Helm Godfrey Partners Ltd
Pillar 3 Disclosure

31 December 2018

Background

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

The European Union's Capital Requirements Directive 2013 ("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 rule in BIPRU 11.3.5R provides that the firm may omit one or more of the required disclosures if it believes that the information is immaterial. Per BIPRU 11.4.1R, materiality is based on the criterion that the omission or misstatement of material information could 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 by BIPRU 11.3.6R to omit one or more of the required disclosures where it believes that the information is regarded as proprietary or confidential. Per BIPRU 11.4.2R, 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 does not publish information because it is considered proprietary or confidential, in accordance with BIPRU 11.3.7R, a statement stating this and explaining why will be provided in the relevant section. It will also publish more general disclosure on the subject matter but only so long as that information is not proprietary or confidential information as well.

Unless stated as otherwise, all figures contained in this disclosure are based on the firm's audited annual reports for the year ended 31 December 2018.

Frequency

In accordance with BIPRU 11.4.4R, these Pillar 3 Disclosures will be reviewed on an annual basis. This is defined by that Rule as a minimum but, as required, we have reviewed the criteria regarding more frequent publication as set out in BIPRU 11.4.4R and, in our opinion, more frequent disclosure would only be required if we made significant profits or losses significant to our capital resources.. The disclosures will be published as soon as is practicable following the finalisation of the firm's Internal Capital Adequacy Assessment Process ("ICAAP") and the publication of its audited annual reports or verification of those interim profits by our auditors.

Verification and audit

The information contained in this disclosure has not been audited or verified 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 Helm Godfrey Partners Ltd. provides financial advice and / or discretionary investment management services.

Business Review

The business provides advice to private individuals, trusts and corporate bodies on pensions (including automatic enrolment), investments and protection. Such advice is given by both employed and self-employed advisers.

Save for the advice given to companies regarding auto-enrolment, all such advice is regulated by the Financial Conduct Authority and therefore the company is authorised and regulated by the Financial Conduct Authority.

During the year, the firm obtained permission from The Financial Conduct Authority under The Financial Services and Markets Act 2000 (as amended) to carry out discretionary investment management.

The firm has begun to attract funds under management and, at 31 December 2018, they totalled £56m (2017: £0).

During the year, the company sold its long-held investment in the Nucleus investment platform.

The firm is a MiFID Investment Firm, an insurance distributor and 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 directors and senior management team.

2 Credit risk

The main credit risk for the firm relates to advisory fees, being the risk that a client does not pay amounts due for services provided. This risk is mitigated by the low number of clients in respect of which amounts are due at any one time. The risk of non payment is also reduced due to the nature of the clients as they i.e. they are typically wealthy individuals.

The firm's revenues include annual management charges received from clients based on a percentage of client assets under management. These charges are made directly to the clients' 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 Regulatory risk

The firm's Pillar 2 business risk assessment principally assesses the effects of a fall in assets under management following a market downturn that leads to lower management fees.

This risk is assed by means of our stress and scenario testing.

5 Business risk

Other risks such as loss of advisers and systems failures are also considered. To mitigate our business risk, we regularly analyse various different economic scenarios to model the impact of economic downturns on our financial position.

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 operational risk include: outsourcing of operations e.g. failures in investment management such as incorrect rebalancing of portfolios or failures to correctly implement orders (to mitigate this risk, we have outsourced to a reliable outsourcer, PortfolioMetrix and we carry out robust reviews of their performance), IT security, internal and external fraud, implementation of strategic change and regulatory non-compliance i.e. the risk that unsuitable advice will be given or an unsuitable investment will be selected (to mitigate this risk, the firm has a robust compliance culture with detailed checking of cases by the Compliance Officer - the firm also holds appropriate professional indemnity insurance).

7 Reputational risk

Actual occurrence of any of the above risks may lead to reputational risk, leading to the withdrawal of customers from the firm.

The firm operates a robust risk management process which is regularly reviewed by a Risk Committee and updated with details being provided to all staff. The firm's Risk Committee 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 operational 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 Risk Committee provides the board with a half-yearly summary report on all significant risk issues.

8 Other risks

The firm operates a simple business model as independent financial adviser and discretionary investment manager. Accordingly, many of the specific risks identified by the FCA (particularly as regards banks and building societies) 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 Helm Godfrey Partners Ltd was £929,000 as at 31 December 2018 based as required by GENPRU 2.1.54R on the previous year's audited accounts.

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 and scenario analysis. The level of capital required to cover risks is a function of impact and probability.

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.

We assess impact by modelling the changes in our income and expenses which may be caused if any of the various potential risks materialise over a 1-year time horizon as a substantial reduction in income. Probability is assessed subjectively.

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 by £100,000. 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 the capital resources of Helm Godfrey Partners Limited for regulatory purposes, as at 31 December 2018, 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)	2,489
Total of tier 2 and tier 3 capital (broadly long and short term subordinated loans)	0
Deductions from tier 1 and tier 2 capital	(361)
Total capital resources, net of deductions	2,128

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

Remuneration Code Disclosure

The firm is subject to the BIPRU Remuneration Code, the MiFID remuneration incentives and the IDD remuneration incentives.

The latter two incentives require us not to be remunerated ourselves or remunerate our staff in a way that conflicts with our duty to comply with the customer's best interests rules (COBS2.1.1R and ICOBS 2.5.-1R) in giving advice on investments, insurance and pensions or carrying out discretionary investment management.

This section provides further information on our remuneration policy.

BIPRU Remuneration Code Staff

We have identified, and maintain a record of, 'BIPRU Remuneration Code Staff' – i.e. staff to whom the BIPRU Remuneration Code applies. This includes senior management and members of staff whose actions may have a material impact on a firm's risk profile. All of our Code Staff fall into the "senior management" category of Code Staff (rather than the "risk taker" category) for the purposes of the BIPRU Remuneration Code.

Decision Making / Remuneration Committee

Helm Godfrey Partners Ltd has a Remuneration Committee. The committee is responsible for:

- Determining the framework and policy for remuneration and ensuring it does not encourage undue risk taking.
- Agreeing any major changes in remuneration structures.
- Reviewing the terms and conditions of any new incentive schemes and in particular, considering the appropriate targets for any performance related remuneration schemes.
- Considering and recommending the remuneration policy for the senior employees taking into account the appropriate mix of salary, discretionary bonus and share based remuneration.
- In determining remuneration arrangements, the Committee will give due regard to best practice and any relevant legal or regulatory requirements including the BIPRU Remuneration Code, the MiFID remuneration incentives and the IDD remuneration incentives.

The Directors are ultimately responsible for signing off our remuneration policy.

Link between Pay & Performance

We have employed advisers who are remunerated by way of salary & bonus and self-employed advisers remunerated through a quantitative and qualitative bonus structure. We rely on our robust compliance culture and review process to ensure that they always act in the customer's best interests.

Competitive salaries form the basis of our firm's remuneration package.

In addition there is an element of variable pay for all staff which is based on firm wide and individual performance. Whilst most of the variable reward components are awarded to employees across the firm, the structure, balance and amounts may differ. Variable remuneration is considerably reduced where subdued or negative financial performance of the firm occurs.

When assessing individual performance we use a robust performance review process, with reviews including qualitative criteria and, in the case of investment managers, long-term investment results are a factor in the assessment process.

Quantitative Information on Remuneration

The FCA rules require certain firms to disclose aggregate information on remuneration in respect of its BIPRU Remuneration Code Staff broken down by business area, senior management and other Code Staff, including “risk takers”, examples of whose roles are given in SYSC 19C.3.5R and SYSC 19C.3.6G.

The firm’s only business areas are financial planning advice and investment management.

The firm has 7 Directors but no “risk takers”. Our Compliance staff does of course have a material impact on the firm’s risk profile.

Director remuneration is agreed formally at board meetings. The link between performance and pay is inevitable in a small firm, but the firm’s risk adverse strategy and robust risk management systems mitigate any risks.