

# Henderson Rowe Limited

## Pillar 3 Disclosures

Henderson Rowe has a year end of the 30<sup>th</sup> June 2018

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The following report covers the period from 1<sup>st</sup> July 2017 to 30<sup>th</sup> June 2018

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### 1. Introduction

This report is made in accordance with the Capital Requirements Directive (“CRD”). The directive introduced consistent capital adequacy requirements for authorised credit institutions and investment Firms across Europe. For UK Firms, these rules are laid out in the FCA Handbook. The relevant section of the handbook is the Prudential Sourcebook for Banks, Building Societies and Investment Firms (“BIPRU”).

The new capital adequacy framework as set out by the directive consists of three “pillars” as follows:

**Pillar 1** – these are the minimum capital adequacy standards which Firms must adhere to.

**Pillar 2** – Firms are required to undertake an internal capital adequacy assessment process (“ICAAP”) in order to determine whether additional capital is required in relation to the risks the Firm faces.

**Pillar 3** – these are the disclosure requirements required by all Firms subject to the CRD.

The Firm makes these disclosures on an annual basis; however the Board will consider whether it may be appropriate to make more frequent publication where appropriate.

### 2. Background to the Firm and Scope of the Directive

Henderson Rowe Limited is an investment management Firm working directly with retail and professional clients.

For the purposes of the prudential requirements, Henderson Rowe Limited is categorised as a BIPRU €50K Limited Licence Firm.

### 3. Corporate Structure

Henderson Rowe Limited is a limited liability company 100% owned by immediate parent company, Rayliant Global Advisors, a firm incorporated in Hong Kong. The ultimate parent company is Veritas Liberabit Vos, a firm registered in the United States.

### 4. Capital resources

During the period 1<sup>st</sup> July 2017 to 30<sup>th</sup> June 2018, Henderson Rowe Limited has complied with all the FCA capital requirements.

The table below shows the breakdown of the Firm's total available capital as at 30<sup>th</sup> June 2018.

	£ 000 as at 30 <sup>th</sup> June 2018
<b>Tier One capital</b>	
List different types of capital e.g.	<b>5</b>
Called up share capital	
Share premium account	<b>488</b>
Reserves	<b>926</b>
<b>Total Tier One capital</b>	<b>1419</b>
<b>Deductions from Tier One Capital</b>	<b>0</b>
<b>Tier Two capital</b>	<b>0</b>
<b>Deductions from Tier Two capital</b>	<b>0</b>
<b>Total Tier One and Tier Two Capital</b>	<b>1419</b>
<b>Deductions from Tier One and Tier Two Capital</b>	<b>0</b>
<b>Tier Three Capital</b>	<b>0</b>
<b>Deductions from Tier Three Capital</b>	<b>0</b>
<b>Total Capital Resources</b>	<b>1419</b>
<b>Total Capital excess</b>	<b>638</b>

## 5. Capital Adequacy - Compliance with BIPRU rules

The Firm has a detailed internal procedure for assessing the adequacy of its financial resources on an ongoing basis. As a BIPRU Limited License €50k Firm, we are required to hold the higher of:

- a. our Base Capital Resources Requirement of €50k;
- b. the sum of our Credit Risk Capital Requirement and Market Risk Capital Requirement; and
- c. our Fixed Overheads Requirement.

In the opinion of the directors the highest of these three is the Fixed Overheads Requirements (3 months expenditure of the firm) which has a capital requirements of £781,227.67.

The Firm carries out these calculations on at least an annual basis, based on the figures for our trading year, which runs from the 1<sup>st</sup> July – 30<sup>th</sup> June. Should it come to our attention that any of these figures are likely to significantly escalate during the trading year, this will be re-calculated.

### **BIPRU 3 – Standardised Credit risk**

Henderson Rowe debtors are predominantly our custodian Platform Securities LLP, with a smaller portion of debtors comprising Canada Life and Fund Partners.

Cash holdings are retained at the Bank of Scotland. The accounts hold sufficient balances to fund an orderly wind-down of Henderson Rowe. For Pillar 1 purposes, we calculate a 1.6% haircut of our cash at bank which we consider to be sufficient for these purposes.

Henderson Rowe does have exposures to clients on the basis that it does execute transactions on their behalf through Platform Securities. However, due diligence is carried out on new clients and client money is held on deposit with Platform Securities LLP. Moreover, trades are generally executed in instruments that are listed on the London Stock Exchange where there is significant liquidity and depth. We do not as a rule offer extended settlements, nor do we offer free delivery (instead we operate on a “delivery versus payment basis”). As at 30 June 2018, there were “accounts receivable” of £1,424,955. On the basis that Henderson Rowe is required to calculate an 8% credit risk on such debtors for Pillar 1 purposes, we do not consider it necessary to put aside Pillar 2 capital to mitigate our client credit risk.

### **BIPRU 4 – IRB Approach**

This is not applicable as Henderson Rowe Limited does not adopt the Internal Ratings Based approach.

### **BIPRU 6 - Operational risk**

This is not applicable as Henderson Rowe Limited does not have an Operational Risk Capital Requirement, as it is a Limited Licence Firm.

### **BIPRU 7 – Market risk**

Henderson Rowe Limited does not hold any positions (either trading book positions or foreign exchange/commodity positions) and therefore does not have any Market Risk Capital Requirement.

### **BIPRU 8 – Group Risk consolidation**

Henderson Rowe Limited is wholly owned subsidiary of Rayliant Global Advisor, but is not a BIPRU firm that is a member of a UK consolidation group or non-EEA sub-group. The firm is not subject to such consolidation risk requirements.

#### **BIPRU 9 – Securitisation**

Henderson Rowe Limited does not undertake any securitisation activities and is therefore not subject to any securitisation risks.

#### **BIPRU 10 – Concentration risk**

Henderson Rowe Limited does not have a trading book and therefore is not required to calculate a concentration risk capital component.

#### **Pillar 2 – ICAAP**

Henderson Rowe Limited is required to carry out an ICAAP in order to ensure that the Firm continually has enough minimum and, where necessary, additional capital in order to meet its regulatory capital requirements. The ICAAP is reviewed at least annually, however the Board will consider to make more frequent assessments where appropriate.

### **6. Risk Management Objectives and Policies**

Henderson Rowe Limited is not subject to any material capital risks under BIPRU 11 as explained above. Day to day business risks are considered in the Firm's ICAAP document and procedures are in place to mitigate the impact of these. The procedures in place include the holding of appropriate liability insurances and the use of stress testing for capital planning purposes.

### **7. Credit and dilution risk**

The Firm has identified no material risks as it does not currently hold any non-trading book exposures.

### **8. Operational risk**

The Firm is a BIPRU Limited License €50k Firm and is therefore not required to calculate an operational risk capital component in line with BIPRU 6. However, the risks arising from failure of persons, systems or processes have been considered as part of the ICAAP analysis.

### **Pillar 3 remuneration disclosures for Henderson Rowe Limited**

#### **a). Remuneration decision making**

The Board will be responsible for ensuring that policies, including this Remuneration Policy, are implemented effectively. The purpose of this is to protect and consider the interests of the Firm, its clients, suppliers, shareholders, investors and other stakeholders.

The Firm takes the view that it is not a large enough entity to warrant the formation of a formal Remuneration Committee, although it reserves the right to reconsider this upon review.

In the absence of a Remuneration Committee, the Board will exercise the rights, responsibilities and duties as required of a Remuneration Committee by the FCA.

**b). Criteria for Code Staff (as defined by the FCA)**

In order to determine and manage the risk faced by remuneration, the Firm categorises staff in line with the BIPRU Remuneration Code. These categories include:

- Senior management, including executive and non-executive directors;
- Risk takers;
- Staff engaged in controlled functions; and
- Any employee whose remuneration package takes them into the same bracket as senior management or risk takers, but only if their professional activities have a material impact on the Firm's risk profile.

The Firm has identified 16 staff (as at the time of drafting) who fall under the BIPRU Remuneration Code and, for the purpose of FCA regulation, will classify these as 'code staff'.

**c). Pay, performance and Code Staff**

Code Staff are paid according to individual remuneration packages agreed between the respective individuals and the Firm. These packages include combinations of a fixed basic salary, share of profit and or discretionary bonus. The payment of the fixed salary allows the operation of a flexible policy on variable remuneration, including the possibility to pay no variable remuneration component.

**d). Aggregate remuneration**

**Number of Code Staff** 17

**Aggregate total remuneration £3,120,286.56**

