Background

The Capital Requirements Directive ("CRD") 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 CRD implementation is based on three 'Pillars', which form the cornerstones of the process.

- Pillar 1 is 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 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 complements the above and requires a Firm to publish certain information about its risks, capital and risk management controls and processes.

Disclosure Policy

The chapter BIPRU 11 of the FCA Handbook of Rules and Guidance sets out the requirements for Pillar 3 disclosures. Should a Firm believe that one or more of the required disclosures would contain information that is immaterial, proprietary or confidential, then it is permitted to omit said disclosure. The concept of materiality is based on the criterion that the omission or misstatement of material information would be likely to change or influence the assessment or decision of a user relying on that information for the purposes of making economic decisions. Proprietary information is that which, if it were shared, would undermine the firm's competitive position.

Where the firm has omitted information for any of the above reasons, a statement explaining this will be provided in the relevant section. This document is designed to meet the Pillar 3 obligations of RiskSave Technologies Limited, "RiskSave". RiskSave provides discretionary investment management services. It is a BIPRU 50k firm and a Limited Activity Firm for capital adequacy purposes.

Frequency

These Pillar 3 Disclosures will be reviewed at least annually, and updated if changing circumstances require. The disclosures will be published as soon as is practical following the finalisation of the firm's Internal Capital Adequacy Assessment Process (ICAAP) and its annual accounts.

Verification

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

Risk Management

The firm is governed by its Board of Directors who determines its business strategy and risk appetite. The Board is responsible for establishing and maintaining the firm's governance arrangements including the designing and implementing a risk management framework, which recognises the risks that the business faces.

The Compliance Officer has responsibility to the Board of Directors to monitor and investigate any Compliance and Operational Risk aspect of the firm's activities. As the Compliance Officer sits on the Board of Directors, assurance that an effective risk management framework is in place is continuously provided.

Key Risks

The firms focused business activities presents a very limited risk profile. Importantly, even though it is authorised to deal with Retail Clients as well as Professional Clients and Eligible Counterparties, as a discretionary investment manager, the firm does not hold client money or assets nor has any proprietary trading book exposure. There are a number of risks that management and the Board must consider and manage:

- Retaining and attracting new clients. The business revolves on our ability to provide a high quality discretionary investment management service.
- Attracting and retaining talent. The delivery of a best in class discretionary investment management service depends on experienced, talented and ethical professionals.
- Maintain high quality and rigorous compliance procedures. The firm's reputation and client confidence can only be maintained if the firm maintains the highest ethical standards. This will reduce conduct and operational risk.

Apart from the major risks that have been considered above, the firm is exposed to the following specific risks:

Credit Risk

The firm does not hold client funds nor does it extend credit to its clients. The firm's revenue comes from annual management charges received from clients based on a percentage of client assets under management. These charges are taken directly from the client portfolios and therefore the credit risk relating to this income is minimum. Furthermore, working capital is held at a reputable credit institution, and the credit risk on these exposures is considered as very low. The firm follows the simplified standard approach to credit risk.

Market Risk

The firm does not take proprietary positions. The firm also does not have any significant foreign exchange exposures. A small amount of market risk is present as fee income is a function of assets under management. However, at this stage the variation of fee income due to market movements is negligible. Market risk is therefore considered minimal and a standardised approach to market risk is followed.

Interest Rate Risk

This is the risk that a movement in interest rates will impact the firm's profitability. The firm's balance sheet is not levered and cash balances are held on overnight deposit. Given this, and the historically low level of interest rates at present, the firm has assessed that no capital charge is required.

Business Risk

The firm's Pillar 2 business risk assessment principally relates to changes in the assets under management the firm manages or advises upon to reach profitability. There is a risk that the firm is unable to grow to a level of assets under management however this risk has been mitigated by the following:

- The Board's expertise within financial services.
- A clearly defined strategy, understood and actively monitored.

- The diversification of marketing strategies to reduce concentration risk.
- Scalable business model.

Operational Risk

Operational risk is defined as the potential 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. Major sources or operational risk include: IT security, internal and external fraud, outsourcing of operations, accounting errors and regulatory non-compliance. The firm operates a robust risk management process which is regularly reviewed and updated by the Board. All senior management will bear responsibility for internal controls and the management of business risk as part of their accountability to the Board. Individuals are responsible for identifying the risks surrounding their work, implementing controls over those risks and reporting areas of concern to their line manager. The Board formally reviews all significant risk issues annually as part of the ICAAP process. The firm analyses its operational risk within the context of its risk management framework. This brings together an analysis of all possible risks that can have an effect on its business and considers the interconnectivity of those risks. The firm has identified a number of operational risks, which have been mitigated with systems and controls. The residual risks are perceived as low. The firm is subject to the Fixed Overhead Requirement and is not required to calculate an operational risk capital charge.

Other Risks

The firm operates a simple business model. Accordingly, many of the specific risks identified by the FCA do not apply.

Regulatory Capital

The firm’s total capital resources as at 31 December 2020 are comprised as follows:

	£k
Total Tier 1 capital (inc share capital, share premium, P&L, deductions)	232
Total Tier 2 capital	0
Deductions from Tier 1 and Tier 2 capital	0
Total Capital Resources, net of deductions	232

Pillar 1

The capital requirement has been determined as being the higher of the fixed overheads requirement, the sum of the operational, credit and market risk requirements costs or the wind-down cost. The amount has been calculated as £82k. As at January 2021, the firm’s capital resources were in excess of the minimum capital required to be held under Pillar 1. The Firm has undertaken a comprehensive risk assessment of its business as part of its Pillar 2 obligations and has determined that required amount to be £203k.

The applicable capital adequacy requirement is based on the greater of Pillar 1 and Pillar 2 and so is determined to be £203k.

Pillar 2

Our overall approach to assessing the adequacy of our internal capital is set out in our Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP process involves separate consideration of risks to our capital combined with stress testing using scenario analysis. The firm believes that the Pillar 1 requirements adequately cover Market and Credit Risk which are minimal and the majority of the Operational Risks. The firm is also satisfied through its risk management framework and stress tests that the firm has sufficient capital resources to withstand all of the stipulated stresses as well as an orderly wind down should there be a curtailment of business for whatever reason.

Remuneration

The firm is required to comply with the FCA Remuneration Code although as a BIPRU Limited License Firm it falls into the FCA's third (and lowest) proportionality tier. This allows the firm to disapply the Remuneration Code requirements relating to:

- The full extent of establishing a Remuneration Committee required by the Code;
- Payment of a proportion of variable remuneration as retained shares or other instruments;
- Deferral of bonuses;
- Performance adjustment of variable remuneration; and
- Setting ratios between fixed and variable components of total remuneration.

The firm does not have a Remuneration Committee. While appreciating the contribution that can be made by a remuneration committee, the firm considers that such a body would not be proportionate to the size and complexity of the business.
The Board of Directors is responsible for the remuneration policy including:

- Determining the framework and policy for remuneration and ensuring it does not encourage undue risk taking.
- Agreeing any major changes in remuneration structures.
- Reviewing the terms and conditions of any new incentive schemes and in particular, considering the appropriate targets for any performance related remuneration schemes.
- Considering and recommending the remuneration policy for the senior employees taking into account the appropriate mix of salary, discretionary bonus and share based remuneration.
- In determining remuneration arrangements, the Directors will give due regard to best practice and any relevant legal or regulatory requirements including the BIPRU Remuneration Code.

Competitive salaries form the basis of our firm's remuneration package and consist of the sum of the fixed and variable compensation. Variable compensation is limited in application and makes up a minority of total compensation.

Proportionality is accepted as a key principle in European remuneration provisions. Given the size, scale and complexity of the firm it is not considered necessary to make quantitative disclosures on the remuneration of senior personnel.