



## **T. Bailey Asset Management Limited**

### **Pillar 3 and Remuneration Code Disclosure As at 30 September 2020**

#### **INTRODUCTION AND SCOPE**

The Capital Requirements Directive ('CRD') establishes a regulatory capital framework governing the amount and nature of capital that must be maintained by investment firms. In the United Kingdom, the CRD has been implemented by the Financial Conduct Authority ('FCA').

The FCA framework comprises three Pillars:

- Pillar 1 sets out a firm's minimum capital requirement.
- Pillar 2 requires a firm to prepare an Internal Capital Adequacy Assessment Process ('ICAAP') document to assess whether additional capital is required to meet the risks it faces.
- Pillar 3 requires public disclosure of specified information about a firm's capital position and the underlying risk management controls.

This Pillar 3 disclosure document covers T. Bailey Asset Management Limited ('TBAM' or the 'Firm') and has been prepared on an individual company basis. Figures are based on the financial year ended 30 September 2020 and the ICAAP completed in November 2020.

TBAM provides investment management and investment advisory services and is authorised and regulated by the FCA. TBAM is categorised as a BIPRU limited licence €50k firm by the FCA.

TBAM publishes its Pillar 3 disclosure annually on its website ([www.tbaileyam.co.uk](http://www.tbaileyam.co.uk)) based on the financial statements for the previous year ended 30 September and the associated ICAAP document. Information will not be disclosed if it is not regarded as material or if it is regarded as proprietary or confidential.

#### **RISK MANAGEMENT**

The Board of TBAM determines the business strategy and risk appetite for the Firm and is the governing body ultimately responsible for the Firm's risk management framework.

The Board is responsible for ensuring an appropriate governance regime is in place, including ensuring effective processes are in place to identify, monitor, report and manage the risks that the Firm is, or may be, exposed to.

Risk management is viewed as the responsibility of all employees and directors within the Firm. TBAM maintains a risk register which monitors key risks and controls on an ongoing basis. Risks are assessed in terms of the probability of the risk occurring and likely impact. Reasonable steps are taken to reduce the probability of any risk crystallising and any impact arising. Regular Management Information is produced to ensure key risks can be monitored.

## MATERIAL RISKS

The following are the main risks considered within the risk management framework:

- Market Risk; Credit Risk - TBAM does not trade on its own account and income is generated from the investment products that it manages, so Market Risk and Credit Risk are both assessed as low.
- Interest Rate Risk - TBAM does not have any borrowings so Interest Rate Risk is assessed as low.
- Liquidity Risk - A Liquidity Risk Management Framework is in place to ensure that liquidity is sufficient to enable liabilities to be met as they fall due.
- Operational Risk – This is the risk that losses could be sustained through inadequate or failed internal processes, people or systems. As outlined above, the risk register is designed to assist in capturing all material operational risks and identify mitigating factors (e.g. existing controls) and action points.
- Business Risk – This relates to being able to generate fee income and control costs on an ongoing basis in line with business plans. The risk is assessed and mitigated as part of the ICAAP process.

## ICAAP

TBAM is required to prepare an internal assessment of its capital adequacy, referred to as an ICAAP.

The main purpose of the ICAAP is to set out how TBAM manages its risks, what the key risks are and how the Firm has satisfied itself that it has sufficient capital in respect of those risks. The ICAAP includes a series of stress tests and scenarios which are used to help assess whether TBAM is adequately capitalised to withstand a range of adverse circumstances and scenarios. The Firm also models a wind down over 12-18 months in order to demonstrate that sufficient capital is maintained to ensure that such a wind down can be conducted in an orderly manner.

## CAPITAL RESOURCES

TBAM is a BIPRU firm and must hold a minimum level of capital at all times. This is called the Pillar 1 requirement and is the higher of the following numbers:

	<b>Value at 30 Sept 2020</b> <b>£ 000</b>
Base capital requirement of EUR50,000	46
Sum of Market Risk and Credit Risk requirement	322
Fixed overheads requirement	422

The fixed overheads requirement is higher than either the base or the market & credit risk requirements; accordingly, the Firm's Pillar 1 requirement is £422,000.

In addition to the minimum level of Pillar 1 capital, the Firm must hold sufficient additional capital as necessary based on the risks faced by the business as determined by the ICAAP (Pillar 2 capital). TBAM has determined that no adjustment to the Pillar 1 capital requirement is required as a result of the ICAAP.

TBAM's capital position is summarised in the table below.

	<b>Value at 30 Sept 2020</b>
	<b>£ 000</b>
Regulatory Capital (all Core Tier 1)	4,179
Capital Requirement	422
<b>Capital Surplus</b>	<b>3,757</b>

Tier 1 Capital is made up of Permanent Share Capital, Share Premium and Audited Reserves.

TBAM, therefore, maintains an adequate level of total capital resources to satisfy the regulatory capital requirements.

## **REMUNERATION CODE**

TBAM is a BIPRU firm and is therefore subject to the BIPRU Remuneration Code. The Firm has policies and practices for those staff whose professional activities have a material impact on its risk profile ('Code Staff').

TBAM's remuneration policy is in line with its business strategy and long-term corporate values. It seeks to avoid conflicts with the duty to act in the best interests of clients and aims to promote effective risk management.

The following disclosures are made in accordance with the regulatory requirements:

### **1. Decision making process for remuneration**

The Board of TBAM's parent company, T. Bailey Holdings Limited ('TBH'), oversees the setting and review of remuneration levels (basic pay and bonus) for TBAM as a whole. Remuneration is set by the annual operating plan within the context of a 5-year plan which ensures any threats to capital adequacy, liquidity and solvency caused by excessive remuneration would be identified.

TBAM has a Remuneration Committee made up of directors who are not beneficiaries of the bonus pool, so who are independent of the process.

Bonus levels are initially determined and compiled by the executive directors of TBAM. The basic pay and bonus numbers are then provided to the Remuneration Committee for their review and consideration, taking into account TBAM's long-term strategy, corporate values and effective risk management. The Remuneration Committee has the ability to adjust the bonus pool and individual payments.

### **2. Link between pay and performance**

Staff basic rates of pay are reviewed on an annual basis at the Firm's September year end to ensure TBAM remains competitive in the labour market. Salaries are adjusted in-line with inflation and Firm performance and reviewed in comparison to those in comparable sectors of the investment management industry. Basic pay is set at a sufficient level to allow for flexibility in awarding (or not awarding) an annual bonus.

The TBAM staff bonus scheme is operated to allow for meaningful rewards to be paid to staff whose performance during the year merits recognition, but within the context of an annual operating plan. All bonus amounts are discretionary and linked to staff performance against agreed objectives from staff appraisals. The staff appraisal process takes into account a range of factors including the individual's performance and their broader contribution to the business, including a range of non-financial measures. The individual's conduct and ongoing fit and proper status are considered as part of the process.

### 3. Required statistics under the Code

The remuneration for Code Staff broken down by senior management and staff with a material impact on the Firm's risk profile was as follows for the year ended 30 September 2020:

	<b>Senior Management £ 000</b>	<b>Staff with Material Impact £ 000</b>	<b>Total £ 000</b>
Fixed remuneration	492	-	492
Variable remuneration	26	-	26
<b>Total remuneration</b>	<b>518</b>	<b>-</b>	<b>518</b>
<b>Number of beneficiaries</b>	<b>5</b>	<b>-</b>	<b>5</b>

Given that the Firm has only one business area, investment management, all remuneration is from this business area. There is no outstanding deferred remuneration, and no deferred remuneration was awarded during the year.

---

Issued by T. Bailey Asset Management Limited, authorised and regulated by the Financial Conduct Authority. Registered in England and Wales number 3720372. Registered Office 64 St. James's Street, Nottingham NG1 6FJ.