

Section 1

1. Introduction

1.1 Basis of disclosure

The Capital Requirements Directive (CRD) is the framework for the implementation of the Basel II accord in the European Union. The CRD consists of three Pillars:

- Pillar 1 - Minimum Capital Standards: these set out the minimum prudential capital requirements for credit, market and operational risk.
- Pillar 2 - Supervisory Review Process: whereby firms and regulatory competent authorities assess whether the firm should hold additional capital not covered under Pillar 1.
- Pillar 3 - Market Discipline: which requires firms to publish details about their risks, capital and risk management and make this publicly available.

The Pillar 3 disclosure of WH Ireland Group plc (“WHIG”) is set out below as required by the FCA’s Prudential Sourcebook for Investment Firms handbook (“IFPRU”). The information contained within this disclosure has not been audited by WHIG’s external auditors and does not constitute any form of financial statement and must not be relied upon in making any judgement on WHIG.

1.2 Frequency of disclosure

Disclosures are required to be made at least annually. WHIG has an accounting reference date of 31st March and these disclosures made herein are as at 31st March 2020.

1.3 Scope

These disclosures are made for the “UK Consolidation Group” as defined by FCA reporting requirements, hereafter referred to as WHIG or the “Group”. This Group included the following registered entities at 31 March 2020:

- WH Ireland Group plc
- WH Ireland Limited (“WHIL”)
- WH Ireland (IOM) Limited (“WHIOM”)

1.4 Confidentiality

WHIG regards information as proprietary if sharing that information with the public would undermine its competitive position. Proprietary information may include information on products or systems which, if shared with competitors, would render WHIG’s investment therein less valuable. Further, WHIG must regard information as confidential if there are obligations to customers or other counterparty relationships binding WHIG to confidentiality. In the event that any such information is omitted, we shall disclose such omissions and explain the grounds on which it has not been disclosed.

Section 2

WH Ireland Group plc

WH Ireland can trace its roots back to the 1800s and the founding members of the Manchester Stock Exchange where William Henry Ireland began operating his stockbroking business.

WH Ireland Group plc was established on 2nd November 1999 and has been traded on AIM since July 2000. WH Ireland Group plc is defined by the FCA as a Parent Financial Holding Company. Together, WH Ireland Group plc and its regulated subsidiaries form an FCA consolidation group and it is on this basis that this disclosure is prepared.

WHIG is an established Corporate Broking and Private Wealth Management group. It undertakes a broad range of investment activities including:

Corporate and Institutional Broking

- Corporate finance advice;
- Corporate broking services;
- Specialist sales to, and research for, institutions in small and mid-cap stocks; and
- Market making.

Private Wealth Management

- Asset management;
- Private client wealth management; and
- Independent financial advice.

WHIG’s strategy is to focus on its two core business divisions of Private Wealth Management and Corporate and Institutional Broking. It is an objective of WHIG to increasingly diversify revenue streams away from commission based stockbroking activities and to thereby de-risk the business, whilst continuing to profitably grow the recurring fee generating segments of the business.

Section 3

Risk Management Framework and Governance

3.1 WH Ireland Group plc Board of Directors

The Board of Directors (the “WHIG Board”) is the Governing Body of WHIG. It meets formally at least 10 times each year although Board papers are prepared and circulated to all Board members monthly.

The role of the WHIG Board is to provide strategic leadership for WHIG within a framework of good corporate governance and a prudent and effective control environment which enables risk to be identified, assessed and managed. The WHIG Board sets the Group’s strategic aims, ensures that the necessary financial and human resources are in place for the Group to meet its objectives and reviews management performance in meeting those objectives. The WHIG Board sets the Group’s values and standards and ensures that its obligations to its shareholders and other key stakeholders are clearly understood.

The WHIG Board regards risk management as a dynamic and evolving process. WHIG continuously undertakes a programme of challenging and improving its Risk Management Framework. The WHIG Board is ultimately responsible for the overall risk management process and for forming an opinion as to the effectiveness of the process.

The Executive members of the WHIG Board have the daily management and oversight responsibility for the Group, supported by other key members of the senior management team within the Group, including the Executive Committee.

Risk management policies are implemented to identify, monitor and manage exposures to market, credit, liquidity and operational risk to ensure that the operating activities of the Group are managed within the risk appetite set out by the WHIG Board.

Risk exposures are controlled and monitored by a number of structured committees which consist of senior management and staff members providing representation across all revenue generating area, support and control functions.

3.2 Executive Committee (‘ExCo’)

The Executive Committee, which meets at least monthly, is responsible for the daily management and oversight of the Group. The ExCo is made up of the senior management team and is chaired by the CEO. The committee is responsible for oversight of all delegated functions from the Board and the day to day operational business. In addition, it is responsible for ensuring the strategy of the Board is implemented and that any issues that need to be communicated to the Board are recorded as such. The committee is also responsible for ensuring timely identification and resolution of regulatory compliance issues and ensuring senior management is aware of significant regulatory matters. It also acts as a forum to update the Group Head of Compliance and Risk about organisational change and new business.

3.3 Audit Committee

The committee is made up of the four Non-Executive Directors with Alistair Buchanan as Chairman. It is responsible for reviewing the Company's arrangements with its external and internal auditors, including the cost effectiveness of the audit and the independence and objectivity of the auditors. It also reviews the application and appropriateness of the Group's accounting policies, including any changes to financial reporting requirements brought about by both external and internal requirements and it gives consideration to all major financial announcements made by the Group including its interim and annual report and accounts.

The external auditors, internal auditors and other Executive Directors may be invited to attend the meetings.

3.4 Remuneration Committee

The principal function of the Remuneration Committee is to determine the policy on Executive appointments and remuneration.

The committee consists of the four Non-Executive Directors with Simon Lough as Chair. It is the aim of the committee to attract, retain and motivate high calibre individuals with a competitive remuneration package. Remuneration for Executives normally comprises basic salary, bonus, benefits in kind and options. Other Executive Directors and Risk Committee members may be invited to attend the meetings.

3.5 Risk Committee

The committee is made up of the four Non-Executive Directors with Victoria Raffé as Chair. It is responsible for advising the Board on risk appetite, tolerance and strategy, taking into account the current and prospective regulatory and market environment.

The Committee maintains a constant review of both the Group's overall risk assessment processes and the effectiveness of the Group's internal controls and risk management systems. It advises the Board on proposed strategic transactions that may impact the risk profile of the Group.

The Head of Compliance and Risk and the Executive Directors may be invited to attend the meetings.

3.6 Risk Register

WHIG has developed and continually updates a Risk Register which contains all of the relevant details for each risk that has been identified and classifies them by them by risk type. The Risk Register is maintained in such a way that, through a simple four step process for each assigned risk owner, it is easy to identify, measure, mitigate and monitor their risks. Risk ownership is allocated on the basis individuals have a detailed understanding and influence of that risk to WHIG. The Risk Register is maintained by the Compliance & Risk function.

Section 4

Prudential Capital and Requirements

WHIG has an ICAAP document which is formally approved by the WHIG Board at least annually. The ICAAP documents the on-going assessment of the risk profile of the business and the capital requirements that this generates. Identified risks are assessed against the relevant mitigants and controls in place to ensure that sufficient capital is maintained to cover any residual risks.

As at 31 March 2020, WHIG calculated and reported its capital resources and capital resources requirements in accordance with FCA's rules at that time. The following table illustrates WHIG's capital resources and risk weighted exposures as at 31st March 2020.

Capital Resources	£'000
Core tier one capital:	
Permanent share capital	2,337
Profit and loss account and other reserves	(8,519)
Share premium account	14,487
Deduction from core tier one capital:	(742)
Total Capital Resources	<u>7,563</u>
Risk Weighted Exposures	
Credit Risk capital component	12,956
Operational Risk capital requirement	43,345
Counterparty Risk capital component	52
Market Risk capital requirement	<u>1,483</u>
Total Risk Weighted Exposure	<u>57,836</u>
Common Equity Tier One Ratio	13.08%

All of WHIG's capital is held within Core tier one, the highest level of capital that may be held and the type of capital which provides the greatest loss absorbency.

Section 5

Pillar 1 Requirements

5.1 Market Risk

WHIG is affected by equity risk through its holding of equity positions arising through the course of its market making and trading activities. Equity risk arises from the volatility in equity prices and non-GBP exposures.

WHIG calculates its Equity PRR Pillar 1 requirement in accordance with IFPRU 6 & CRD IV. For foreign currency exposures, WHIG derives an 8% requirement on the greater of the net long and net short pounds sterling equivalent position.

As at 31st March 2020, WHIG had a total Position Risk Exposure Amount of £1,483k

5.2 Credit & Counterparty Risk

Credit risk is the potential loss to WHIG should a counterparty fail to settle under its contractual obligations or there is a default by an institution with which we hold cash deposits. Ordinarily, credit risk is relatively low as trading book activity is settled on a delivery versus payment (DvP) basis. Trades, which remain unsettled passed their contractual settlement date, are subject to a greater degree of credit risk, and this credit risk increases as the unsettled period increases.

Deposits are maintained with large UK clearing banks with strong credit ratings. Credit risk also arises from the non-trading book receivables on WHIG's balance sheet including corporate broking fee receivables, prepayments and accrued income.

5.2.1 Non-trading book

WHIG applies the FCA capital requirements set out in IFPRU 4 & CRD IV.

The following calculations are based on the audited figures per the 31st March 2020 financial statements:

Credit risk capital component	Exposure £'000	Weighting	Risk Weighted Exposure £'000
Tangible assets	3,671	100%	3,671
Investments	277	100%	277
Non-trading book debtors & other assets	5,140	100%	5,140
Prepayments	3,121	100%	3,121
Cash and deposits	3,734	20%	747
Total	15,943	-	12,956

5.2.2 Trading book

Counterparty Risk capital requirement is derived from the exposure on unsettled trades multiplied by a factor depending on the number of days past contractual settlement date, in accordance with CRD IV. As at 31st March 2020, the Counterparty Risk Weighted Exposure Amount was £52k.

5.3 Operational Risk

Under Pillar 1, WHIG has adopted the "Basic indicator approach" to Operational Risk in accordance with IFPRU 5. Operational Risk is therefore calculated at 15% of the average audited income over the past 3 years. As at 31st March 2020, the Operational Risk Weighted Exposure Amount was £43,345k.

Section 6

Pillar 2 Requirements

WHIG has an Internal Capital Adequacy Assessment Process ("ICAAP") which is formally approved by the Board. The ICAAP documents senior management's assessment of the risk profile of the business and the resulting capital requirements. This ensures that the risk profile is assessed against mitigants and controls in place and that sufficient capital is maintained to ensure that any residual risk is within the risk appetite set out by the Board.

Section 7

Country by Country Reporting

The Country-by-Country Reporting (CBCR) framework implemented by CRD IV requires WHIG to publish the information below. The reference date for this information is WHI's accounting reference date which is 31st March 2020.

	UK	IOM	TOTAL
7a. Employees	148	7	155
	£'000	£'000	£'000
7b. Turnover	21,608	1,255	22,863
7c. Profit/(Loss) before tax	(3,316)	117	(3,199)
7d. Corporation Tax	-	-	-

Remuneration

The FCA's Code on Remuneration ("Code") was implemented with effect from 1st January 2011.

Under the Code, the Company must report annually on the remuneration policy and practice for employees termed Code Staff. WHIreland's Code Staff are defined as Executive Directors, Business Unit Heads, Functional Heads and other employees performing a significant influence function. These can be broadly identified in three categories: Corporate Broking, Wealth Management and General Management.

Remuneration decisions are based on a number of financial and non-financial performance indicators. Such indicators include: performance against agreed objectives, performance of a particular function or business line and the generation of profitable business. Other factors such as strategic business needs, retention and succession planning, market intelligence and criticality to the business are also taken into account.

The aggregate annual remuneration of the Code Staff in respect of the year ending 31st March 2020 was:

Name	No. of staff	Base Salary £'000	Variable Pay £'000
Corporate Broking	8	806	1,098
Wealth Management	3	408	3
General Management	4	690	168

Further details of WHIreland's remuneration arrangements together with the composition and remit of the Remuneration Committee can be found in the Annual Report and Accounts 2020.


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