

# CATLEY LAKEMAN MAY LIMITED

## Catley Lakeman May Ltd - Pillar 3 Disclosure

These statements are not part of the audited financial statements and therefore have not been subject to review or audit by the firm's auditors.

### Overview

The EU Capital Requirements Directive ("CRD") sets out the regulatory capital framework which is overseen in the UK by the Financial Conduct Authority ("FCA") and the Prudential Regulatory Authority ("PRA") through the General Prudential Sourcebook ("GENPRU") and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU"). From 1 January 2014, with the implementation of the Capital Requirement Directive IV (CRV IV), regulations under BIPRU for this firm have been replaced by:

- The Capital Requirements Regulation ("CRR")
- IFPRU sourcebook of the FCA handbook
- additional standards released by the European Banking Authority.

The FCA framework consists of three 'Pillars':

- Pillar 1: Minimum capital requirements
- Pillar 2: Supervisory review process: the need to assess whether the capital held under Pillar 1 is sufficient to meet the additional risks not covered by Pillar 1
- Pillar 3: Disclosure requirements allowing market participants to assess information on a firms' risks, capital and risk management procedures.

The Financial Conduct Authority outlines the minimum disclosure requirements. The information below satisfies Catley Lakeman May Ltd. Pillar 3 requirement.

### Frequency of Disclosure

Catley Lakeman May Ltd will report their Pillar 3 disclosure annually or upon material change. These disclosures are based on the firm's position as at the account reference date of 30<sup>th</sup> June 2020. The Pillar 2 (ICAAP) capital requirements are excluded from this summary but are reviewed annually or upon material change

These disclosures have been validated by the directors and are not subject to an audit except to the extent where they are equivalent to disclosures made under accounting requirements.

### Scope of Application

This disclosure is made on an individual basis.

## Risk Management

The directors of the firm, in addition to the risk mapping structure of the ICAAP, are very much involved with the day to day running of the firm including the continual assessment of risk. They meet on a regular basis to discuss current projections for profitability, regulatory capital management, business planning and risk management. The directors manage the firm's risks through a framework of policy and procedures having regard to relevant laws, standards, principles and rules (including FCA principles and rules) with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required.

The firm is relatively small with an operational infrastructure appropriate to its size.

The ICAAP has identified the most significant risk types to which Catley Lakeman May Ltd. is exposed as follows:

- **Operational Risk:**

*This is the risk associated with inadequate, or the failure of, internal processes or external factors such as regulation.*

People risk is mitigated by a flexibility of the work force to cover each key member's responsibilities with no individual being critical to the company.

IT risk is mitigated with daily backups, remote access and an efficient business continuity plan.

- **Business Risk:**

*This is the risk that external factors, such as a fall in market appetite will result in an unexpected loss.*

Reputational risk could be involved if Catley Lakeman May Ltd. get involved with a structured product that fails. This is mitigated by only marketing the products of very large and well established banks.

- **Concentration Risk**

*This is the risk that either too much of Catley Lakeman May Ltd.'s business is concentrated in too small a sphere of operation or that the client base is concentrated in too few accounts.*

Catley Lakeman May Ltd. currently have an extensive client base marketing the products of a number of major banks. The sector of the business is very specialised but it is considered that there will always be a requirement for this type of product.

<b>Capital Resources</b>	<b>June 2020 £'000s</b>
Core Tier 1 Capital	3,662
Total Tier 2 Capital	0
Capital Resources Requirement	540

**Capital adequacy** in compliance with IFPRU 3, 4, 6 & 7.

Catley Lakeman May Ltd. have forecasts in place to ensure that they will continue to meet their regulatory capital requirement on an ongoing basis.

Catley Lakeman May Ltd. is an IFPRU €730,000 Limited Licence firm and, as such, are not required to calculate their operational risk capital requirement under Pillar 1 in accordance with BIPRU 6. Instead, they are required to calculate a Fixed Overhead requirement in accordance with GENPRU 2.1.53R

The Credit Risk Capital Requirement is made up of the Credit Risk Capital Component and the Counterparty Risk Capital Component.

The Credit Risk Capital Component is calculated in accordance with BIPRU 3.5 – The Simplified Method. The company makes an 8% adjustment on all fixed assets, debtors and prepayments and a 1.6% adjustment on all bank balances in accordance with BIPRU 3.4.127 – 3.1.133, resulting in a Credit Risk Capital Component of £246,834.

The Counterparty Risk Capital Component is calculated in accordance with BIPRU 14.2.1 and is zero.

The total Market Risk requirement, (BIPRU 11.5.12), has been calculated at zero and the Commodity PRR is zero.

## **Remuneration**

BIPRU 11.5.18R requires that a firm makes a disclosure of details regarding its remuneration policy.

Given the relatively small size of the firm, remuneration policy for all code staff is set by the board. The board review remuneration for code staff based upon individual, both financial and non financial criteria, and overall firm performance. Individual performance is also reviewed over an extended period to ensure the long-term objectives of the staff and the firm are not in conflict. The overall level of remuneration is set in the form of a base salary and a bonus. The resources available for bonuses are directly linked to the performance of the firm.

Aggregate information.

Catley Lakeman May Ltd. has one key business activity and under BIPRU 11.5.20R, the firm does not consider that it is 'significant in terms of size, internal organisation and nature and scope of its activities', so is not required to disclose the quantitative information referred to in BIPRU 11.5.18R at the level of senior personnel.

The Firm falls within FCA proportionality Level 3 and as such this disclosure is made in line with the requirements for a Level 3 Firm.

The number of identified code staff equate to the number of certified and assessed persons in the firm.

## **Further Enquiries**

Should you have any queries please contact:

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