

WM Capital Management Ltd

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Capital Requirements Directive

Pillar 3 Disclosure

July 2017

Background

A revised framework for regulatory capital was introduced in Europe through the 'Capital Requirements Directive'. It specifies the amount and nature of capital, credit institutions and investment firms must hold.

The Directive has been implemented in the UK by the Financial Conduct Authority (FCA) in its Handbook and the rules are included in the General Prudential Sourcebook (GENPRU) and the Prudential Sourcebook for Banks Building Societies and Investment Firms (BIPRU).

Frequency of disclosure

The Firm will make its annual Pillar 3 disclosures available on its website as soon as possible after approval of the year-end financial statements and review of its ICAAP.

The Accounting Reference date of WM Capital Management is 31st October.

Verification

The information contained in this document has not been audited by the Firm's external auditors and does not constitute any form of financial statement.

Scope and Application of the Requirements

WM Capital Management Ltd is incorporated in the UK and authorised and regulated by the Financial Conduct Authority (FCA). It is an investment management firm, which comes under the prudential category for Banks, Building Societies and Investments firms (BIPRU) in the FCA Handbook. It is a 'limited licence' €50k firm and therefore does not hold client money or deal on own account.

Its minimum regulatory capital resource requirements are the greater of €50k or the Firm's Fixed Overhead Requirement (FOR). The Firm is not a member of a group and does not have any subsidiary companies.

This document is designed to meet our obligations under the Pillar 3 disclosure rules, which are detailed in the FCA Handbook under BIPRU 11.

Under the rules, we are permitted to omit required disclosures where we consider that the information is of a proprietary or confidential nature. Information of a proprietary nature is that which, if revealed, could have the effect of undermining our competitive position. Information that is regarded as confidential is that which binds us to confidentiality with our customers and counterparties.

We are also permitted under the rules to omit required disclosures if in our opinion such an omission would be unlikely to change or influence the decision of the reader relying on it. We have made no omissions in this disclosure on the grounds that the information is immaterial, confidential or proprietary.

Risk Management

The Directors of the Firm have designed and implemented a risk management framework, which identifies the risks that the business faces. They have also determined how those risks are to be mitigated and regularly assess the procedures and controls necessary to manage those risks.

The Firm's main business activity is discretionary investment management of OEIC's.

Risk appetite and material risks

The Firm has identified the material risks to which it could be exposed and these have been assessed in the Firm's ICAAP. Their potential impact on the business has been quantified.

The Firm has considered and assessed the following areas of potential risk to its business and summarises its approach to each one:

❖ Business risk

The main business risk that the Firm could be exposed to is a fall in the value of funds under management due to an economic downturn resulting in a fall in profits. This risk have been assessed in our Contingency Funding Plan and is also assessed in the Firm's Internal Capital Adequacy Assessment Process (ICAAP).

❖ Operational risk

This covers the risks of poor investment performance of funds under management, and legal and reputational risks. Operational risks have been assessed and mitigated as part of the ICAAP.

The operational risk capital component as specified in BIPRU 6 does not apply as the Firm is a 'limited licence' firm.

❖ Credit risk

This risk relates only to possible delays in the payment of fund management fees. In practice, however, all fees are paid on time and none are more than 2 months old.

The Firm is not exposed to the credit risk capital component referred to in BIPRU.

❖ Liquidity risk

The Firm maintains sufficient liquid resources to cover any potential imbalances and fluctuations in fees receivable and all expenditure is known and planned for in advance.

❖ **Securitisation**

This disclosure is not required, as the Firm does not securitize any of its assets.

❖ **Market and concentration risk**

The Firm does not have any large exposures as defined in BIPRU 10 and does not hold positions in the market as referred to in BIPRU 7.

❖ **Interest rate risk**

The Firm's exposure to changes in interest rates is low as it does not hold any loans or overdrafts.

Capital Resources

The Firm has developed an Internal Capital Adequacy Assessment Process (ICAAP) and reviews this every 12 months. The ICAAP was reviewed in July 2017.

The Firm's Pillar 1 capital is the greater of €50k, the sum of market and credit risk requirements or the Fixed Overhead Requirement (FOR). The Firm's Pillar 2 capital is calculated as any additional capital that the Firm considers it should hold against any risks that are not adequately covered under the Pillar 1 requirement.

The Firm's regulatory capital resource requirement is £42,100 which is its base capital requirement as its fixed overhead requirement is lower than this. The ICAAP did not identify the need for any additional capital to be held under Pillar 2.

The Firm holds Tier 1 capital of £544,800. This comprises of ordinary share capital of £100 plus profit and loss account reserves of £544,700.

This is £502,700 in excess of its regulatory capital resource requirements. As at July 2017, the Firm's capital resources were as follows:

| Categories | Pillar 1 | ICAAP |
|--|------------------------|-------------------------|
| | Minimum capital | Pillar 2 capital |
| Credit risk | £0 | |
| Market risk | £0 | |
| Operational risk | £0 | |
| Concentration risk | £0 | |
| Counterparty risk | £0 | |
| Base capital requirement | £42,100 | |
| Fixed Overhead Requirement | £39,300 | |
| Pillar 1 total | £42,100 | |
| Pillar 2 risk | | £0 |
| Adjustments | | £0 |
| Additional capital to cover stress testing | | £0 |
| ICAAP capital | | £0 |
| Current total capital | £544,800 | £0 |
| Surplus | £502,700 | £502,700 |

The Firm has undertaken an assessment of the minimum capital it would require to hold in the event that it might be required to wind up the business in an orderly fashion such that all liabilities could be met. The capital required would be less than the Pillar 1 requirement.

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