Threshold | APT's Ratio* |
|------------------------------------|---------------|--------------|
| Common Equity Tier 1 Capital Ratio | 56% | 739% |
| Tier 1 Capital Ratio | 75% | 739% |
| Total Capital Ratio | 100% | 739% |

**as at 31 December 2021*

The Firm operates above the required minimum levels set out in the IFR.

Remuneration Policy

APT 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 Firm and its stakeholders. The Remuneration Policy is gender-neutral – the 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 APT remuneration for the 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 | APT provides certain types of benefits to employees which are subject to BIK such as cars and health insurance. |
| 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 provided to 5 senior managements of the Firm as per 31 December 2021 financial statement.

| | €'000 |
|------------------------------|------------|
| Fixed remuneration | 254 |
| Variable remuneration | 116 |
| Total | 370 |



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