

Casterbridge Wealth Ltd

Pillar 3 disclosure

24/09/2021

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).

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 the firm's audited annual reports for the year ending 31st March 2021.

Frequency

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

Verification

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

Publication

Our firm's Pillar 3 Disclosure reports are published on our website.

Scope and application of Directive requirements

The disclosures in this document are made in respect of Casterbridge Wealth Ltd which provides discretionary investment management services.

Casterbridge Wealth 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 and borrowing 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.

The firm has measures in place to ensure sufficient liquidity to cover three months' fixed expenditure in immediate access bank accounts, and that the senior management team of the company is notified via the monthly Financial board report if its immediate access bank facilities fall below six months' liquidity requirements. The firm will not be making transactions on its own account or dealing as principal, and hence liquidity issues associated with own account trading do not present a risk to the firm.

2. Credit risk

The main credit risk for the firm relates to annual management charge (AMC), being the risk that a client does not pay amounts due for services provided. The AMC received from clients is based on a percentage of client assets under management. These charges are taken directly from the clients' portfolios.

The provisions within client agreements and arrangements with respective platforms to facilitate the collection of these fees on a regular basis means the credit risk relating to this income is minimal.

Casterbridge Wealth Limited offers portfolio management services to Retail clients via Advisers. Clients invest funds in our managed portfolios on platforms run by Raymond James, Embark, Quilter, Novia, Standard Life and Aviva.

3. Market risk

Modelling and stress testing is performed periodically to assess the core expected future financial position of the firm and the potential impact of an economic downturn on its financial position through the effect of falling markets. The results of the modelling and stress testing show that on a cautious assumption of sales, the firm will meet all of the capital adequacy requirements under normal trading conditions.

4. Interest rate risk

The firms' current borrowing is a loan from senior management with generous and flexible terms and therefore has no significant exposure to interest rate risk.

The firm has no plans for significant debt finance in our capital structure. What debt is used (if needed) will be decided by the senior management team at the time.

5. 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 Investment Managers and systems failures are also considered. The firm's external auditors, Nexia Smith & Williamson will also review and comment on the firm's ICAAP process as part of the annual audit.

6. 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 operation 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 their line manager.

The Compliance Oversight will provide the board with a half-yearly summary report on all significant risk issues.

7. Insurance risk

PI insurance of £2 million is in place with Aston Lark - Beazley FI Binder. Negotiations at renewal aims to achieve the best terms taking into account levels of excess and costs. The firm undertakes appropriate, periodic due diligence of its PII providers. Investment management is covered and the excess is £15,000.

8. Other risks

The firm operates a simple business model. 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 Casterbridge Wealth Limited was £329,834 as at 31st August 2021.

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.

The senior management team does not believe at this stage of its development that the firm should hold any more capital than that prescribed by the requirement for the firm to carry three months' fixed capital resources.

Regulatory capital

The main features of Casterbridge Wealth Limited's capital resources for regulatory purposes, as at 31st August 2021 are as follows:

Capital item:	£000s
Tier 1 capital (called up share capital, share premium account, profit and loss account, externally verified interim net profits)	887
Total of tier 2 and tier 3 capital (broadly long and short term subordinated loans)	75
Deductions from tier 1 and tier 2 capital	nil
Total capital resources, net of deductions	962

The firm holds regulatory capital in accordance with the Capital Requirements Directive. All such capital is classified as Tier 1 capital and is therefore of the highest quality.