

WOMBLE BOND DICKINSON HOLDINGS LIMITED CONSOLIDATION GROUP

Pillar 3 Disclosure

Bond Dickinson Holdings Limited Consolidation Group as at 30 April 2016 (Bond Dickinson Holdings Limited changed its name to Womble Bond Dickinson Holdings Limited on 1 November 2017).

1. INTRODUCTION

- 1.1 These disclosures are prepared in accordance with the Capital Requirements Directive (CRD IV) and the Capital Requirements Regulations (CRR). The CRD IV represents the European Union's application of Basel III and the CRR provides the detailed requirements required to comply with CRD IV.
- 1.2 The CRD IV comprises three 'Pillars'
- Pillar 1 sets minimum capital requirements to meet credit, market and operational risk;
 - Pillar 2 requires firms and their supervisors to consider whether additional capital should be held to cover risks not already covered by Pillar 1 requirements; and
 - Pillar 3 seeks to improve market discipline by requiring firms to disclose certain information on their risks, capital and risk management.
- 1.3 These disclosures represent the pillar 3 disclosures for the Womble Bond Dickinson Holdings Limited Consolidation Group ("WBDH"). Their aim is to provide material information for market participants to assess key information about the Group's risk management objectives and controls, its remuneration policies and its capital position.

2. DISCLOSURE POLICY

- 2.1 The CRR permits WBDH to omit disclosures if the information provided in those disclosures is not regarded as material. WBDH regards information as material if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. If WBDH deems a certain disclosure to be immaterial, it may be omitted from this Statement. Some of the disclosures required under the CRR are deemed immaterial or are omitted since they are not relevant to the business carried out within the Group.
- 2.2 The CRR also permits WBDH to omit disclosures if the information provided in those disclosures is regarded as proprietary or confidential. WBDH regards information as propriety if sharing that information with the public would undermine its competitive position and it regards information as confidential if there are obligations to clients or other counterparty relationships binding the firm to confidentiality.
- 2.3 In the event that any such information is omitted, we shall disclose such and explain why it had not been disclosed.

Frequency

- 2.4 Going forward WBDH shall make Pillar 3 disclosures on an annual basis.

Media and location

- 2.5 These disclosures will be published on our website.

Verification

- 2.6 The information contained in these disclosures have not been audited by our external auditors and does not constitute any form of financial statement.
- 2.7 The disclosure has been put together to explain the basis of preparation and disclosure of certain capital requirements and provide details of the management of certain capital requirements and provide details of the management of certain risks and for no other purpose; they and must not be relied upon in making any judgement on the Group or firms within that Group.

3. SCOPE AND APPLICATION OF DIRECTIVE REQUIREMENTS

- 3.1 These disclosures are made in respect of the WBDH Consolidation Group.
- 3.2 The Group is headed up by WBDH. This is a non-trading, non-regulated firm whose sole purpose is that of a parent company to Womble Bond Dickinson Service Company ("WBDS") and Womble Bond Dickinson Wealth Limited ("WBDWL").
- 3.3 WBDS is a dormant company that produces no income, incurs no costs, holds no credit exposures and does not generate any other operational or business risks. It was in the past used to provide people services to Womble Bond Dickinson (UK) LLP ("WBD (UK) LLP") and WBDWL but all credit exposures and revenue streams have now been transferred to WBD (UK) LLP.
- 3.4 WBDWL is the only trading company within the Group. It is directly authorised and regulated by the Financial Conduct Authority (FCA) and provides regulated financial services to a range of high net worth individuals. It is authorised to safeguard and administer client assets and also to hold client money. WBDWL has one subsidiary company - North Nominees Limited ("NN"); this is a dormant subsidiary company whose sole purpose is to hold custody assets on behalf of clients.
- 3.5 WBDWL is a financial institution that falls within the definition of a Limited Licence firm and is required to carry out an ICAAP and provide pillar 3 disclosures on a solo basis.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

- 4.1 WBDH does not generate any income and holds no operational or market risk. Its only credit risk exposure is that of an intercompany debt due from WBD (UK) LLP. All other risks to which the Group is exposed are generated as a result of the activities undertaken by WBDWL.
- 4.2 WBDH's general risk management objective is to develop governance structures and systems and controls to mitigate risks as far as possible without incurring significant additional costs or decreases in efficiency.

Governance

- 4.3 Other than an intercompany credit risk exposure the risks which the Group are exposed are generated as a result of the activities undertaken by WBDWL. This means that whilst the responsibility for risk management ultimately rests with the Boards of WBDH, this responsibility is delegated to the Managing Director of WBDWL (who is also a Director of WBDH).
- 4.4 The Managing Director has authorised the Compliance Committee of WBDWL (which includes both Directors of WBDH as well as a senior manager and the compliance manager of BDWL) to undertake all actions necessary to identify risks that the Group faces and to provide appropriate management information to enable the Board to effectively assess, monitor and manage these risks.
- 4.5 The Compliance committee exercises its remit reviewing reports which cover, among other things, regulatory compliance, systems and controls, client assets, anti-money laundering and operational risks. It also reviews the ICAAPs and recommends them for approval to the Board.

- 4.6 Individuals are selected to become directors of WBDH and WBDWL or to become members of the WBDWL Compliance Committee on merit and to ensure that all of the skills and experience required within the Group companies are covered. There is no policy on diversity with regard to selection of directors or the Compliance Committee.

Risk management framework

- 4.7 WBDH employs a “Top-down” and “Bottom-up” approach to risk management.
- 4.8 A detailed risk and control matrix is used to capture the key risks that affect WBDWL and also the Group on a day to day basis – the “Bottom-up” risks. These bottom up risks are owned and managed by the Board of WBDH (with the support of the Managing Director, senior management team and the Compliance Manager of WBDWL.).
- 4.9 The “Top-down” strategic and business risks are identified by a number of factors including market performance, regulatory developments, horizon scanning, and in consultation with the Board of Directors of WBDH and WBDWL; these are documented as part of the Consolidated ICAAP. The “Top-Down” risks are owned and managed by the Board of Directors of WBDH.
- 4.10 The detailed risk and control matrix is reviewed, challenged and updated at least on an annual basis and the ICAAP is reviewed, challenged and updated at least on an annual basis. These reviews may occur more frequently if there are any significant changes to the business strategy and / or the risk profile.
- 4.11 Where an assessment of a risk indicates that it is outside the risk appetite for the Group then suitable action plans are identified and actioned.

Risk appetite

- 4.12 The Group consists of conservative organisations – WBDWL in particular has chosen to focus on its areas of expertise rather than adopting a range of business activities that would inevitably increase risk. It has structured its business and limited its range of permissions in order to reduce or remove as many categories of higher- risk as possible.

Risk Statement

- 4.13 The Board is ultimately responsible for reviewing the effectiveness of the Group’s risk management arrangements and systems of financial and internal control. These arrangements are designed to mitigate rather than eliminate the risks within the business and offers reasonable assurance against fraud, material misstatement and loss. The Board considers that it has in place adequate systems and controls with regard to the Group’s profile and strategy.

5. OWN FUNDS

- 5.1 WBDH is not regulated but it does fall within the definition of a financial holding company. Its capital is calculated on the same basis as the most significant financial institution in the Group – WBDWL.
- 5.2 WBDWL is an IFPRU 125k Limited Licence Firm because it does not deal for its own account or underwrite issues on a firm commitment basis however it does hold client money and assets.
- 5.3 An IFPRU 125k firm must maintain at all times capital resources equal to or in excess of the base requirements of €125,000.
- 5.4 The Pillar 1 capital requirement for an IFPRU 125k Limited Licence Firm is set out in Article 95 (2) of the CRR and is the higher of the credit risk capital requirement and the market risk capital requirements, or the fixed overheads requirements (i.e. one quarter of the firm’s relevant fixed expenditure). For WBDWL the Pillar 1 requirement is the fixed overheads requirement and the firm must maintain at all times capital resources equal to or in excess of this requirement.

Own Funds (cont.)

5.5 As of 30 April 2018 WBDH complied fully with all capital requirements – its consolidated capital position at that date is illustrated in the following table:

Capital item	£
Ordinary share capital	750,001
Capital redemption reserve	0
Retained earnings	6,471,426
Regulatory deductions (goodwill)	(6,375,000)
Core Tier 1 Capital	846,427
Tier 2 Capital	Nil
Own Funds	846,427
Risk weighted exposure amount	7,837,288
Core Tier 1, Tier 1 and Total Capital Ratio	10.8%
Surplus capital over minimum requirement	219,444

5.6 The Own Funds of WBDH are its Shareholders Funds as shown in its Balance Sheet at 30 April 2018.

5.7 The core tier 1, tier 1 and total capital ratios (all 10.8%) exceed the minimum ratios by 6.3%, 4.8% and 2.8% respectively.

6. APPROACH TO ASSESSING ADEQUACY OF OWN FUNDS

6.1 Capital adequacy is monitored regularly with quarterly reporting to the Compliance Committee of WBDWL. Capital planning forms a key part of the Group's budgeting process which helps to ensure that that the Group has sufficient Own Funds to support its business objectives.

6.2 WBDH operates an ICAAP during the year that considers all of the risks faced by the Group, the likely impact on the businesses within the Group, if they were to occur, how these risks can be mitigated or managed and the amount of capital it is considered prudent to hold against them. The ICAAP is updated annually with approval provided by the Board.

6.3 During the year ended 30 April 2018 WBDH concluded that no additional capital was required above its Pillar 1 requirements.

7. PRINCIPAL RISKS

7.1 The principal risks for the Group, together with the severity and probability of impact, are discussed below as well as potential mitigating actions that could be taken.

Credit Risk

- 7.2 The Group's credit risk exposures relate to a debt due from another Group entity, trade debtors, prepayments and sundry debtors.
- 7.3 The credit risk capital component of pillar 1 has been calculated following the Standardised approach which weights exposures according to their risk profile and, where appropriate, credit ratings in accordance with the CRR.

Counterparty Risk

- 7.4 The firm's only counterparty exposures are in relation to cash held on short term deposits and debts owed by other group companies.
- 7.5 Cash is only held in UK regulated Banks and appropriate due diligence procedures are in place to assess the on-going suitability of the selected institutions.
- 7.6 There are arrangements in place to ensure that debts due from group companies are repaid in full when required.

Market Risk

- 7.7 WBDH does not have a material exposure to this risk category as it does not deal for its own account. It does have an indirect exposure as a result of possible dealing errors however this has been included in the assessment of operational risk and in the scenario analysis and stress testing carried out as part of the firms' ICAAP.

Operational Risk

- 7.8 Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people and systems or from external events, including legal risk. It includes potential low frequency, high severity events such as IT system failure and internal and external fraud. WBDH is aware that operational risk cannot be eliminated but seeks to minimise (where possible) the probability and impact of operational events.
- 7.9 WBDH manages operational risks through a combination of documented policies, procedures and internal controls all designed to ensure compliance with relevant laws and regulations. The compliance department monitor the adherence to all relevant policies and procedures as well as recording and analysing loss events. The results of these activities form part of the management information that is presented to the Compliance Committee of WBDWL and ultimately to the Board of WBDH, thereby enabling effective monitoring and management of operational risks on an ongoing basis.
- 7.10 WBDH assessed the need to hold additional Pillar 2 capital against operational (and other) risks during the ICAAP but has concluded that the Pillar 1 capital requirement adequately covers all risks.

Other Risk categories

- 7.11 As the Group operates a simple business model it does not carry significant exposures to the other specific risk categories, identified by the FCA.

8. REMUNERATION

- 8.1 The FCA's Remuneration Code ("the Code") applies to certain individuals' total remuneration, both fixed and variable.

- 8.2 WBDH is not subject to the requirements of the remuneration code because its only staff are its two directors, both of whom are employed by and remunerated by its parent Company – WBD (UK) LLP.
- 8.3 The Group's most significant financial institution – WBDWL - is subject to the remuneration code and is categorised as a Level three firm. The relevant disclosures are contained within the Pillar 3 Disclosures for WBDWL, which are published in the same place as these disclosures.

Kevin Gray
Compliance Director
August 2018