Redmayne
Bentley

PILLAR 3 DISCLOSURES

(AS AT 30TH SEPTEMBER 2017)

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OVERVIEW

On 1st January 2014, the European Union established a revised framework governing the amount and nature of capital that credit institutions and investment firms must maintain. The Directive is commonly known as CRD IV and is directly binding on firms in the UK. The applicable resulting regulations are:

- The Capital Requirements Regulation – (CRR)
- Prudential Sourcebook for Investment Firms – (IFPRU)

The framework consists of three pillars:

PILLAR 1 - The minimum capital requirements of firms to cover credit, market and operational risk;

PILLAR 2 - Designed to complement the existing Pillar 1 requirements by assessing the need to hold additional capital under a more risk based assessment; and

PILLAR 3 - A set of disclosure requirements which enable the market to assess information on firm's risks, capital and risk management procedures.

The detailed assessment of the requirements under Pillars 1 and 2 are carried out within the Internal Capital Adequacy Assessment Process (ICAAP).

This is the Pillar 3 disclosure for the Firm as at 30th September 2017 made in accordance with the CRR and the Financial Conduct Authority (FCA) Prudential Sourcebook for Banks, Building Societies and Investment Firms (IFPRU) which is required to be made on an annual basis. As a limited license IFPRU 125k firm, the Firm is require to hold regulatory capital equal to the highest of:

- Pillar 1 x FCA Internal Capital Guidance (ICG), currently 169%
- Pillar 2 Capital Requirements

Based on the Financial Statements for the year ended 31st March 2017, the financial performance during 2017/18, the Risk Framework, statement of Risk Appetite, and the results of conducted stress tests, the Firm has concluded that the minimum capital required to be held for 2017/18 is £6.973m (Pillar 1 plus ICG of 169%).

CORPORATE STRUCTURE

Redmayne Bentley LLP consists of 5 equity members (1 is a limited company (Redmayne Capital Limited and four fixed share members who form part of the Firm's Main Board). The Firm has principal offices in Leeds, Locksbottom and London, employing 212 staff. Leeds continues to be the largest office with 166 staff.

There is a total of 140 non-employed staff throughout the network of offices in the UK and Ireland. These work within franchise, franchise associate or associate agreements.

All of the Members (except Redmayne Capital Limited) continue to be directly involved in management of the business. They are assisted by a team of Directors and Senior Managers who run departments in Leeds, London, Locksbottom and other offices.

CAPITAL RESOURCES AND REQUIREMENTS AS AT 30TH SEPTEMBER 2017

TIER ONE CAPITAL RESOURCES

Tier one capital consists of Partnership Capital, divided between Members capital classified as equity, Members current accounts and other reserves. Intangible assets and other intangibles (including trade investments) are deducted in full in accordance with FCA requirements.

AS AT 30TH SEPTEMBER 2017 TIER ONE CAPITAL WAS MADE UP AS FOLLOWS:	£000'S
Members' capital	7,001
Members' current accounts	4,039
Plus other Tier 1 Capital	994
Less intangible assets	(1,899)
Total tier 1 capital	10,135

GOVERNANCE AND MANAGEMENT STRUCTURE

Redmayne Bentley LLP is required by the EU Capital Requirements Directive to make public disclosure of its risk management objectives and policies in accordance with the requirements of Pillar 3 of the Directive and ICAAP prescribed by the FCA.

The Firm's strategy and overall direction is provided by the Main Board (consisting of the providers of capital and a non-Executive Director). The Main Board meets formally every month and is responsible for the overall direction of the Firm and its financial performance. As well as receiving reports from the Executive Board, it receives reports from the main Control Committees - CASS, Risk Oversight, Audit, Remuneration and IT Strategy. The Main Board reviews the effectiveness of the Firm's system of internal control each year, assisted by an annual assurance report from the Audit Committee and also receives regular reports from the Risk Oversight Committee of the material risks which the Firm faces.

The Executive Board consists of eight Directors inclusive of four fixed share members of the Firm, in addition to both Joint Chief Executives. The members of the Executive Board continue to work closely with the rest of the Management Team. The Executive Board has responsibility for the formulation and delivery of the Firm's Business Plan. The Executive Board meets monthly, and reports to the Main Board.

The Firm's reporting lines are flat. This allows for prompt responses to issues, risk events, and regulatory breaches, with rapid but orderly levels of escalation as necessary. The Main Board is confident that the Firm's structure, together with the internal controls and policies which are in place are sufficient to contain losses from risks events within relevant risk tolerances.


Chairman
Vice Chairman
Joint Chief Exec
Joint Chief Exec
Non-Executive Director
MAIN BOARD
Director of IT
Director of Finance
Director of Regulation
Director of Operations
Director of Stockbroking
Director of Organisational Development
Director of Branch & Business Development
Director of Investment Management
EXECUTIVE BOARD
2 x Senior Managers
18 x Department Managers
MANAGEMENT TEAM

RISK MANAGEMENT AND OVERSIGHT

The Firm has the following oversight committees:

THE RISK OVERSIGHT COMMITTEE

The Risk Oversight Committee (ROC) is responsible for the management of the Firm's risk framework.

The ROC is chaired by the Firm's Chairman and other members of the Committee include the Vice Chairman, a Joint Chief Executive, the Non-Executive Director, the Director of Finance, the Director of Regulation, the Director of Operations, and the Risk Manager. Other personnel may be co-opted if required.

There are 4 underlying Risk Management Committees which form the governance structure of the ROC; the Operational Risk Committee; the Market, Credit & Liquidity Risk Committee; the Conduct, Regulatory & Reputational Risk Committee; and the IT & IT Security Risk Committee. These committees are responsible for managing aspects of risk experienced within the daily operational processes of the Firm and escalate any issues of materiality to the ROC for review and discussion.

AUDIT COMMITTEE

The Audit Committee is chaired by a non-executive director, and has terms of reference which include the review of Redmayne Bentley office assessments and responsibility for the internal audit programme covering the Firm's principal accounting and management processes.

CASS COMMITTEE

The CASS Committee is chaired by the Vice Chairman of the Firm and is responsible for the Firm's ongoing compliance with the FCA CASS rules. It does so by ensuring that the Firm maintains adequate systems and processes relating to CASS, identifying and improving controls surrounding payments to clients and reporting any breaches to the Main Board. It is also responsible for making recommendations to the Risk Oversight Committee on the mitigation of key CASS risks.

REMUNERATION COMMITTEE

The Remuneration Committee is chaired by a non-executive director and ensures that the Firm is fully compliant with the FCA remuneration code. The Remuneration Committee meets to review the implementation of the remuneration policy and makes recommendations to the Main Board for changes to the policy and other remuneration decisions. This has no implications for the Firm's capital resources.

IT STRATEGY GROUP

The IT Strategy Group is chaired by the Vice Chairman of the Firm. It is a new committee designed to align the direction of IT development and investment within the business strategy and regulatory constraints. It will agree strategic IT developments, monitor progress and effectiveness of significant IT projects and raise awareness of IT Security risks.

RISK APPETITE

Redmayne Bentley aims to be the independent investment manager and stockbroker of choice, providing professional, personal and client-focussed access to investment management and stockbroking expertise.

In order to achieve its aim, the Firm will take risks needed to fulfil its goals, but only if those risks:

- Complement our strategy and can be understood and managed;
- Do not risk harm to our brand;
- Do not expose us to any one-off big losses; we will not 'bet the bank'.

Redmayne Bentley's Risk Appetite Statement is the primary means used to communicate how the Firm defines risk and determines the acceptable level of risk exposure for each major risk category/type. In defining its risk appetite, the Firm takes into account its vision, mission, strategy, values, risk philosophy and capacity to bear risk.

Redmayne Bentley considers current conditions, identified risks, and the prospect of emerging risks in developing and applying its risk appetite. Adherence to overall risk appetite is managed and monitored across the Firm, and is informed by the Risk Appetite Statement and a broad spectrum of principles, policies, processes and tools. Redmayne Bentley's Risk Appetite Statement describes, by major risk category, the Firm's risk principles and establishes both qualitative and quantitative measures with key indicators, thresholds and limits, where and as appropriate.

RISK CATEGORIES AND DEFINITIONS

STRATEGIC RISK

DEFINITION - Strategic risk is the potential for financial loss or reputational damage arising from ineffective business strategies, improper implementation of business strategies or a lack of responsiveness to changes in the business environment.

STATEMENT - We aim to minimise the potential for financial loss or reputational damage arising from ineffective business strategies, improper implementation of business strategies or a lack of responsiveness to changes in the business environment.

The Main Board manage strategic risk supported by the Executive Board and the Risk Oversight Committee. The Executive Board are responsible for implementing the strategy in to business operations, ensuring that targets are achieved and that business operations align with overall strategy and risk appetite.

The Risk Oversight Committee oversees the identification, assessment, and measurement of current and emerging strategic risks and ensures that controls are implemented where required.

CONDUCT RISK

DEFINITION - Conduct risk is the risk that detriment is caused to the Firm, our clients or counterparties because of the inappropriate execution of our business activities, and occurs where Strategic risk overlaps with Operational risks.

STATEMENT - We strive to avoid any potential detriment caused to the Firm, our clients, or counterparties due to the inappropriate execution of our business activities. The firm's low tolerance to conduct risk is informed by the fact that crystallised conduct risks can cause further liquidity, regulatory, reputational and strategic risks resulting in financial, customer based, brand or regulatory losses.

Business activities that are designed in a way that directly causes detriment to the Firm, our clients or counterparties are classified under conduct risk. The Firm has minimal appetite for conduct risks and seeks to minimise the opportunity for them to arise by aligning strategy and operations.

The Main Board manage Conduct risk supported by the Executive Board, the Management team and the Risk Oversight Committee. The Executive Board plays a vital role in ensuring that, in reviewing operational procedures, that they align with strategy and conduct risk appetite.

OPERATIONAL RISK

DEFINITION - Operational risk is the risk of loss, to clients or the firm, resulting from inadequate or failed internal processes or systems or from external events.

STATEMENT - We endeavour to operate robust processes and controls in order to conduct our business and take remedial action where issues are identified. The Firm does not seek operational losses, and has no appetite for individual operational losses above £25,000 and cumulative losses above £750,000 within a 12-month period.

The Firm's senior management is responsible for day-to-day management of operational risk following the Firm's established processes, controls, and code of conduct. Any errors or near-misses are escalated to risk management for data collection so that trends and root causes can be analysed. This is overseen by the Risk Management Committees who will help in recommending any remedial action.

MARKET RISK

DEFINITION - Market risk is the risk in revenue streams and value of assets under management arising from fluctuations or adverse movement in market factors such as interest and exchange rates, prices, economic recessions and depressions, or volatilities.

STATEMENT - The Firm will seek to minimise its exposure to market risk through diversifying its revenue streams and taking relevant measures to reduce the impact of unforeseen circumstances outside of its control.

Market Risk is inclusive of Interest Risk. Interest Risk is the risk associated with fluctuations in the country's interest rate. Although the Firm's interest income is significantly reduced from previous periods due to a steady decrease in the rates obtainable, this risk focuses on the possibility of further deterioration of interest income in future periods.

The Treasury Management function regularly reviews the Firm's balance of funds. In doing so it ensures the Firm's treasury policy is adhered to. As this policy is intended to minimise risk, the Firm's exposure to any single institution is restricted, as is the ability to place money on anything but the highest rated institutions. For this reason the Firm may not always be able to achieve the highest return on it funds.

LIQUIDITY RISK

DEFINITION - Liquidity risk is the risk of the firm having insufficient cash or collateral to meet financial obligations without raising funding at unfavourable rates or selling assets at distressed prices. This includes Capital Adequacy risk.

STATEMENT - The Firm will undertake a sound and prudent approach in order to ensure it has sufficient collateral in order to meet any financial obligations.

The Treasury Management function regularly reviews the Firm's balance of funds and surplus cash via a monthly report. The policy is recommended to, and approved by the ROC annually.

The Firm's tier 1 capital after deductions is £10m, this therefore is the Firm's maximum exposure to this risk. The Firm also has a contingency funding plan which is reviewed and approved by Main Board annually.

The Firm's liquidity risk is predominantly short term in nature and arises from the settlement of trades within the stockbroking business. In accordance with the firm's risk appetite, it is policy to pay stockbroking creditors on settlement day or when the stock is delivered, whichever is the later. The policy is also to pay suppliers in accordance with their credit terms.

CREDIT RISK

DEFINITION - Credit risk is the risk of loss if a client or counterparty defaults on its payment obligations in a transaction.

STATEMENT - We will only engage with counterparties who are creditworthy and manage exposure by setting appropriate limits.

Front Office staff, overseen by the Firm's senior management, takes control of the initial credit checks and subsequent reviews of clients; this sets the level of collateral that the Firm requires.

The Accounts Manager monitors overdue accounts and recommends mitigating action and recovery, in discussion with the Director of Finance.

The Firm only transacts with counterparties authorised by the FCA and regular credit and trading checks are carried out.

REGULATORY RISK

DEFINITION - Regulatory risk is the risk associated with the failure to meet the firm's legal obligations from legislative, regulatory or contractual perspectives. This includes risks associated with the failure to identify, communicate and comply with current and changing laws, regulations, rules, regulatory 'guidance', and codes of conduct. It also includes anti-money laundering and terrorist-financing risks.

STATEMENT - The Firm will ensure compliance with regulatory requirements and industry practice to avoid supervisory intervention and protect our reputation and relationship with the regulator. The Firm has minimal appetite for regulatory and legal risks and seeks to operate with the highest ethical and legal standards, and integrity.

All employees are responsible for managing day-to-day legal and regulatory risks, while Compliance and Anti-Money Laundering functions assist by providing advice and oversight. This is further enhanced by Audit Committee oversight, which oversees the establishment and maintenance of processes and policies, in form of department manuals, which ensure the Firm is in compliance with laws and regulations.

The Firm's Code of Conduct sets the 'tone from the top' for a culture of integrity throughout the Firm. This means that every decision and action has to be assessed in light of what is right, fair, legal and ethical. This is supported by policies and procedures as set out in department manuals.

Whilst it is not possible to eliminate regulatory risk, the Compliance department works closely with all other departments to ensure that legal and regulatory risks are reduced to a minimum through an ongoing review system.

REPUTATIONAL RISK

DEFINITION - Reputational risk is the risk that stakeholder's impressions, whether true or not, regarding the firm's business practices, and actions or inactions, will cause a decline in Redmayne Bentley's value, brand, liquidity or customer base, and may require costly measures to repair.

STATEMENT - We will ensure that we conduct ethical practices at all times, complying with laws and regulations, and following the Firm's policies and procedures in order to protect the Firm's brand and reputation.

The Firm has minimal appetite for reputational risks and seeks to operate with the highest ethical and legal standards, and integrity.

Ultimate responsibility lies with the Firm's senior management and the Main Board for the Firm's reputation. They ensure that the strategy does not put the Firm's reputation at risk.

At the same time, every employee and representative has a responsibility to act within the Firm's reputational risk appetite, and that their actions contribute in a positive way to the Firm's reputation. This means following ethical practices at all times, complying with laws and regulations, and following the Firm's policies and procedures. Reputational risk is most effectively managed when everyone works continuously to protect and enhance Redmayne Bentley's reputation.

Additionally, the Firm adheres to the Treating Customer's Fairly (TCF) initiative as a core part of its regulatory framework, and as a continuous process. The following has been embedded in to the Firm's culture:

- Consumers can be confident that they are dealing with a firm where the fair treatment of customers is central to the culture.
- Products and services are designed to meet the needs of identified consumer groups and are targeted accordingly.
- Consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale.
- Where consumers receive advice, the advice is suitable and takes account of their circumstances.
- Consumers are provided with products that perform as firms have led them to expect, and the associated service is of an acceptable standard and as they have been led to expect.
- Consumers do not face unreasonable post-sale barriers imposed by the firm to change product, switch provider, submit a claim or make a complaint.

ICAAP GOVERNANCE

As required under FCA rules, the Firm maintains an ICAAP, which includes performing a range of stress tests to determine the appropriate level of regulatory capital and liquidity that the Firm needs to hold to provide reasonable assurance that the Firm is sufficiently capitalised to withstand the material risks to which it is exposed. The current basis of calculation of capital requirement has been adopted in the stress tests, including the FCA ICG requirement of 169% of pillar 1 capital set in December 2009.

The ICAAP report has been reviewed by the Risk Oversight Committee, and was approved by the Main Board at its meeting held in January 2018. Updates on ICAAP and risk management issues form regular agenda items at the monthly main board meetings, which are recorded.

REMUNERATION POLICY

As the firm is regulated by the Financial Conduct Authority (FCA) it is subject to the FCA Remuneration Code. The obligations under the code are proportionate to the size, nature, scope and complexity of a firm and Redmayne Bentley, as a firm with limited activity, has been categorised as Level 3.

Level 3 firms can dis-apply the requirement

- to establish a remuneration committee;
- for variable remuneration to be paid partly in shares;
- to defer variable remuneration
- for performance adjustments
- on leverage (ratios between fixed and variable remuneration); and on multi-year frameworks for remuneration.

The Firm reviews the Remuneration Policy annually as part of governance arrangements. The following are the key elements of its approach to ensuring that it meets good governance principles and to ensure that any potential conflicts of interest which could arise from remuneration schemes are minimised.

- The firm has a remuneration committee which is responsible for ensuring there is an alignment between risk and individual reward to discourage excess risk taking and to deliver the objective of the Remuneration Policy. The committee report to the Main Board. The policies are reviewed annually or if there is a significant change to the business requiring an update to its internal capital adequacy assessment.
- Employees are rewarded for added value and performance. Other considerations are the impact on the achievement of business goals.
- Salaries are reviewed annually in October by reference to salary bands which are regularly reviewed and updated through job evaluation processes. Recommendations on salary reviews are made by Directors and considered by the Remuneration Committee, and then by the Main Board. The Firm's remuneration arrangements represent a combination of fixed salaries and variable remuneration including bonus payments, commission and management fees. The process is designed to align the interest of the firm and its employees with those of its clients and other stakeholders to ensure the firm's continued long term profitability.
- Bonus payments are made on a fully discretionary basis, determined by a fixed formula linked directly to the overall profits of the firm each half year and based on performance against core competencies. Commission is also based on a pre-determined formula.
- Franchisees and their associates are rewarded by a fixed flat rate share of revenue with no target thresholds. These are agreed contractually.

CODE STAFF

It has been determined that only those Approved Persons performing Significant Influence Functions and any other Controlled Function excluding CF30's are to be classified as Code Staff.

The Firm considers that all its activities form one business division of stockbroking and investment management. All Code staff are Main or Executive Board members.

Individual performance, development and progression are managed by annual appraisal processes.