

APT Wealth Management Limited

IFD/IFR Annual Disclosures for the year ended 31 December 2022



2023

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 with final transposition completed on 27 June 2022 which apply to investment firms authorised under the Markets in Financial Instruments Directive (“MiFID II”).

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, (“APTWM”, 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 APTWM 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, APTWM engages in the following activities: -

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

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

The principal business activities of APTWM are the provision of financial advice to 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. APTWM is part of the Unio Limited group of companies which in turn 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.apt-wealth.com). This document has been reviewed and approved by APTWM'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

APTWM considers risk management to be an integral part of its internal controls. APTWM 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, APTWM's 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 APTWM'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

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

APTWM 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. APTWM 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 the 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. This risk is mitigated mainly by having an appropriate notice period for senior staff in place along with APTWM having access to resources within the wider Irish Life Group if required.

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 APTWM 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 APTWM faces are detailed in the ICAAP.

Governance

APTWM 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

APTWM'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 set 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 at 31st December 2022

Number of Directors	Number of Directorships Held
4	44

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's 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

APTWM'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 APTWM's governance, risk management and control processes. Any findings identified by the Internal Audit will be issued to the senior management in APTWM 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 2022.

Capital Resources	as at 31 December 2022 €'000*
Paid Up Shares Capital	100
Retained Earnings	2470
Common Equity Tier 1 Capital	2570
Additional Tier 1 Capital	0
Tier 1 Capital	2570
Tier 2 Capital	0
Total Capital Resources	2570

*Note – figures are round up to nearest thousand.

The total capital resources of APTWM comprise paid up share capital and audited retained earnings as per 31 December 2022 financial statements of the Firm. APTWM has no Tier 2 capital.

Capital Adequacy

Pillar 1 Capital Requirement

APTWM 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	715	As at December 2022
(B) Permanent Minimum Capital	150	As per IFR
(C) K Factor	137	As per IFR calculation
Pillar 1 Capital Requirement	715	The greater of (A), (B) or (C)

APTWM Pillar 1 capital requirement as at 31 December 2022 is **€715k**.

Pillar 2 Capital Requirement

The Firm has carried out a detailed risk assessment on the potential and actual risks that may impact APTWM, APTWM'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 2022 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

APTWM 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 APTWM's 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 APTWM. The level of capital required to cover identified risks is a function of impact and probability. APTWM 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 APTWM's financial position.

The composition of the APTWM'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%	359%
Tier 1 Capital Ratio	75%	359%
Total Capital Ratio	100%	359%

**as at 31 December 2022*

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

Remuneration Policy

APTWM 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. The Remuneration Policy of APTWM is reviewed by the board on an annual basis.

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 APTWM 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	APTWM 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 the five members of senior management of the Firm as per 31 December 2022 financial statement.

	€'000
Fixed remuneration	247
Variable remuneration	10
Total	257

The table includes the directors who relinquished their directorships on the 31st of December 2022 and does not account for the one director who was appointed on the same date.

Group Non-Executive Directors are not remunerated by APT Wealth Management, the figures above reflect costs paid by APT Wealth Management only. This is consistent with the financial statements for 2022.



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