FCA Pillar 3 Disclosure

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 FCA 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;
- 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 intended to meet the Pillar 3 obligations.

The Directors are permitted to omit required disclosures if they believe that the information is immaterial such that omission would be unlikely to change or influence the decision of a reader relying on that information. In addition, the Directors may omit required disclosures where they believe that the information is regarded as proprietary or confidential. In the view of the Directors, proprietary information is that which, if it were shared, would undermine their competitive position. Information is considered confidential where there are obligations binding them to confidentiality with their customers, suppliers and counterparties. Other than noted below, the Directors have made no omissions on the grounds that it is immaterial, proprietary or confidential.

Scope and application of the requirements
Vermeer Investment Management Ltd ("the Firm") 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. It is an investment management firm and as such has no trading book exposures.

Risk management
The Firm is managed day to day by its Executive Committee; ultimate responsibility for management of the business rests with the Directors. The Directors determine the Firm's business strategy and risk appetite. The Directors are responsible for maintaining the Firm's governance arrangements along with implementing a risk management framework that recognises the risks that the business faces.

The Directors also determine how the risks the business faces may be mitigated and assesses on an ongoing basis the arrangements to manage those risks. The Directors manage the Firm's business risks 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 operating a defined and transparent risk management framework. These policies and procedures are updated as required.

The Directors have identified that business, operational, market and credit risks are the main areas of risk to which the Firm is exposed. Annually the Directors formally review their risks, controls and other risk mitigation arrangements and assess their effectiveness. Where the Directors identify material risks they consider the financial impact of these risks as part of the business planning and capital management process and conclude whether the amount of regulatory capital is adequate.

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

Capital

Capital Item	£'000s
Permanent share capital	5,940
Profit and loss account and other reserves	(3,946)
Profit for the financial year	953
Core Tier 1 Capital	2,947
Deductions from Tier 1 Capital	-
Total capital after deductions	**2,947**
Total capital requirement	1,773
Excess capital over requirement	**1,174**
Capital adequacy ratio	**166%**

The Firm is small with a simple operational infrastructure. It does not have significant risks from foreign exchange. Its credit risk arises from bank balances in USD and EUR. The Firm follows the 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 €125,000; or
- The sum of its market and credit risk requirements; or
- Its Fixed Overhead Requirement.

As at 30th June 2021, the sum of the market risk and credit risk requirements amounted to £244k, the base capital requirement was £107k (€125k), and the fixed overhead requirement was £1,773k.
The greater of these three items is the Fixed Overhead Requirement of £1,773k and this is therefore used for the Pillar 1 calculation.

Remuneration Policy
The aim of the FCA Remuneration Code is to ensure that firms have risk-focused remuneration policies, which are consistent with and promote effective risk management and do not expose them to excessive risk. Remuneration is reviewed on an annual basis. The remuneration policy takes into the account the achievement by individuals of established goals and targets and will include a mix of financial and non-financial criteria. In assessing performance, consideration will also be given to performance in relation to compliance and risk management and the fair treatment of clients.

Employees are assessed against quantitative and qualitative criteria including information provided from their annual appraisal. In addition to the above, performance measurements include idea generation, portfolio monitoring, analysis, industry understanding, team factors and supporting the business.