Pillar 3 Disclosure

Limited Pillar 3 Disclosure as at 31st March 2020.

INTRODUCTION

Regulatory Context

The Capital Requirements Directive (CRD) establishes a regulatory capital framework across Europe governing the amount and nature of capital investment firms must maintain. In the United Kingdom, the CRD has been implemented by the Financial Conduct Authority (FCA) in its regulations through the General Prudential Sourcebook (GENPRU), Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU) and the Prudential Sourcebook for Investment Firms (IFPRU).

The FCA 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 FCA; and
■ Pillar 3 requires disclosure of specified information about the underlying risk management controls, capital position and remuneration.

The rules in BIPRU 11 set out the provision for Pillar 3 disclosure. This document has been produced by Hilbert Investment Solutions (Hilbert) to meet its Pillar 3 disclosure obligations. The document is informed by the Internal Capital Adequacy Assessment Process (ICAAP) which is kept under review and subject to annual formal revision and approval.

Scope and Application of Directive Requirements

Hilbert is incorporated in the UK and is authorised and regulated by the FCA as a standalone IFPRU Limited Licence €125K Firm with permissions to undertake certain regulated investment activities. Hilbert is not a significant IFPRU firm. The Pillar 3 disclosures are made by the Firm on a solo basis. Hilbert makes investments on its own behalf and does not operates its own trading book.

Frequency of Disclosure

The Firm will be making Pillar 3 disclosures at least annually. The disclosures are as at the Accounting Reference Date which is 31st March any figures included in this document will be based on the audited accounts as at that date.

Location of Disclosure

The disclosure is published on our website.

Verification

The information contained in this document has not been audited by the Firm's external auditors, as this is not a requirement, and does not constitute any form of financial statement and must not be relied upon in making any judgement on the Firm.

The Pillar 3 disclosures have been reviewed and approved by the Board.

Materiality & Confidentiality

The Firm regards information as material in disclosures 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 the Firm deems a certain disclosure to be immaterial, it may be omitted from this Statement.

Investment firms may omit required disclosures where they believe that the information is proprietary or confidential. The Firm 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 the Firm's investments therein less valuable. Further, the Firm must regard information as confidential if there are obligations to customers or other counterparty relationships binding the Firm to confidentiality. Hilbert has made no omissions on the grounds that it is immaterial, proprietary or confidential other than as may be disclosed in the statutory accounts.

RISK GOVERNANCE

The Firm is committed to good risk management and prioritises risk management through its functional structure, governance processes, monitoring and reporting activities and its emphasis on the Firm's vision and values.

From the Board down, the Firm considers its risk appetite in its strategy, business plans and risk management process.

On-going risk reporting provides the Board and senior management with risk management information concerning Hilbert's risk exposure. This information also forms part of the firm's ICAAP. The Firm is committed to managing the applicable risks to the business and maintaining an effective internal control structure which includes oversight, monitoring and reporting of risks. Through independent lines of reporting for risk oversight and operations, our risk governance policies are designed to provide objective assessments and monitoring of risks. Management regularly reviews the level of risk it regards as appropriate in order to operate within its regulatory obligations and achieve it business objectives.

Risk Management Framework

Risk management within Hilbert is based on a 'three lines of defence' model, as follows:-

1. First line of defence (business management and staff) - responsible for identifying and assessing the risks faced in the business and ensuring that appropriate controls are established and maintained. This is overseen and strengthened by the Internal Control team.

2. Second line of defence (Risk & Compliance) - responsible for establishing an effective policy framework for the business and conducting compliance monitoring.

3. Third line of defence (Internal Audit) –provides independent and objective assurance on the effectiveness of risk management, control and governance processes. Hilbert does not have an internal audit function.

Hilbert is committed to on-going review and development of all three lines of defence in line with its businesses scale and risk profile.

The Hilbert Board meets in person at least quarterly with additional calls as and when required. The Board is made up of executive, the firm does not have non-executive directors, the decision was made taking into consideration the nature and business size of the firm. A board pack is circulated in advance of each meeting to be reviewed and challenged as appropriate. The pack contains relevant and timely information in sufficient detail to enable the Board to understand the business and assess the risks, including the on-going assessment of the adequacy and quality of capital and liquidity. The management accounts are included in the Board pack and presented compared to budget after each quarter end.

Hilbert does not have a Remuneration Committee, the firm consider the possibility of having one, but it decided against taking into consideration the size of the business.

Risk Appetite

The Firm aims to develop systems and controls to mitigate risk to ensure they remain within the documented risk appetite.

The firm sets its risk appetite by considering the material risks in the business and then evaluates the level of acceptable risk, either subjective or objective, and the related measurements. Any risk exceeding the risk appetite will be reported to the ARC along with the action plans to bring the risk back within tolerance.

For those key risks which cannot be controlled the residual financial risk is quantified and included in the ICAAP Pillar 2 assessment and additional Capital may be held against it.

Key Risk Categories

Hilbert considers its operations to be prudent and risk averse, with the business objective of achieving client satisfaction and financial strength of the company. Hilbert's is exposed to risks inherent in the Firm's business and activities. The Firm has risk management policies, practices and reporting in place for each category of risk it is exposed to. The following inherent risks have been identified and analysed for their impact on Hilbert below:

Credit Risk - The Firm's main exposures to credit risk is the risk that custody and administration fees cannot be collected, and cash held with banks. The Firm holds corporate cash with banks assigned high credit ratings. Hilbert0 carries out initial and on-going due diligence on new clients, including assessment of their credit risk, and all of the current clients are appropriately regulated, further reducing our exposure to credit risk. Credit risk exposure is therefore considered low and can be mitigated by process controls and, if necessary, can be funded from its capital and liquidity provisions.

Market Risk is the risk of loss due to adverse changes in the financial markets. Capital market fluctuations can have an effect on client activity and Assets Under Custody (AUC). Revenue earned by the Firm will be impacted by overall market performance and prices due to the practice of levying fees as a percentage of AUA. Hilbert also has a limited exposure to market risk through foreign currency exchange rate movements for any assets held on the Firm's

Balance Sheet denominated in a foreign currency. Market Risk is mitigated therefore through the pricing structure and underlying client base, and exposure is therefore low.

Operational Risk under the FCA's rules, instead the Fixed Overhead Requirement acts as a proxy for the Pillar 1 Capital. Notwithstanding this, Hilbert has implemented a risk management framework to remove or mitigate the risks inherent in its business and associated with operation errors, including administrative errors, process failures, loss of IT services and competence and negligence of employees. This recognises that operational risk is a significant risk area within Hilbert if not carefully managed. Hilbert uses its Risk & Compliance and Internal Control teams to reinforce and oversee the operation of these controls and the risk framework. If required, third parties may also be engaged to undertake independent reviews as a third line of defence. The operational risk framework in place to mitigate operational risks includes:

- Errors reporting, reaction and management to ensure root cause and preventative actions are investigated and implemented promptly by the business.
- Reporting and analysis of risk issues to the ARC and the Board.
- Operational and Strategic level risk registers to identify and address risks to operational and strategic objectives

The Board is satisfied that all foreseeable operational risks can be mitigated by process controls, and where necessary, can be funded from capital provisions under the Pillar 2 assessment.

CAPITAL RESOURCES AND REQUIREMENTS

Own Funds

As at 31st March 2018 Hilbert held audited Common Equity Tier 1 Capital of £xxxxxxxxxx.

The internal capital to be held against the Firm's Pillar 1 Own Funds Requirement is £xxxxxx, which represents the Variable Capital RWE Own Funds Requirement (as defined in the FCA's rules). This is the figure that the Board has assessed as satisfactory to meet the requirement and is believed to be sufficient to cover all risks identified.

Hilbert Total Regulatory Capital is in excess of the Own Funds Requirement, and this surplus, along with Liquidity, is monitored and reported regularly to the Board to ensure Hilbert has sufficient capital and liquidity to meet its regulatory requirements at all times. Any potential future failures will be identified in the projected budgets and addressed internally in advance of any actual breaches.

REMUNERATION

In accordance with the Capital Requirements Regulation remuneration disclosure requirements, as further elaborated in the FCA's General Guidance on Proportionality: The Remuneration Code (SYSC 19A) & Pillar 3 Disclosures on Remuneration (Article 450 of the Capital Requirements Regulation (CRR)), as an IFPRU limited licence firm the Firm falls within proportionality level 3 and is required to provide the following disclosures regarding its remuneration policy and practices for those categories of staff whose professional activities have a material impact on its risk profile.

The Firm has established a remuneration policy in accordance with the FCA's Remuneration Code. The Board of Directors is responsible for ensuring the Firm's compliance with the UK FCA's Remuneration Code, as well as compliance with other applicable laws and regulations, and reports its findings and recommendations to the Board. No external consultant has been used for the determination of the remuneration policy.

Code Staff and Link Between Pay and Performance

The Firm classifies those staff whose professional activities have a material impact on its risk profile as **Code Staff** in line with the FCA's Remuneration Code. The firm classified three individuals in total as Code Staff in 2018. The aggregate remuneration paid to the Firm's Code Staff during the financial year ending on 31st March 2018 was .

Remuneration comprised base salary, pension contributions and benefits in kind. There were no variable elements and no bonuses were paid to code staff in the period. Remuneration is determined at least annually. In determining remuneration, the Board considers the individuals' and the Firm's performance. Individuals' performance is measured against documented and agreed objectives. There are no code-staff in fee or commission earning roles. There is no minimum pay increase and no contractual bonuses are in place for current code staff.

This statement was approved by the Board on June 2020.