



## **Belgrave Capital Management Ltd.**

**Pillar 3**  
**FINANCIAL YEAR ENDING SEPTEMBER 2019**

**PILLAR 3 STATEMENT  
CAPITAL ADEQUACY AND RISK MANAGEMENT  
FINANCIAL YEAR ENDING 30<sup>th</sup> SEPTEMBER 2019**

Belgrave Capital Management Limited ("BCM") is authorised and regulated by the Financial Conduct Authority. BCM is categorised as a limited licence firm by the FCA for capital purposes. BCM is part of the Banca del Ceresio SA ("BdC") Group and is subject to consolidated supervision by the Swiss Financial Market Supervisory Authority. BdC's consolidated accounts include BCM as well as several other subsidiaries of BdC. The group auditor is PricewaterhouseCoopers. As BCM has no subsidiaries of its own, the following information has been prepared on a solo (unconsolidated) basis.

**1. Risk Management**

Under FCA rules, BCM is required to establish, implement and maintain adequate risk management policies and procedures, including effective procedures for risk assessment which identify the risks relating to its activities, processes and systems. The risk management system is also required to document the controls that have been adopted to ensure all the risks are appropriately managed and fall within acceptable levels.

BCM has established a comprehensive Risk Assessment Framework ("RAF") and Risk Mitigation Programme ("RMP") designed to ensure timely identification of all risks to the business and effective risk mitigation. Under the RAF, potential risks are identified and ranked depending on their perceived materiality to the business, using historic experience and estimates of impact and probability. Individual risk scores are then aggregated to produce an overall risk heat map for BCM. This 'gross' risk position is then mitigated, by applying BCM's control environment, to obtain an overall net risk score for the business. The risk mitigation process is reflected in the RMP, which sets out the established control procedures within the various areas of business and assigns responsibility to specific individuals for ensuring that these controls are implemented and remain effective.

The risk management system is reviewed quarterly by a management committee comprising of senior executives with specific line responsibilities to ensure that it is up-to-date and takes due account of changes in BCM's business environment and risk profile. Reviews are included as part of the annual Compliance Monitoring Programme.

Overall responsibility for the BCM risk management framework rests with the Board which monitors the risk position of the company, performs an annual review of the overall plan and sets the risk appetite for the business.

BCM is primarily exposed to the following key risks (with only incidental credit and market risk exposures):

Business Risk – represented by a rapid and substantial reduction in assets under management originating from various causes (for example, a sharp equity market decline, poor performance, a major market disruption event).

Operational Risk – represented by a loss resulting from inadequate or failed internal processes, people and systems, or from external events (trading error).

Reputational Risk – represented by an event attributable to BCM or any of its outsourcers, which could impact assets under management and the ability to continue in business (wind-down).

BCM identifies, monitors and controls its business, operational and reputational risks on an on-going basis through its risk management process described above.

## Belgrave Capital Management Ltd.

Other risks such as credit risk and market risks are deemed non-material given the activities undertaken by the company, albeit they are carefully overseen by the Chief Executive Officer and the Finance Director.

### 2. Approach to assessing capital adequacy

In order to comply with FCA rules and the EU Capital Requirements Directive ("CRD"), BCM has implemented an Individual Capital Adequacy Assessment Process ("ICAAP"). The ICAAP provides the framework for assessing BCM's internal capital needs as a result of exposure to key risks. BCM's ICAAP uses a range of stress tests and scenario analyses to estimate the maximum financial loss that could arise from various adverse events, partially based on historic loss experience. The results of this combined stress test analysis is then used to determine the amount of additional Pillar 2 capital required to absorb hypothetical losses arising from each type of risk. As a limited licence firm, the consolidated capital resources requirement for BCM is therefore calculated as the total of Pillar 1 and Pillar 2 capital.

Under FCA rules, the Pillar 1 Capital Requirement is determined as a base capital requirement of €50,000 plus the higher of the the sum of the credit and market risk capital requirements or the fixed overheads requirement ("FOR").

Under FCA rules, the Pillar 2 Capital Requirement is determined through the ICAAP by considering any additional capital which may be necessary to meet losses originating from the materialisation of key risk events which may not adequately be covered by the Pillar 1 Capital Requirement.

Under the latest ICAAP review, BCM's Total Capital Requirement based on stress testing of key risks has been assessed at £3.384m, implying a Pillar 2 Capital Requirement of £1.641m.

The ICAAP is kept under review by the Board and senior management to ensure that it remains comprehensive and up-to-date in light of any material changes to BCM's business and control environment or the regulatory regime.

### 3. Capital adequacy

As of 30<sup>th</sup> September 2019, BCM's regulatory capital position was:

| <b>Belgrave Capital Management Limited<br/>Capital Resources as 30<sup>th</sup> September 2019</b> | <b>£000</b> |
|--|-------------|
| Total capital after deductions   | 6,372       |
| Total Pillar 1 capital requirement   | 1,743       |
| Total Pillar 2 capital requirement   | 1,641       |
| Total capital requirement  | 3,384       |

### 4. Remuneration

See the separate Remuneration Disclosure statement.