Capital Requirements Directive

Pillar III Disclosure 01 July 2021

Background

The 2006 Capital Requirements Directive ('the Directive') of the European Union establishes a revised regulatory capital framework across Europe based on the provisions of the Basel 2 Capital Accord governing the amount and nature of capital credit institutions and investment firms must maintain.

In the United Kingdom, the Directive has been implemented by the Financial Conduct Authority ('FCA') in its regulations through the General Prudential Sourcebook ('GENPRU') and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU'). Future Money is authorised and regulated by the Financial Conduct Authority, register number 600460 and is subject to these regulations.

The new framework consists of three 'Pillars':

- Pillar 1 sets out the minimum capital amount that meets the firm's credit, market and operational risk;
- Pillar 2 requires the firm to assess whether its Pillar 1 capital is adequate to meet its risks and is subject to annual review by the FSA; and
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position.

The rules in BIPRU 11 set out the provision for Pillar 3 disclosure. This document is designed to meet our Pillar 3 obligations.

We are permitted to omit required disclosures if we believe that the information is immaterial such that omission would be unlikely to change or influence the decision of a reader relying on that information.

In addition, we may omit required disclosures where we believe that the information is regarded as proprietary or confidential. In our view, proprietary information is that which, if it were shared, would undermine our competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties.

We have made no omissions on the grounds that it is immaterial, proprietary or confidential.

Scope and application of the requirements

Future Money Ltd is controlled by a number of individuals who own more than 10%.

Future Money Ltd provides investment management services to a range of OEICs.

Risk management objectives and policies

Future Money Ltd is governed by a board of directors who determine the business strategy and associated risks. They are responsible for designing and implementing risk controls that recognise the risks being taken so that they can be effectively managed and mitigated where possible.

The board meets quarterly to consider market conditions, profitability, cash flow, level of reserves and business planning. Risks are managed through policies and procedures, principles and rules (including FCA principles and rules) which are updated as required.

The board have identified that personnel, operational, regulatory, investment management, reputational and business model risk are the key risks. The board formally review risks and controls annually and this includes the level of capital deemed adequate to cover the risks identified.

Personnel Risk

Future Money Ltd employs a small number of key staff and therefore the board have identified the risk of over dependence on any individual.

These risks are mitigated through strong leadership, training and career development opportunities. In addition, the board maintain relationships with third party firms who could provide short-term or long-term assistance in the event that any key individual is no longer available.

Operational Risk

The majority of our risk management efforts are focused in this area. This considers the entire operation of the business including administrative errors, procedures, functionality of our premises, reliance on third party providers such as IT systems and competency of our employees.

All operational risks which can be identified are logged and categorised on an annual basis. The strategy for dealing with these risks is reviewed and approved by the board.

We continuously evaluate our internal controls to ensure they are operating as designed and are effective in preventing losses or errors. We do this both through our own checking and monitoring and by using third parties to undertake independent reviews.

Regulatory Risk

Future Money Ltd is regulated by the FCA and could face significant fines, censure or even the removal of regulatory permissions if we do not adhere to FCA requirements.

We have in place strict governance arrangements formally overseen during quarterly board meetings. We use the expert services of our ACD, Margetts, who provide further oversight and have written procedures and policies that are reviewed by the board and audited annually.

Investment Management Risk

Investment management risk consists of two components which are market risk and active risk. Market risk cannot be mitigated as the Future Money funds will be exposed to global equity and bond markets under the terms of their prospectus documents. The effect of this risk can be reduced through prompt communication of market developments and the effect on the Future Money funds.

Active risk relates to the investment decisions made by the Future Money fund management team. This risk is mitigated through the investment process which has been established and the ongoing training requirements. In addition, an independent oversight function monitors the actions of the fund management team and reports at each board meeting.

Reputational Risk

Reputational risk can be triggered by any negative event such as poor performance or the behaviour of key individuals. The risk is considered low due to the small team and the simplicity of the product offering backed by a reputable ACD.

In the event that reputational risk occurred Future Money may struggle to retain existing clients or win new business.

Business Model Risk

The ongoing profitability of the business and the continued relevance of the Future Money funds impacts on a number of other risks. For example, retaining key staff is dependent on profitability allowing market salaries to be paid.

The board monitors the business model at each quarterly meeting.

Capital resources

The internal capital to be held against Capital Resource Requirements (CRR) Pillar I calculation is £75,000 which represents the fixed overhead requirement (FOR). This is the figure that the board have decided should be held as a capital resource and is believed to be sufficient to cover all risks identified. The figure of £23,750 has been calculated as risk based capital (Pillar II) and therefore a total of £98,750 has been deducted from the available reserves as the board believes that capital sufficient to withstand Pillar II events should be available without compromising Pillar I requirements.

Capital and reserves	351,857
Deductions for interim dividend	0
Available Capital	**351,857**
Capital resource requirements	(98,750)
Surplus	**253,107**

There is a considerable surplus of reserves above the capital resource requirement deemed necessary to cover the risks identified.