

# Fiske

## Pillar 3 Disclosures

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# PILLAR III Disclosure

## 1. Executive summary

This document presents risk management arrangements, capital requirements and remuneration disclosures in respect of the Fiske plc group (“Fiske” or “the Group”)

As at 30 June 2022 the Group’s Tier 1 capital resources were £3,936,000. This exceeds the Group’s minimum Pillar 1 capital requirement of £1,132 by 248% and the Tier 1 capital ratio of 27.8% significantly exceeded the own funds requirement of 8%.

In addition, the Group has significant Tier 2 capital.

This document should be read in conjunction with the Group’s Annual report and accounts for the 13 month period ended 30 June 2022.

## 2. Overview

The Capital Requirements Directive (“CRD”) of the European Union created a regulatory capital framework governing how much capital financial services firm must retain. These rules have continued in effect post ‘Brexit’. The rules are set out in CRD under three pillars:

- i. Pillar I sets out the minimum capital resource requirement firms are required to maintain to meet credit, market and operational risks;
- ii. Pillar II requires firms to assess firm-specific risks not covered by Pillar I and, where necessary, maintain additional capital and
- iii. Pillar III requires firms to disclose information regarding their risk assessment process and capital resources with the aim to encourage market discipline by allowing market participants to assess key information on risk exposure and the risk assessment process.

The detailed assessment of the requirements under Pillars 1 and 2 are carried out within the firm’s Internal capital adequacy and risk assessment (ICARA) process.

The rules in the FCA Prudential Sourcebook for Banks, Building Societies and Investment Firms (“IFPRU”) set out the provision for Pillar III disclosure. This document is designed to meet the Pillar III disclosure obligations of Fiske plc as a group (“Fiske”).

## 3. Verification of disclosure

This disclosure has been prepared in order to comply with Fiske’s regulatory obligations and provide information on risk management policies and certain capital requirements. It does not constitute a financial statement and is based on unaudited financial positions and should not be relied upon in making judgements about Fiske.

This disclosure is subject to review and approval by the Board of Fiske. It is published annually via Fiske’s website at [www.fiskeplc.com](http://www.fiskeplc.com).

## 4. Classification of the Group

Fiske is authorised and regulated by the Financial Conduct Authority (“FCA”) to conduct investment business, with the permission to hold and control client money. Fiske plc, the parent company within the Group, is a non-SNI firm (but not a larger non-SNI firm) .

Fieldings Investment Management Ltd, a wholly owned subsidiary, is classified as a SNI firm.

## 5. Risk Management and Governance

### 5.1. Framework

The Board of Fiske is the governing body that is ultimately responsible for the risk management of Fiske and establishes the overall governance and culture of the firm. The board of directors set the overarching strategic goals and framework for the management and development of the business. These reflect the culture, resources and risk-appetite of the firm. This has led to the implementation of a range of company policies.

The board looks to manage and evolve the business in a manner commensurate with the management and financial resources available, and the cultural objectives of the firm. Consequently, for example, some activities that may be remunerative but lie outside our comfort zone or risk tolerance, are eschewed such as trading in options and futures.

The corporate governance structure in place addresses the oversight of risk, and relevant actions, are managed at the appropriate organisational level according to the level of risk and the impact of that risk occurring.

The Board has appointed an Executive Management committee which undertakes all Management functions. The Board has also appointed an Audit Committee, a Risk Committee and a Remuneration Committee.

The Board considers and approves the level of risk to which Fiske is exposed and approves the framework for reporting and mitigating those risks. The Board has delegated responsibility for the management of risk to the Risk Committee. The committee comprises a non-executive director as Chairman of the committee, the CEO, the COO, the CFO and the Head of Compliance.

Meanwhile the firm’s systems, processes, policies and internal controls are designed to, inter alia, mitigate risk.

Our risk management framework comprises:

- a) Strategy and objective-setting
- b) Performance
- c) Monitoring and reporting
- d) Governance

### 5.2. Strategy and objective-setting

The firm’s framework processes help enable improved decision making, planning and prioritization through assessments of opportunities and threats and help drive value creation by enabling the management team to respond better to future events that create uncertainty and represent a significant threat or opportunity.

### **5.3. Performance**

#### **a) Identification and evaluation of risks**

The identification and evaluation of risks falls not just to the Risk Committee but to the operational management and staff so that within Fiske, everyone is able to raise a concern or identify a solution. Risk types can be grouped in various ways such as to Strategic, Operational, Compliance and Financial. The firm also seeks to ensure that where appropriate, a risk is 'owned' by a specific individual.

#### **b) Defining our risk tolerance and internal controls**

Systems and internal controls are an important element of preventing, or early identification of risk events and pre-emption is seen as better than remediation. Internal controls are captured through policies, practices, systems and procedures. Where there may be a difference between our risk appetite and the current residual risk profile taking into account controls and other mitigating factors, we take action to accept or avoid part of all those risks outside our risk appetite...or to reconsider the risk appetite.

#### **c) Training**

Formal and informal training is conducted with applicable personnel. Information is provided to new hires on key processes applicable to their role. For some areas of risk, mandatory training is conducted (e.g. cyber security). Knowledge is also exchanged within risk management functions

The internal control systems of the company have evolved over many years and are subject to continuous fresh input in the light of experiences, changing market conditions and threats.

The board of directors takes responsibility for the company's systems of internal control and for reviewing their effectiveness and all executive staff are expected to contribute to this process.

### **5.4. Monitoring and reporting**

Critical to our ERM Framework is a review and reporting process to ensure risks are effectively assessed and appropriate risk responses and controls are in place. This normally falls to the Risk Committee which reports to the Board.

Policies and procedures are in place that require incidents of non-compliance, adverse events, control failures or critical unmitigated risks to be escalated to senior management and, if appropriate, the proper authorities in a timely manner.

All staff are expected to be alert to risk and reporting is a two-way process.

### **5.5. Governance and oversight**

The board of directors recognises that it is responsible for the company's systems of internal control and for reviewing their effectiveness. Such systems, which include financial, operational and compliance controls and risk management, have been designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

They include:

- the ongoing identification, evaluation and management of the significant risks faced by the company;
- compliance with operating procedures and policies;
- dual signatures on all payments;
- regular consideration by the board of actual financial results (monthly), comparison of expenses to budgeted figures and review of revenue trends;
- annual review of the company's insurance cover;

- defined procedures for the appraisal and authorisation of capital expenditure and capital disposals; and
- regular consideration of the company's liquidity position.

When reviewing the effectiveness of the systems of internal control, the board has regard to:

- the review of daily management reports;
- the regular reconciliation of all bank accounts, internal accounts and stock positions;
- a written quarterly report from the compliance director covering FCA regulatory matters and conduct of business rules;
- the level of customer complaints;
- the review of management reports;
- Management Committee meetings of executive directors to identify any problems or new areas of risk.

The Company monitors credit risk on a daily basis. This is done by producing and distributing a daily debtors list to all executive directors and associates. The list represents trades that remain outstanding beyond settlement date. The level of outstanding debtors is monitored closely by the CEO and the Executive Chairman, and appropriate action taken where necessary.

## 5.6. Material Risks

Within the Pillar II requirement, the FCA requires Fiske to consider a number of different categories of risk to its business and assess which of these are material. Such material risks are then quantified to assess the additional capital required to be held by Fiske to mitigate the impact of such risks.

The Group has identified the following as the key risks and their mitigation:

- **Market risk**

Market risk also gives rise to variations in asset values and thus management fees, and variations in the value of investments held by Fiske plc, acting as principal. Some mitigation arises from the inherent diversification of client portfolios.

- **Loss of staff**

Staff are a key asset in the business and retaining the services of key staff is essential to ongoing revenue generation and development of the business. All Directors are shareholders in the business with longstanding commitment to its prosperity and the firm's culture.

- **Conduct and Regulatory risk**

The Group pays close attention to the risk of breaching, or non-compliance with, applicable regulations and restrictions, which could result in regulatory censure, fines and reputational damage. The compliance function is afforded high priority within the firm, as well as close attention to cultural adoption of regulatory objectives by staff.

- **Operational risk**

There is a whole range of operational risks to which the Group is exposed, including reputational risks and the Group seeks to mitigate operational risk to acceptable residual levels, in accordance with its risk appetite policy, by maintenance of its control environment, which is managed through the Group's operational risk management framework. The Group's controls include appropriate segregation of duties and supervision of employees; ensuring the suitability and capability of the employees; relevant training programmes that enable employees to attain and maintain competence and identifying risks that arise from inadequacies or failures in processes and systems. Certain operational risks are given extra attention:

- Cyber attack

The Group is at risk of its system infrastructure being breached by external counterparties. This could lead to data theft, ransomware or system malfunction or shutdown. The Group has strict internal policies on cyber security, training is provided to staff and the systems security independently tested by external specialists.

- Material outsourced service providers

The group makes use of certain third-party service providers. This gives rise to potential financial, reputational, operational and client-related risks. The Group looks to maintain its oversight capabilities and to work closely with such service providers.

Credit risk is not considered to be a major risk to the Group given (i) the screening of institutions with whom the group trades and (ii) the fact that market transactions are executed in a delivery versus payment environment.

Assessing risk is a significant part of the Group's ICARA (Internal Capital Adequacy and Risk Assessment) process. The Group has a business continuity and disaster recovery plan is regularly reviewed.

A probability versus impact assessment is carried out to arrive at a suitable level of capital to be held in mitigation (Pillar II). Risks can then be stress tested against various scenarios to determine if this level of capital is adequate.

## 6. Capital Adequacy

### 6.1. Overview

As at 30 June 2022, Fiske held regulatory capital in excess of its current capital requirements. The Pillar I capital requirement of Fiske is the greatest of:

- The permanent minimum capital;
- The fixed overheads requirement ("FOR"), which is one quarter of the firm's annual fixed expenditure;
- The amount of risk capital required

### 6.2. Permanent minimum capital

The permanent minimum capital requirement of the Group is £825,000, being £750,000 (parent company) plus £75,000 (Fieldings).

### 6.3. Fixed overheads requirement

The Fixed Overhead Requirement, being a function of overheads is for Fiske (as a group) amount to £1,132,000 at 30 June 2022. The exact number is monitored monthly.

### 6.4. Risks

Risks are evaluated by three measures:

#### a) K-factor requirements

K-factor requirements are per a set of rule-based computations and comprise a number of factors, not all of which are applicable to Fiske. The K-Factors are computed monthly and for Fiske amount to £744,000 at 30 June 2022(the exact number is monitored monthly).

**b) Measurement of Risk Weighted exposures to the Group's balance sheet**

The table below outlines the Group's Risk-Weighted Exposure ("RWE") for each asset on the balance sheet.

	Exposure by risk weighting					
		0%	20%	100%	250%	RWE
	£'000	£'000	£'000	£'000	£'000	
<b>Non-current assets</b>						
Goodwill & Customer base <sup>1</sup>	970	0			0	
Systems licences	0	0			0	
Right-of-use assets (leased property)	250		250		250	
Property, plant and equipment	21		21		21	
Financial assets at fair value through OCI	4,621	4,220		401	1,003	
<b>Total non-current assets</b>	<b>5,862</b>				<b>1,274</b>	
<b>Current assets</b>						
Counterparty receivables <sup>2</sup>	465	465			93	
Net owed by clients through CASS <sup>2</sup>	891	891			178	
Amount owed by group undertakings	0				0	
Prepayments and accrued income	1,089		1,089		1,089	
Other debtors	57		57		57	
Cash and cash equivalents	3,248	3,248			650	
<b>Total current assets</b>	<b>5,750</b>				<b>2,067</b>	
<b>Total assets</b>	<b>11,612</b>				<b>3,340</b>	
Total credit risk capital requirement				8%	267	

**c) Own Risk assessment**

The firm conducts its own assessment of risks and capital required: it calculates the internal capital it considers necessary to cover all risks that it is or is likely to be exposed to. It also has regard to liquidity requirements.

Firms are also required to consider the costs associated with winding a firm down (orderly wind down) and various stressed scenarios (market-wide, firm- specific and combinations).

These processes lead to a Pillar 2 assessment of capital required. The Pillar 2 capital requirements are outside the scope of this disclosure document.

<sup>1</sup> Intangible assets are deducted from Own funds and thus do not form part of the credit risk calculation

<sup>2</sup> In practice Counterparty Receivables and CASS sums are countered by Counterparty payables

## 7. Capital requirement

### 7.1. Pillar 1 capital requirement

The Pillar 1 requirement at is taken to be the highest of various measures as set out below:

At 30 June 2022	£'000
Initial capital requirement (i)	825
Risk weighted exposures (ii)	267
K-factors (iii)	744
Pillar 1 fixed overhead requirement (iv)	1,132
<b>Pillar 1 requirement: highest of (i), (ii), (iii) and (iv)</b>	<b>1,132</b>

### 7.2. Own Funds

The Group's Tier 1 capital is made up of share capital, share premium, retained earnings and other reserves. These are reflected in Group net assets.

Regulatory adjustments are made in respect of certain investments (which fall to be part of the Group's Tier 2 capital), and intangible assets (goodwill, client relationships) as set out in the table below:

At 30 June 2022	£'000
Group net assets	8,141
Less:	
Disallowable investments	(3,235)
Disallowable intangible assets and goodwill	(970)
Other adjustments	-
<b>Tier 1 capital own funds</b>	<b>3,936</b>

### 7.3. Common Equity Ratios

The Group must satisfy the following own funds requirement:

- Common Equity Tier 1 capital ratio of 4.5%;
- Tier 1 capital ratio of 6%; and
- Total capital ratio of 8%.

These ratios are applied to the total risk exposure amount, which is 12.5 times the Pillar 1 requirement (or the Pillar 1 requirement divided by 8%).

The table below sets out the Group's capital ratio at 30 June 2022:

	£'000	£'000
Pillar 1 requirement (i)	1,132	
Exposure amount (ii) = 12.5 times (i) = (i)/8%		14,146
Own funds		3,936
<b>Total Tier 1 capital ratio</b>		<b>27.8%</b>

As at 30 June 2022, the Group's total capital ratio was over the minimum requirement, being 27.8% versus an 8% requirement.

This can also be expressed as follows:

	£'000	
Pillar 1 requirement (i)	1,132	100%
Own funds	3,936	348%
excess		248%
Solvency ratio		348%

## 8. Remuneration Policy and Strategy

Remuneration is considered within the overall context of the the markets in which ithe Group operates. The Remuneration Policy is designed to be consistent with the conservative management of risk and the sustained, long-term performance of the Group.

The Remuneration Code covers an individual's total remuneration, fixed and variable. Fiske incentivises all Code Staff (defined as those performing significant functions that have a material impact on the business) through a combination of the two.

The Fiske Remuneration Committee ensures that Fiske complies with the Remuneration Code and that our compensation arrangements:

- are consistent with and promote sound and effective risk management;
- do not encourage excessive risk taking;
- effectively manage conflicts of interest; and
- are consistent with Fiske's business strategy, objectives, values and long-term interests.

The policies are reviewed no less frequently than annually by the Remuneration Committee, who consider the policies in accordance with the Remuneration Code. The Committee believes that the remuneration strategies neither encourage, nor reward, inappropriate risk-

Fiske has determined that no one individual meets the definition of being a Material Risk Taker ("MRT").

Nevertheless, an analysis of the fixed and variable elements for group directors during the period ended 30 June 2022 is set out below:

Remuneration by Fixed/Variable component

Number of directors	5
	£
Fixed remuneration for the period	473
Variable (cash) remuneration for the period	153
<b>Total remuneration</b>	<b>626</b>