

AMR FINANCIAL MANAGEMENT LTD (AMR)
PILLAR 3 DISCLOSURE
DECEMBER 2021

Pillar 3 Risk Disclosure

Overview

The Capital Requirements Directive (CRD) enacted by the European Union in 2006 established a framework for the management of regulatory capital. In the UK, the Directive was implemented by the Financial Conduct Authority (FCA) and the regulations set out within its handbook of rules and guidance.

The CRD consists of three Pillars

- Pillar 1 – this sets out the minimum capital amount required to meet a firm's credit, market and operation risk
- Pillar 2 – requires firms to assess whether its capital is adequate to meet its risks that are not covered by Pillar 1. This is subject to review by the FCA
- Pillar 3 – This requires a firm to disclose qualitative and quantitative information about the underlying risk management controls and capital position of a firm

The rules, particularly those in BIPRU 11, set out the provision for Pillar 3 disclosure. This document is therefore designed to meet AMR's Pillar 3 obligations by stating our risk management objectives and policies.

The rules enable us to omit disclosures if we believe that the information is immaterial whereby any such omission would not be likely to change or influence the assessment or decision or a reader relying on that information for the purposes of making an economic decision.

We may also omit any required disclosure where we believe that the information is regarded as proprietary or confidential. In our opinion, proprietary information, if shared with the public, could undermine our competitive position. Confidential information is where we are obliged to retain confidentiality to protect our clients and or suppliers.

AMR believes its risk exposure to be typical for a business of its size and nature.

Frequency and Location of Disclosure

It is our intention that disclosures will be issued on an annual basis and will be available on our Website. The disclosures will be as at 31st December.

Scope and Application of Requirements

AMR is a small investment firm categorised as a BIPRU 50k Limited Licence firm. We are authorised and regulated by the FCA for investment management activities in the UK and are subject to minimum regulatory capital requirements.

AMR has no trading book exposures.

AMR is not a member of a group and so is not required to prepare consolidated reporting for prudential purposes.

Risk Management

The Directors of AMR have determined its business strategy and appetite for risk, together with the implementation of a defined and transparent risk management framework.

The directors hold regular meetings to discuss all key business issues, including cashflow, liquidity and risk management.

The Internal Capital Adequacy Assessment Process (ICAAP) forms part of AMR's risk management framework and is updated on an annual basis. The ICAAP sets out the sources of risk to the firm and to the investment vehicles which the firm manages and then rates the potential impact of each risk to AMR's business and to the investment vehicles which the firms manages, offsetting this against the systems and controls which have been put in place to mitigate those risks.

AMR takes reasonable steps to reduce the probability of any risk occurring. However, should a risk crystallise, AMR has taken steps to ensure that additional capital resources are available in proportion to the likelihood and nature of such a risk occurring.

AMR has identified that the main risks to which it is exposed are as follows:

- **Operational Risk**

This is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events such as legal risks.

AMR looks to mitigate all operational risk to an acceptable level, in accordance with its risk appetite, by maintaining a strong control environment ensuring that all staff have the appropriate knowledge and training and by maintaining an effective management structure.

- **Business Risk**

The main business risk faced by AMR is that of a substantial or sustained reduction in funds under management caused by falls in the market. Therefore, a monthly review will be carried out to ensure that capital reserves remain at a fixed level to mitigate such falls in the market.

- **Market Risk**

AMR has limited exposure to market risk as it does not have a trading book.

- **Credit Risk**

This is the risk that a third party will default on a financial obligation. AMR is exposed to such risk from:

- Fund Management fees due from the investment vehicles which AMR manages
- Cash deposits held at the bank on behalf of AMR

Both these risks are deemed by AMR to be minimal

Having assessed all possible risks to AMR through the ICAAP review, we believe the largest risk in capital terms is performing an orderly wind down of the business should the need arise.

Regulatory Capital

AMR is a small firm with a simple operational infrastructure. We do not believe we have a market risk per se and our credit risk is limited to management fees due from funds under management and bank deposits.

AMR is subject to the Fixed Overhead Requirement and is not required to calculate an operational risk capital charge, although it considers this as part of its process to identify the level of risk based capital required.

As a limited licence firm, AMR's Pillar 1 capital requirement is the greater of:

- Its base capital requirement of 50,000 euros or
- The sum of its market and credit risk requirements or
- Its Fixed Overhead Requirement (FOR)

AMR believes that the FOR calculated as £248,000 establishes its capital requirements and therefore market and credit risks are considered to be either negligible or immaterial.

Pillar 2 requires that a firm and the FCA take a view on whether that firm needs to hold additional capital against firm specific risks not adequately covered by Pillar 1.

AMR's minimum capital requirements consist of the higher of the Pillar 1 and the ICAAP Assessment Pillar 2 figure. No additional capital is required as a result of AMR's ICAAP assessment and therefore AMR is required to maintain a minimum capital of £248,000.

The main features of the AMR capital resources for regulatory purposes are as follows:

Capital Item	£'000
Total Tier 1 capital less innovative tier 1 capital	1350
Total Tier 2 innovative Tier 1, and Tier 3 capital	0
Deductions from Tier 1 and Tier 2 capital	0
Total capital resources, net of reductions	1350
Higher of Fixed Overheads Requirement and Variable Capital Requirement	241
Additional Capital required for Pillar 2	0

