Coppin Collings Group

PILLAR 3 DISCLOSURES

30th September 2017

Introduction

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

The FSA framework consists of three 'Pillars':

- Pillar 1 sets out the minimum capital amount that meets the firm's credit, market and operational risk;

- Pillar 2 requires the firm to assess whether its Pillar 1 capital is adequate to meet its risks and is subject to annual review by the FCA; and

- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position.

The rules in BIPRU 11 set out the provision for Pillar 3 disclosure. This document is designed to meet our Pillar 3 obligations.

We are permitted to omit required disclosures if we believe that the information is immaterial such that omission would be likely to change or influence the decision of a reader relying on that information.

In addition, we may omit required disclosures where we believe that the information is regarded as proprietary or confidential. In our view, proprietary information is that which, if it were shared, would undermine our competitive position. Information is confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties.

We have made no omissions because it is immaterial, proprietary or confidential.

Scope and application of the requirements

Coppin Collings Ltd ("CC") is authorised and regulated by the Financial Conduct Authority and as such is subject to minimum regulatory capital requirements. The Firm is categorised as a limited licence firm by the FCA for capital purposes. CC is categorised as a BIPRU 50K Firm. It is an investment management firm and as such has no trading book exposures.

CC is an asset management company specialising in niche, global and unique private equity investment solutions, inter alia

Risk management

CC is governed by its Board of Directors which determine its business strategy and risk appetite. They are also responsible for establishing and maintaining the Firm's governance arrangements along with designing and implementing a risk management framework that recognises the risks that the business faces.

The Board of Directors also determine how the risk our business faces may be mitigated and assess on an ongoing basis the arrangements to manage those risks. The Board of Directors meet on a regular basis and discuss current projections for profitability, cash flow, regulatory capital management, and business planning and risk management. The Board of Directors manage CC's risks business though a framework of policy and procedures having regard to relevant laws, standards, principles and rules (including FCA principles and rules) with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required. CC is advised on all regulatory and compliance issues by The CCL Partnership LLP, specialised compliance consultants, and CC's auditors Moore Stephens LLP.

The Board of Directors have identified various areas of risk to which CC is exposed. Annually the Board of Directors formally review their risks, controls and other risk mitigation arrangements and assess their effectiveness. Where the Board of Directors identify material risks they consider the financial impact of these risks as part of our business planning and capital management and conclude whether the amount of regulatory capital is adequate. Specific Compliance Reports are submitted to the Board of Directors on a semi-annual basis.

- Business Risk: CC has in place a business continuity plan designed to ensure that an event occur that causes a disruption to the business CC could maintain its operations without irreparable damage being done.
- Operational Risk: CC operates a system of internal controls monitored by experience operational staff and external consultants to ensure operational risks are mitigated to the required level through a series of risk analysis and auditing.
- Market Risk: CC's investment process considers changes in market conditions thus attempting to position portfolios as efficiently as possible. CC also aims to have a broad range of clients by distribution channel and geographical region.
- Credit and Counterparty Risk: CC does not provide credit facilities to clients and is therefore not exposed to credit risk. For CC client's provisions for the

non-payment of fees are governed by agreements with these clients, the terms of which are subject to confidentiality clauses. Regarding bank deposits, CC only deposits money with approved banks on agreed terms. At the date of disclosure CC's risk matrix identified £40,000 of capital to be held against this risk, but as this amount is lower than the Pillar 1 requirement no additional Pillar 2 requirement is necessary.

- Insurance Risk: in practice, CC has insurance risk in respect of the credit worthiness of its D&O and E&O insurer who is A+ rated.
- Outsourcing Risk: CC is exposed here as it has outsourced many of its operations to third parties. All outsourcing partners are monitored on an on-going basis to ensure agreed key performance indicators (KPI) are being met. All KPI's are clearly stated in each outsourcing partners Service Level Agreement (SLA). CC meets regularly with the external partners to discuss on-going relationships and performance to help deliver better solutions. The financial strength of outsourcing partners is given careful consideration when contracts are awarded and on an on-going basis. CC are satisfied with these partnerships but set aside £5,000 capital to support any possible replacement process.
- Dealing Error Risk: As a fund management business that places investments on market in an agency capacity the risk of dealing errors has a potentially significant impact on CC. The risk is enhanced by the increasing number of mandates, potential market abuse issues and treating customers fairly, though limited by the long only nature of the business. CC utilises a dedicated front-end trading system automatically linked to a mandate restriction system that implements a series of pre-trade checks. These restrictions are checked daily if appropriate. Cash reconciliations are daily if appropriate. There is separation between trading and trade matching responsibilities. Pricing is independently sourced. Straight through processing where applicable. CC has sufficient insurance in place to cover possible dealing errors if the robust controls in place prove to be insufficient. CC set aside capital to cover the policy excess of £25,000.
- Liquidity Risk: The risk that CC is unable to meet its financial obligations as they fall due, maintain a sufficient level of working capital or retain sufficient earnings to allow the business to grow. The Board of Directors monitor CC's liquidity on an on-going basis. CC do not bear any liquidity risk associated with clients' funds.
- Fraud: The risk of CC being involved in an act of financial fraud, theft or money laundering. CC operates a strict Anti-Money Laundering policy that implements all the regulatory guidelines and obligations that are put in place. CC do not themselves hold client cash or funds, these are held by independent custodians. Monitoring is done by an independent Compliance and Risk function.
- Currency Risk: CC minimise currency risk by limiting net exposure to foreign currency. Revenues are earnt in, USD, EUR and GBP and swept into GBP as efficiently as possible on settlement. Currency risk within client portfolios are managed in line with the normal investment process. CC take no other currency exposure.

Regulatory capital

CC is a Limited Company and its capital arrangements are established in its Memorandum and Articles of Association. Its capital is summarised as follows:

Regulatory Capital Resources Disclosure (BIPRU 11.5.3R) as at 30 September 2017

The Firm is a Limited Liability Company and its capital arrangements are established in its Articles. Its Regulatory Capital Resources is summarised as follows:

	£
Tier 1 Capital - Share capital	**276,000**
Deductions –(Profit/Loss)	**0**
Tier 2 Capital	**0**
Deductions from Tier 2	**0**
Tier 3 Capital	**0**
Deductions from Tier 3	**0**
Total Regulatory Capital	**276,000**

The main features of the Firm's capital resources for regulatory purposes are as follows:

Capital item	**£**
Total Regulatory Capital after deductions	**276,000**
Market Risk (BIPRU 11.5.12)	**58,000**
Credit Risk (BIPRU 3)	**85,000**
Fixed Overheads Requirement (Operational Risk BIPRU 11.5.14R)	**79,000**
Surplus	**133,000**

Our Firm is small with a simple operational infrastructure. Its market risk is limited to foreign exchange risk on its accounts receivable in foreign currency, and credit risk from management and performance fees receivable from the funds under its management. The Firm follows the standardised approach to market risk and the simplified standard approach to credit risk. The Firm is subject to the Fixed Overhead Requirement and is not required to calculate an operational risk capital charge though it considers this as part of its process to identify the level of risk based capital required.

As discussed above the firm is a limited licence firm and as such its capital requirements are the greater of:

- Its base capital requirement of €50,000; or
- The sum of its market and credit risk requirements; or
- Its Fixed Overhead Requirement.

We have not identified credit risk exposure classes or the minimum capital requirements for market risk as we believe that they are immaterial.

It is the Firm's experience that the Fixed Overhead Requirement establishes its capital requirements and hence market and credit risks are considered not to be material. Additional Pillar 2 Capital is set aside to cover any necessary change to outsourcing partners and the insurance excess in the case of any dealing error.

Remuneration Code

The European Union has established the Capital Requirements Directive which has been adopted by the FCA in their rules on remuneration. These are contained in the FCA's Remuneration Code in the SYSC Sourcebook of the FCA's Handbook.

CC's Remuneration Policy has been established so that compensation arrangements;

- Are consistent with and promote sound and effective risk management,
- Do not encourage excessive risk taking,
- Mitigate potential conflicts of interest and
- Are in line with the firm's business strategy, objectives, values and long-term interests.

Enshrined in the European remuneration provisions is the principle of proportionality. The FCA has sought to apply proportionality in the first instance by categorising firms into 4 tiers. CC falls within the FCA's fourth proportionality tier and as such this disclosure is made in line with the requirements of a Tier 4 Firm.

CC's Remuneration Policy is governed by the Board of Directors which sits as the de facto Remuneration Committee. CC does not remunerate staff on any non-cash basis nor is any remuneration deferred or split into vested or unvested portions. CC operates a discretionary bonus scheme, which is not guaranteed in any way. When decided levels of remuneration the Remuneration Committee will ensure:

- The firm is in a financial position to pay remuneration bonuses,
- The individuals are effective within their role and continue to meet the standards required for each element of their job,
- Staff are motivated and share in the growth of the business,
- Salaries are competitive within the wider financial services industry,
- Staff turnover is kept to a minimum.

In the most recent Financial Year CC identified four individuals who are Remuneration Code Staff under the terms of the directive. All individuals are in the same business unit. The average remuneration of Code Staff was approximately £68,750.

CC take its Human Resources Policy, including the hiring and retaining of staff, extremely seriously. Only very experienced and highly skilled people have been or are chosen for a given role. It is important that each role is filled by a person that fits in well within the CC hierarchy and shares the long-term ethos and passion of the firm. It is CC's stated aim to retain staff and reduce to a minimum the level of staff turnover at both Director and employee level.