



# InvestEngine (UK) Limited Pillar 3 Disclosure

2019-2020

## Introduction and Firm Profile

InvestEngine (UK) Limited “the firm”/ “IEUK” is authorised and regulated by the Financial Conduct Authority “FCA” under FRN 801128. The firm is categorised as an IFPRU 125K Euro, limited licence firm for capital adequacy purposes and registered as a Wealth Manager offering clients’ investments via a web-based solution.

IEUK began trading in April 2019 and delivers smart-designed portfolios expertly managed to put clients’ money to work. IEUK’s investment strategy aims to maximise returns over the long run by tracking markets. To do this, IEUK uses carefully selected exchange-traded funds (ETFs). These aim to mirror the performance of a range of indices around the world and deliver well diversified investments. This approach keeps buying and selling to a minimum and is less vulnerable to the human error that comes with stock picking.

IEUK is supported by Ramsey Crookall an independent investment management firm based in the Isle of Man who has over 70 years’ experience in financial services. IEUK majority shareholding is made up by the Directors of IEUK.

## Disclosure Requirements

The Capital Requirements Directive (“CRD”) of the European Union established a revised regulatory capital framework across Europe governing the amount and nature of capital that credit institutions and investment firms must maintain. In the United Kingdom, the Directive has been implemented by the Financial Conduct Authority (“FCA”) through the General Prudential Sourcebook (“GENPRU”) and the Prudential Sourcebook for Banks, Building Societies and Investment firms (“IFPRU” and “BIPRU”).

The CRD implementation is based on three ‘Pillars’ which comprises of:

**Pillar 1-** the prescribed or minimum capital requirement for an authorised firm to meet its credit, market and operational risk

**Pillar 2-** requires a firm to conduct an assessment known as an Internal Capital Adequacy Assessment Process (ICAAP) that considers the firm’s risks and uncertainties that are not included in Pillar 1 to determine whether the Pillar 1 capital is adequate to meet its risks and

**Pillar 3-** requires companies to develop a set of disclosures which will allow market participants to assess key information about its risks, risk management framework and capital position. These disclosures are complementary to Pillar 1 and Pillar 2.



The requirements for Pillar 3 disclosures are detailed in the FCA Handbook, specifically BIPRU 11. Disclosures are required to be made on at least an annual basis (or more frequently if required). This disclosure is designed to meet the Pillar 3 obligations of IEUK and will include information that is material and relevant to the requirements of the regulations. The disclosure is prepared on an individual legal entity basis as at the end of the financial year, 31<sup>st</sup> March 2020.

## Capital Assessment

The firm assesses the level and adequacy of its internal capital through its Internal Capital Adequacy Assessment Process "ICAAP" on an annual basis or more frequently when necessary.

### **Regulatory Capital as at the 31st of March 2020**

<b>Tier 1 Capital Resources</b>	<b>£m</b>
Ordinary Share Capital	4.75
Retained Earnings	(2.22)
<b>Total Tier 1 and 2 Capital Resources</b>	<b>2.53</b>
<b>Total Capital Resources</b>	<b>2.53</b>

IEUK calculates its Pillar 1 capital requirement as the greater of: a) its base capital requirement of EUR 125K or b) the sum of its market and credit risks or c) the fixed overhead requirement.

### **Internal Capital Adequacy Assessment Process (ICAAP)**

#### **as at the 31st of March 2020**

<b>Pillar 1 Requirement</b>	<b>£'000</b>
Credit and Counterparty Risk	48
Market Risk	0.0
Fixed Overhead Requirement	336
<b>Pillar 1 Total</b>	<b>336</b>
<b>Surplus Pillar 1 Capital</b>	<b>2,194</b>



IEUK has assessed all of its business risks in the quantification of its Pillar 2 capital requirement including but not limited to its Operational risk, Liquidity risk and Counterparty risk.

The Pillar 2 capital requirement is calculated as the greater of the risks described above or the firm's wind down costs.

<b>Pillar 2 Requirement</b>	<b>£'000</b>
Operational Risk	32
Credit and Counterparty Risk	48
Liquidity Risk	0.0
Orderly Wind Down	420
<b>Pillar 2 Total</b>	<b>420</b>
<b>Total Capital Requirement</b>	<b>420</b>
<b>Surplus Capital</b>	<b>2,110</b>

## **Risk Management**

IEUK is governed by its directors who determine its business strategy and risk appetite. They are also responsible for establishing and maintaining the governance arrangements along with designing and implementing a risk management framework that recognises the risks that IEUK faces.

The directors determine how the relevant risks will be managed and reassess those arrangements to minimise the impacts of each risk. The Board of directors meet at least quarterly and will review the risks associated with the firms and those that could have serious harm to our clients, capital position, strategy and regulatory requirements. These risks form part of the overall Risk Framework which include the appropriate policy and procedures having regard to relevant laws, standards, principles and rules. Staff and Board members are trained on the policies and procedures where necessary.

Since IEUK holds no trading book positions on its own account, and all bank accounts are in GBP and all fee income is in GBP, the Firm's exposure to foreign currency risk is minimal. IEUK has excluded Market Risk on the basis that it is an immaterial risk to the Firm.



The firm's approach to risk management is to manage the several risks facing the firm including but not limited to: Credit and Counterparty Risk; Liquidity Risk; Interest Rate Risk and Operational Risk.

### **Credit and Counterparty Risk**

The firm has adopted the standardised approach to credit risk, and therefore follows the provision within BIPRU 3 standardised credit risk of the FCA handbook.

The firm does not provide credit to any of its clients. The firm holds client money and proprietary capital at reputable credit institutions, namely NatWest and the Royal Bank of Scotland. The credit risk on these exposures is considered low.

### **Liquidity Risk**

Liquidity risk is defined as the "risk that the firm may not be able to meet its financial obligations as they fall due or may do so only at a disproportionate or excessive cost".

IEUK monitors its liquidity on an ongoing basis and continues to maintain sufficient liquid assets/capital to meet its liabilities as they fall due. No additional capital has been allocated to this risk.

### **Interest Rate Risk**

The firm has no short- or long-term borrowing at present and management does not expect the need to borrow in the next few years. The firm does hold some capital but as it generates negligible income, an increase in the interest rates will have no negative impact. Interest Rate risk is therefore deemed to be low and no additional capital has been allocated to this risk.

### **Operational Risk**

IEUK places strong reliance on the operational procedures and controls that it has in place in order to minimise risk and seeks to ensure that all personnel are aware of their responsibilities in this respect.

The Firm evaluates its Operational Risks against the seven BASEL Operational risk categories. These relate to such risks of disruption of the office facilities, system and trade failures, legal claims and those related to fraudulent activity. Appropriate policies are in place to minimise the exposure of these risks, including appropriate training, governance, control oversight and business continuity plans.

## Remuneration Code

IEUK is required to comply with the objectives of the FCA Remuneration Code as such that its policies and procedures around remuneration are consistent with and promote sound and effective risk management and do not expose the firms to excessive risk .

### **Governance**

The IEUK Board will meet at least quarterly, where *the company* directors have the responsibility of setting the Remuneration Policy.

Decisions over remuneration considers relevant legal and regulatory requirements, including the FCA's rules and guidance concerning conflicts of interest and senior manager systems and controls under the SYSC handbook, as well as the UK Corporate Governance Code.

### **Pay and Performance**

Salaries form the basis of our remuneration package. Currently there is no performance related (variable) pay made offered to staff. The Board may consider share ownership to certain members of staff due to their role within IEUK.

Individual performance is reviewed at least annually and will assess their performance and whether individuals of IEUK have operated outside of the risk appetite set by the Board.

### **Information on Remuneration**

We are subject to data protection legislation when disclosing remuneration information. Such legislation prohibits disclosing information that will result in individual information being easily identifiable. Remuneration disclosures will therefore be made on a limited basis in terms of any publicly or Company-wide circulation. However, all necessary information will be made available to a regulatory authority on request.