



# P1 Investment Management

Pillar 3 Disclosure

30 September 2020



## Background

This is the Pillar 3 disclosure made in accordance with the UK Financial Conduct Authority (FCA) Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU').

The European Capital Requirements Directive (CRD) created a regulatory capital framework consisting of three 'pillars' namely;

- Pillar 1 – which sets out the minimum capital requirements that firms are required to meet for;
- Pillar 2 – which requires firms to take a view on whether additional capital should be held against capital risks not covered by Pillar 1; and
- Pillar 3 - which requires firms to publish certain details of its risks, capital and risk management process.

## Disclosure Policy

The rules in BIPRU 11 provide that the firm may omit one or more of the required disclosures if it believes that the information is immaterial. Materiality is based on the criteria that the omission or misstatement of material information would be likely to change or influence the assessment or decision of a user relying on that information for the purposes of making economic decisions. Where the firm considers a disclosure to be immaterial, this will be stated in the relevant section.

The firm is also permitted to omit one or more of the required disclosures where it believes that the information is regarded as proprietary or confidential. Proprietary information is that which, if it were shared, would undermine the firm's competitive position. Information is considered to be confidential where there are obligations binding the firm to confidentiality with its clients and counterparties.

Where the firm has omitted information for any of the above reasons, a statement explaining this will be provided in the relevant section.

Unless stated as otherwise, all figures contained in this disclosure are based on our firm's latest audited annual accounts.

## Frequency

These Pillar 3 Disclosures will be reviewed on an annual basis as a minimum. The disclosures are published as soon as is practical following the finalisation of our Internal Capital Adequacy Assessment Process (ICAAP) and the publication of our annual reports.

## Verification

The calculation of regulatory capital contained in this disclosure has been audited by our firm's external auditors however does not constitute any form of financial statement.

## Publication

Our firm's Pillar 3 Disclosure reports are published on our website and in our audited annual accounts.

## Scope and application of Directive requirements

The disclosures in this document are made in respect of P1 Investment Management Limited which provides discretionary investment management services. P1 Investment Management Limited is a BIPRU firm.



## Risk management objectives and policies

Our risk management policy reflects the FCA requirement that we must manage a number of different categories of risk. These include: liquidity, credit, market, interest rate, business and operational risks.

### 1. Liquidity risk

The firm manages all cash requirements to maximise potential interest income whilst ensuring the firm has sufficient liquid resources to meet the continued operating needs of the business. This is supported by a robust budgeting and forecasting process which has the full involvement of the senior management team, which includes a practicing Chartered Accountant.

### 2. Credit risk

The firm's revenues include annual management charges and platform fees received from investors based on a percentage of assets under management. These charges are deducted directly from the investors' portfolios, and therefore the credit risk relating to this income is minimal.

### 3. Interest rate risk

The firm has no borrowings and no exposure to interest rate risk.

### 4. Business risk

The firm's Pillar 2 business risk assessment principally takes the form of a fall in assets under management following a market downturn that leads to lower management fees, although other risks such as loss of key personnel and systems failures are also considered. To mitigate our business risk, we regularly analyse various economic scenarios to model the impact of economic downturns on our financial position.

### 5. Operational risk

Operational risk is defined as the potential risk of financial loss or impairment to reputation resulting from inadequate or failed internal processes and systems, from the actions of people or from external events.

Major sources of operational risk include: outsourcing of operations, IT security, internal and external fraud, implementation of strategic change and regulatory non-compliance.

The firm operates a robust risk management process which is regularly reviewed and updated with details being provided to all staff. The firm's Compliance Oversight is responsible for the periodic reviews and recommending any changes to the Board.

All senior management will bear responsibility for internal controls and the management of business risk as part of their accountability to the Board.

Individuals are responsible for identifying the risks surrounding their work, implementing controls over those risks and reporting areas of concern to Senior Management.

The Compliance Oversight function provides the Board with a summary report on all significant risk issues as they arise.

### 6. Other risks

The firm operates a simple business model and a proportional approach to risk management is applied. Accordingly, many of the specific risks identified by the FCA do not apply.



## Capital resources

### Pillar 1 requirement

In accordance with GENPRU 2.1.45R (calculation of variable capital requirement for a BIPRU firm), our capital requirement has been determined as being our fixed overhead requirement and not the sum of our credit risk capital requirement and our market risk capital requirement.

The Pillar 1 capital requirement for P1 Investment Management was £150,000 as at 30 September 2020.

### Pillar 2

Our overall approach to assessing the adequacy of our internal capital is set out in our ICAAP. The ICAAP process involves separate consideration of risks to our capital combined with stress testing using scenario analysis. The level of capital required to cover risks is a function of impact and probability. We assess impact by modelling the changes in our income and expenses caused by various potential risks over a 1-year time horizon. Probability is assessed subjectively.

In addition, we have reviewed the outputs of our risk reviews to quantify any risks identified. This has identified a number of key business risks which we have classified against the risk categories contained in GENPRU 1.2.30R and reviewed the guidance in BIPRU 2.2.61-65.

Our Pillar 2 capital requirement, which is our own assessment of the minimum amount of capital that we believe is adequate against the risks identified, has been assessed as greater than our Pillar 1 requirement. There is a considerable surplus of reserves above the capital resource requirement deemed necessary to cover the risks identified.

### Regulatory capital

The main features of P1 Investment Management's capital resources for regulatory purposes, as at 30 September 2020 are as follows:

<b>Capital item:</b>	
Tier 1 capital	£760,250
Total of tier 2 and tier 3 capital	£0
Deductions from tier 1 and tier 2 capital	£305,357
Total capital resources, net of deductions	£454,893

Included in the above figures in an amount of £266,875, which represents illiquid assets. When this amount is ignored, our regulatory capital remains sufficient and adequate.