



# WISE INVESTMENT

PLANNING FOR LIFE

## Capital Adequacy Pillar 3 Disclosures

January 2018

### Introduction

Wise Investment Limited is required to make a Pillar 3 disclosure by rules set out in the FCA's BIPRU sourcebook. It is intended to encourage good risk management practice within financial services firms and to promote market discipline by making information about companies publicly available.

Wise Investment is a financial planning and discretionary fund management firm. It does not deal on its own account, rather it acts as an agent in the management of assets to predetermined mandates. This includes managing the investment portfolios of private individuals and a range of managed funds (which are operated by a third party). Wise Investment is subject to operational and reputational risks.

### Risk management objectives and policies

Risk management is focused on reducing operational risk and maintaining sufficient capital within the firm to allow an adequate buffer against those risks as identified in 'Pillar 2' of the company's Internal Capital Adequacy Assessment Procedure (ICAAP).

Risk management is the responsibility of the board of directors and is led by the firm's compliance officer. As Wise Investment is a part of The Oak Investment Partnership. There is a risk committee at Partnership level that reports to the Partnership board of directors.

Operational risks include the detrimental effects of:

- theft, fraud and litigation;
- fire, adverse weather and acts of God;
- IT systems failure;
- reputational damage from mis-advising clients or mis-managing investment mandates;
- market risk associated with managed investment portfolios (as the firm is remunerated on a percentage-of-assets basis);
- regulatory/compliance failings.

These risks are reduced by operating relevant policies and procedures. These are designed to be both preventative and to provide oversight information to the board/managers to act on accordingly.



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Wise Investments Limited offers independent investment management and financial planning advice, and is authorised and regulated by the Financial Conduct Authority. FCA no. 230553.  
Wise Investment is a trading brand of Wise Investments Limited.

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Wise Investment employs independent compliance consultants who regularly review the firm's activities. It also actively engages with the compliance departments of third party partners in order to maintain best practice.

BIPRU 3 – For the Pillar 1 Regulatory Capital Calculation of Credit Risk, under the risk capital component the firm has adopted the Standardised approach (BIPRU 3.4) and the Simplified method of calculating risk weights (BIPRU 3.5)

## Credit Risk Calculation

Credit Risk Capital Requirement	Rule	Capital Component
Credit risk capital component	BIPRU 3.2	£37,143.53
Counterparty risk component	BIPRU 13 & 14	£0
		£37,143.53

	Rule	Exposure	Risk Weight	Risk weighted exposure amount
National Government Bodies	BIPRU 3.4.2	£0	0%	£0
Retail Exposures	BIPRU 3.2.10	£76,119.92	75%	£57,089.94
Banks etc. short-term	BIPRU 3.4.39	£664,330.64	20%	£132,872.13
Exposure to Corporates/Debtors	BIPRU 3.4.52	£36,759.54	100%	£36,759.54
Past due item	BIPRU 3.4.96	£0	100%	£0
Fixed assets	BIPRU 3.4.127	£65,856.32	100%	£65,856.32
Accrued Investment management fees	BIPRU 3.4.128	£171,716.20	100%	£171,716.20
		£1,014,782.62		£464,294.13

Credit Risk Capital Component

8% of risk weighted exposure

£37,143.53



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## Approach to assessing the adequacy of capital resources

The firm's 'Pillar 2' assessment of required capital is set out in its ICAAP. An estimate is made of the amount of capital that should be held against each of the operational risks (including market risk via managed portfolios). As Wise Investment does not engage in dealing or lending from its own book there is no need to assess market or counterparty/credit risk.

The process involves a degree of judgment. The total capital assessed as being required is compared to the 'Pillar 1' approach to calculating minimum capital requirements (see below), with the larger of the two figures being used as to determine whether current capital resources are adequate.

## Approach used for assessment of the operational risk capital requirement

As a BIPRU firm, the basic indicator approach is used, with the Fixed Overhead Requirement determining the level of capital required.

## Current capital resources

At 31<sup>st</sup> December 2017 Wise Investment had Tier 1 capital resources of £573,613.82 It had no Tier 2 or Tier 3 capital.

The minimum capital required was assessed as being £421,175.88 The firm therefore has capital of £152,437.94 in excess of the minimum, or a ratio of 136.19%. This is deemed sufficient to support current and future activities.

## Remuneration policy

Wise Investment is also required to disclose the key policies used in determining remuneration for staff whose professional activities have a material impact on the firm's risk profile, along with key quantitative information. These staff members are defined by the firm as authorised individuals who are in significant management, control or risk functions. Remuneration policy is the responsibility of the board of directors. Base pay is set by reference to level of seniority and/or revenues earned by the individual, with additional remuneration should the individual's pre-defined targets be exceeded. All eligible staff are also entitled to distribution of company-wide profits under the firm's employee ownership scheme.

In 2017 total remuneration for the 'significant influence function' staff members was £806,334.59



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