ACPI Investments Limited

[FCA number 192403]

Pillar 3 Disclosures

December 2020

Background

ACPI Investments Limited ('ACPI') is a limited company regulated by the Financial Conduct Authority (FCA). This statement is published in accordance with the FCA rules concerning Pillar 3 disclosures.

The Basel II Accord, implemented in the European Union through the Capital Requirements Directive (CRD), introduced a revised capital adequacy framework for banks and investment firms across Europe which governs the amount and the nature of capital that must be maintained. In the United Kingdom, the Directive has been implemented by the FCA in its regulations through the General Prudential Sourcebook ('GENPRU') and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU'). The FCA framework consists of three 'Pillars'.

Pillar 1 is the minimum capital requirement set out by the Directive and instructed in the national discretions. The minimum capital requirement has three main components:

a. Market Risk (Market Risk Capital Requirement).
b. Operational Risk (Operational Risk Requirement).
c. Credit Risk (Credit Risk Capital Requirement).

Pillar 2 is the capital adequacy assessment made by each individual firm. The adequacy of the firm's minimum capital is no longer dictated by the regulatory minimum requirement and the firm must assess itself as to whether the capital it holds is adequate. This is achieved by the firm through the Internal Capital Adequacy Assessment Process ('ICAAP') which quantifies the risks of certain events on the firm's profitability, and the impact on its ability to continue to operate.

Pillar 3 sets out disclosure requirements regarding capital and risk management. The disclosure requirements aim to complement the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2) and aim to encourage market discipline by allowing market participants to assess key pieces of information on risk exposures and the risk assessment processes of the firm.

Risk Management objectives

The Board of ACPI ('Board') takes ultimate responsibility for the risks undertaken by the business, and risk management objectives and policies are a key driver within the overall business strategy.

These policies:

- identify the risks to which the capital of the business is exposed;
- articulate the acceptable levels of exposure to specific risk types and counterparties, and the appropriate risk mitigation to utilise, such as insurance cover; and
- are appropriate to the size, nature and complexity of transactions entered into by ACPI and its counterparties and reflect the quality and sophistication of the Firm's monitoring capabilities, systems and processes.

These policies are reviewed and approved on a regular basis by the Board and in doing so it takes into consideration:

- the firm's overall business strategy;
- the appropriateness of the size, nature and complexity of transactions entered into by the firm;
- the quality of internal procedures;
- the sophistication of the Firm's monitoring capabilities, systems and processes;
- the firm's past experiences and performance; and
- regulatory constraints

The Board receives reports from the Head of Finance (who is responsible for the Finance function of ACPI) on a quarterly basis that:

- defines the total financial capital the Firm is prepared to place at risk of loss (capital at risk) as distinct from a regulatory authority's imposed minimum capital requirements;
- provides information to the Board on the operation of those limits;
- requests that any guarantees / indemnities provided by ACPI are approved; and
- requests that any changes to the internal controls that are in place that he feels necessary are discussed by the Board before implementation.

CAPITAL RESOURCES

As at 31 December 2020 ACPI had Tier 1 capital resources of £2.718m. The table below illustrates the current Tier 1 and 2 capital structure.

Tier 1 Capital Resources	£'000
Share Capital	2,050
Retained Profits	668
Total Capital Resources	2,718
Total Pillar 1 Minimum capital requirements £'000	
Credit Risk (A)	61
Fixed Overhead Requirement (B)	109
Pillar 1 capital requirement equals the higher of (A) & (B)	109
Additional Pillar 2 requirement	100
Total Capital Requirement (Pillar 1 + Pillar 2)	209
Total Tier 1 Capital	2,718
Excess of own funds over minimum capital requirement under Pillar 1 and Pillar 2	2,509
Regulatory Capital Ratio	1,236%

Offset against the total capital are charges for illiquid assets based on the value of fixed assets, material holdings, inter-company loans, goodwill and other long term lending as shown above.

Tier 1 capital comprises Share Capital and audited reserves. At present the Firm has no Tier 2 or Tier 3 capital.

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ('ICAAP')

As mentioned above, the Firm has a requirement to carry out internal capital adequacy assessments. ACPI has a continuous process of monitoring its capital resource availability with comprehensive analysis of its capital requirements and risk exposures carried out within the Firm's ICAAP. This document includes a review of the adequacy of the Firm's capital resources based on its latest financial projections, and considers the risks to which the business is exposed, and for the most significant risks, calculates the effect on capital if they were to materialise. Based on the ICAAP, the Firm expects to have sufficient capital to cover its requirements.

Disclosure on potential risks

To ensure that the Firm is compliant with its requirements for BIPRU 3 (credit risk), BIPRU 7 (market risk) and Operational Risk, the Firm has established and resourced a Continuous Supervision Plan, through which the COO, Head of Finance and Compliance respectively report into the ACPI Board.

Any issues that cannot be resolved there are able to be escalated to the Group Audit, Risk and Compliance Committee.

Operational risk is the risk of a loss arising from failed or inadequate internal processes or systems, human error or other external factors. The risk is managed by individual business areas that have responsibility for putting in place appropriate controls for their department. These procedures are in turn reviewed as part of the Continuous Supervision Plan.

Our ICAAP considers various risks to which the firm is subject, and in order to ensure we have sufficient capital to cover these operational risks the Firm also maintains insurance to cover eventualities such as business interruption, loss of computer systems, crime etc. and undertakes an annual review of all policies to ensure that their cover is sufficient.

The Firm believes that BIPRU 10 concerning concentration risk is not relevant to the business as there is no Principal concentration within its business environment.

With regard to market risk and BIPRU 7, the Firm undertakes monitoring of client accounts. This could impact on the firm if client portfolios are deemed unsuitable and any compensation is payable. All positions are held at external custodians.

Liquidity Risk

ACPI manages its cash and liquidity requirements closely, ensuring there are sufficient resources available to meet the continued operating needs of the business. ACPI's policy is to ensure that it holds substantial surplus liquid capital over regulatory requirements, in order to meet these requirements. The firm carries out detailed budgeting and cash flow forecasting processes, which are reviewed regularly and variances are presented to management. The firm uses its Fixed Overhead Requirement as a base to assess this risk.

ACPI is an externally audited firm, following UK GAAP, and several staff members are members of professional bodies, of which they are bound by ethical standards.

Market Risk

ACPI does not deal on its own account, or underwrite &/or place financial instruments on a firm commitment basis. Therefore the Firm does not trade as Principal or operate a trading book and is not exposed to market risk. As a result, ACPI is not subject to any significant position risk or foreign currency risk arising from market movements.

The Board has assessed the available capital resources required for Market Risk under Pillar 1 as adequate.

Foreign Exchange Risk

ACPI does not maintain any material foreign currency balances. Payments or receipts in foreign currencies are generally translated into sterling at prevailing spot rates offered by the Firm's foreign currency settlement agents. For large future commitments the Firm does consider utilising forward foreign currency rates to mitigate any foreign currency risk, but not for speculative purposes with own resources.

The Board believes that there is no need to calculate any further capital requirement for either the position risk or foreign exchange risk under Pillar 2 as they believe that Pillar 1 provides sufficient capital.

Credit Risk

In accordance with BIPRU 3.1.6R, ACPI's credit risk capital relates to the Firm's non-trading book which has not already been deducted from its capital resources. The Firm maintains cash balances at its bankers, Deutsche Bank and NatWest. Additionally, there are balances due from other credit institutions relating to ACPI commission on derivatives business, prepayments and transactions between ACPI and associated group firms.

There is a continuous monitoring of all debts to ensure that all outstanding sums are paid in a timely manner and as stated per the invoices.
ACPI has adopted the simplified approach for the purposes of calculating risk weights as detailed under BIPRU 3.5.2 (G). This approach is based on the size and complexity of the Firm. The Pillar 2 assessment of credit risk for the Firm's ICAAP concluded that the Firm's Pillar 1 requirement was sufficient to cover any further credit risk requirement.

Operational Risk

The Board defines Operational Risk as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. As a limited licence Firm under FCA rules, ACPI does not need to quantify its operational risk under Pillar 1. However under Pillar 1 the Firm has a requirement to maintain sufficient capital to cover a minimum of 13 weeks expenses, which is the Firm's Fixed Overhead Requirement. The expenses, which are included in the calculation of Fixed Overhead Requirement, exclude all non-discretionary overhead costs (for example, discretionary bonus payments to staff and any variable direct costs of conducting stock market transactions).

PILLAR 3 REMUNERATION DISCLOSURE

ACPI had no employees during the year ended 31 December 2020. Individuals are employed by other members of the Union Bancaire Privee, UBP SA group of companies.