Womble Bond Dickinson Wealth Limited

Pillar 3 Disclosure

Bond Dickinson Wealth Limited as at 30 April 2016 (Bond Dickinson Wealth Limited changed its name to Womble Bond Dickinson Wealth Limited on 1 November 2017).

1. Introduction

These disclosures are prepared in accordance with the Capital Requirements Directive (CRD IV) and the Capital Requirements Regulations (CRR). The CRD IV represents the European Union's application of Basel III and the CRR provides the detailed requirements required to comply with CRD IV.

The CRD IV comprises three 'Pillars'

- Pillar 1 sets minimum capital requirements to meet credit, market and operational risk;
- Pillar 2 requires firms and their supervisors to consider whether additional capital should be held to cover risks not already covered by Pillar 1 requirements; and
- Pillar 3 seeks to improve market discipline by requiring firms to disclosure certain information on their risks, capital and risk management.

These disclosures represent Womble Bond Dickinson Wealth Limited's (WBDWL) pillar 3 disclosures. Their aim is to provide material information for market participants to assess key information about the firm's risk management objectives and controls, its remuneration policies and its capital position.

2. Disclosure Policy

The CRR permits WBDWL to omit disclosures if the information provided in those disclosures is not regarded as material. WBDWL regards information as material if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. If WBDWL deems a certain disclosure to be immaterial, it may be omitted from this Statement. Some of the disclosures required under the CRR are deemed immaterial or are omitted since they are not relevant to WBDWL's business.

The CRR also permits WBDWL to omit disclosures if the information provided in those disclosures is regarded as proprietary or confidential. WBDWL regards information as propriety if sharing that information with the public would undermine its competitive position and it regards information as confidential if there are obligations to clients or other counterparty relationships binding the firm to confidentiality.

In the event that any such information is omitted, we shall disclose such and explain why it had not been disclosed.

3. Frequency

WBDWL will be making Pillar 3 disclosures annually.

4. Media and Location

These disclosures will be published on our website.

5. Verification

The information contained in these disclosures has not been audited by our external auditors and does not constitute any form of financial statement.

The disclosure have been put together to explain the basis of preparation and disclosure of certain capital requirements and provide details of the management of certain capital requirements and provide details of the management of certain risks and for no other purpose; they and must not be relied upon in making any judgement on the firm.

6. Scope and application of Directive requirements

These disclosures are made in respect of WBDWL, which provides wealth management services including independent financial advice.

WBDWL is a wholly owned subsidiary of Womble Bond Dickinson Holdings Limited (WBDH).

7. Risk Management Objectives and policies

WBDWL's general risk management objective is to develop governance structures and systems and controls to mitigate risks as far as possible without incurring significant additional costs or decreases in efficiency.

7.1. Governance

The Board of WBDWL is the governing body ultimately responsible for the firm's risk management framework. The Board has authorised the Compliance Committee (comprised of Directors, members of the firm's management team and the compliance manager) to undertake all actions necessary to identify risks that the firm faces and to provide appropriate management information to enable to Board to effectively assess, monitor and manage these risks.

The Compliance committee exercises its remit through quarterly review of reports which cover, among other things, regulatory compliance, systems and controls, client assets, anti-money laundering and operational risks. It also reviews the ICAAP and recommends it for approval to the Board.

Individuals are selected to become directors of WBDWL or members of the Compliance Committee on merit and to ensure that all of the skills and experience required within the regulated business are covered. There is no policy on diversity with regards to selection of directors or Compliance Committee.

7.2. Risk Management Framework

WBDWL employs a "Top-down" and "Bottom-up" approach to risk management.

A detailed risk and control matrix is used to capture the key risks that affect WBDWL on a day to day basis – the "Bottom-up" risks. These bottom up risks are owned and managed by the Managing Director of WBDWL (with the support of the senior management team and the Compliance Manager).

The "Top-down" strategic and business risks are identified by consultation with the Board of Directors of WBDWL and documented as part of the ICAAP. These "Top-Down" risks are owned and managed by the Board of Directors.

The detailed risk and control matrix is reviewed, challenged and updated at least on an annual basis and the ICAAP is reviewed, challenged and updated at least on an annual basis. These reviews may occur more frequently if there are any significant changes to the business strategy and / or the risk profile.

Where an assessment of a risk indicates that it is outside the risk appetite for the business then suitable action plans are identified and actioned.

7.3. Risk appetite

WBDWL is a conservative organisation that has chosen to focus on its areas of expertise rather than adopting a range of business activities that would inevitably increase risk. It has structured its business and limited its range of permissions in order to reduce or remove as many categories of risk as possible.

7.4. Risk Statement

The Board is ultimately responsible for reviewing the effectiveness of the Company's risk management arrangements and systems of financial and internal control. These arrangements are designed to mitigate rather than eliminate the risks within the business and offer reasonable assurance against fraud, material misstatement and loss. The Board considers that it has in place adequate systems and controls with regard to the Company's profile and strategy.

8. Own Funds

WBDWL is an IFPRU 125k Limited Licence Firm because it does not deal for its own account or underwrite issues on a firm commitment basis however it does hold client money and assets.

An IFPRU 125k firm must maintain at all times capital resources equal to or in excess of the base requirements of €125,000.

The Pillar 1 capital requirement for an IFPRU 125k Limited Licence Firm is set out in Article 95 (2) of the CRR and is the higher of the credit risk capital requirement and the market risk capital requirements, or the fixed overheads requirements (i.e. one quarter of the firm's relevant fixed expenditure). For WBDWL the Pillar 1 requirement is the fixed overheads requirement and the firm must maintain at all times capital resources equal to or in excess of this requirement.

During the year ended 30 April 2016 WBDWL complied fully with all capital requirements and operated well within regulatory requirements.

The firm's capital position, as at 30 April 2016, is illustrated in the following table:

Capital item	**£**
Ordinary share capital	1,600,000
Share premium	7,650,000
Retained earnings	445,497
Regulatory deductions (goodwill)	(7,225,000)
Core Tier 1 Capital	**2,470,497**
Tier 2 Capital	Nil
Own Funds	**2,470,497**
Risk weighted exposure amount	6,430,175
Core Tier 1, Tier 1 and Total Capital Ratio	**38.42%**
Surplus capital over minimum requirement	**1,956,083**

The Own Funds of the Company are its Shareholders Funds as shown in its Balance Sheet at 30 April 2016.

The core tier 1, tier 1 and total capital ratios (all 38.42%) exceed the minimum ratios by 33.92%, 32.42% and 30.42% respectively.

9. Approach to assessing adequacy of Own Funds

Capital adequacy is monitored regularly with quarterly reporting to the Compliance Committee. Capital planning forms a key part of the firm's budgeting process which helps to ensure that that the Company has sufficient Own Funds to support its business objectives.

WBDWL operates an ICAAP during the year that considers all of the risks faced by the firm, the likely impact on the business if they were to occur, how these risks can be mitigated or managed and the amount of capital it is considered prudent to hold against them. The ICAAP is updated annually with approval provided by the Board.

During the year ended 30 April 2016 WBDWL concluded that no additional capital was required above its Pillar 1 requirements.

10. Principal risks

The principal risks for WBDWL together with the severity and probability of impact are discussed below as well as potential mitigating actions that could be taken.

10.1. Credit Risk

The firm's credit risk exposures relate to trade debtors, prepayments and sundry debtors which are all historically low.

The credit risk capital component of pillar 1 has been calculated following the Standardised approach which weights exposures according to their risk profile and, where appropriate, credit ratings in accordance with the CRR.

10.2. Counterparty Risk

The firm's only counterparty exposures are in relation to cash held on short term deposits and debts owed by other group companies.

Cash is only held UK regulated Banks and appropriate due diligence procedures are in place to assess the on-going suitability of the selected institutions.

There are arrangements in place to ensure that debts due from group companies are repaid in full when required.

10.3. Market Risk

WBDWL does not have a material exposure to this risk category as it does not deal for its own account. It does have an indirect exposure as a result of possible dealing errors however this has been included in the assessment of operational risk and in the scenario analysis and stress testing carried out as part of the firms' ICAAP.

10.4. Operational Risk

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people and systems or from external events, including legal risk. It includes potential low frequency, high severity events such as IT system failure and internal and external fraud. WBDWL is aware that operational risk cannot be eliminated but seeks to minimise (where possible) the probability and impact of operational events.

WBDWL manages operational risks through a combination of documented policies, procedures and internal controls all designed to ensure compliance with relevant laws and regulations. The compliance department monitor the adherence to these policies and procedures as well as recording and analysing loss events. The results of these activities form part of the management information that is fed into the firm's management team, the Compliance Committee and ultimately to the Board thereby enabling effective monitoring and management of operational risks on an ongoing basis.

As a limited licence 125k investment firm WBDWL assessed the need to hold additional Pillar 2 capital against operational (and other) risks during the ICAAP but has concluded that the Pillar 1 capital requirement adequately covers all risks.

10.5. Other Risk categories

As the firm operates a simple business model it does not carry significant exposures to the other specific risk categories, identified by the FCA.

11. Remuneration

The FCA's Remuneration Code ("the Code") applies to certain individuals' total remuneration, both fixed and variable.

11.1. Proportionality

WBDWL is subject to the Remuneration Code and is categorised as a Level three firm.

The firm's policy is designed to ensure that it complies with the Code and therefore that its compensation arrangements:

- are consistent with and promote sound and effective risk management,
- do not encourage excessive risk taking,
- include measures to avoid conflicts of interest, and
- are in line with the firm's business strategy, objectives, values and long-term interests.

11.2. Application of the requirements

WBDWL is required to disclose certain information on at least an annual basis regarding its remuneration policy and practices for those staff whose professional activities have a material impact on the risk profile of the firm ("code staff"). This disclosure is made in accordance with the firm's size and the nature, scope and complexity of its activities.

Summary of information on the decision-making process

- Staff of WBDWL may participate in the Womble Bond Dickinson Group wide bonus scheme.
- The Group's policy has been agreed by senior management in accordance with the code's principles.

- The Group's policy will be reviewed as part of an annual process or following a significant change to the business requiring an update to its internal capital adequacy assessment.

11.3. Summary of how WBDWL links between pay and performance

WBDWL's remuneration policy is linked to the performance of the firm as a whole and of individual employees. Remuneration comprises of both fixed and variable remuneration with the variable element being paid in the form of cash bonuses. The payment of cash bonuses is deferred and made in one instalment in the December following the financial year in which they are earned, to those that are still employed at that time. No element of variable remuneration is guaranteed for any code staff.

Management take both financial and non-financial criteria into account when assessing individual performance. Individuals are rewarded on an assessment based on their contribution to the overall strategy and achievement of the business taking into account factors including, where appropriate:

- Client interactions including business development and client relationship management.

- Compliance with relevant external regulations, professional requirements and adherence to internal policies and procedures.

- Overall performance, reliability and effectiveness.

11.4. Aggregate remuneration of Code Staff

For the year ended 30 April 2016 there were four code staff.

Fixed remuneration of £90,502 was paid during the year. No variable remuneration was paid.

Fixed remuneration consists of base salaries while variable remuneration consists of cash bonus payments.

Remuneration Code staff comprises categories of staff including senior management, risk takers and staff engaged in control functions excluding CF30s.