Pillar 3 Disclosure Statement as at 31 December 2019

Asset Management One International Ltd.,
Financial Conduct Authority Firm No. 186147

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1. Purpose of Disclosures

This document sets out the Pillar 3 Disclosures for Asset Management One International Ltd. (“AMOI” or the “Company’).

The EU Capital Requirements Directive (“CRD”) establishes a regulatory capital framework governing the amount and nature of capital certain types of investment firms must maintain. In the United Kingdom, CRD has been implemented through the Financial Conduct Authority’s Handbook within the General Prudential Sourcebook (GENPRU) and the Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU). AMOI is no longer formally subject to CRD but remains subject to UK’s implementation Regulations of CRD III prior to CRD IV. The regulatory aim of the disclosures is to improve market discipline.

To comply with the regulatory framework the rules built on three pillars have to be followed:-

- Pillar 1 sets out the minimum capital requirements to meet credit , market and operational risks calculated in accordance with set rules
- Pillar 2 requires firms and their regulator to consider whether additional capital should be held to cover risks not covered under Pillar 1; and
- Pillar 3 requires firms to disclose specified information about the underlying risk management and capital adequacy

AMOI will be making Pillar 3 Disclosures at least annually. The Pillar 3 Disclosure Statement is published on AMOI’s website.

2. Background to AMOI

AMOI is a company incorporated under the laws of England and Wales (registered company number 3472865) and is authorised and regulated by the Financial Conduct Authority (“FCA”) as a MiFID investment firm.

The firm is engaged in investment management and advisory business providing services to institutional and corporate investors.

The firm is categorised as a BIPRU €50k limited license firm by the FCA for capital purposes. The firm does not have retail clients, and is not authorised to hold client money or to take propriety trading positions.

AMOI is a wholly owned subsidiary of Asset Management One Co., Ltd., a global asset management company registered in Japan.

3. Governance

The AMOI Board of Directors has responsibility for the overall risk governance and management of AMOI. The Board has ultimate responsibility to define AMOI’s risk appetite and underlying controls.

Risk management is a fundamental part of day-to-day management of the firm to ensure that the risks associated with the provision of investment management services are mitigated by appropriate controls and within our fundamental approach to product strategy.

The Chief Executive Officer (“CEO”), the Chief Finance Officer (“CFO”) and the Chief Investment Officer (“CIO”) meet on a regular basis with senior management and discuss current projections, cash flow, regulatory capital management, business planning and risk management. Key issues are reported to the Board. The parent company AMO in Tokyo is kept informed.

All senior management are encouraged to report significant risk issues directly to the CEO and to report early so that appropriate action is taken. The Board promotes an open culture to enable healthy challenge and continual improvement of processes and controls. Formal written reports are provided at the quarterly Board meetings.

4. Risk Management and Risk Appetite

Effective risk management is an essential part of delivering the firm's strategy and therefore senior management take an active role in risk management process.

AMOI's risk management framework and Operational Risk Events Reporting policy is based on strong risk awareness and risk accountability across all lines of defence. The Risk Framework aims to deliver long term value for our clients and shareholders and protects their interests such that responsibilities for clients are prioritised.

The day-to-day risk management, including identification and mitigation of risks and maintaining appropriate controls is delegated from the Board to the CEO and delegated managers.

Risk oversight is evidenced through the Management Committee, Client & New Business Committee and Operating Committee so that there is a consistent view across all of our principal risks, especially conduct, regulatory and strategic risks working closely with the first and third lines of defence.

Independent verification of the adequacy and effectiveness of the internal risk and control management systems is provided by the outsourced Internal Audit function and Group Internal Audit function. Both these are independent from all other operational functions and report to the CEO.

AMOI undertakes an annual review of internal controls through the AAF 01/06 Assurance report on internal controls. AMOI had a clean opinion for the controls from external accountants relating to the year ended 31 March 2020.

AMOI's risk appetite has been defined in both quantitative and qualitative terms to guide the business in developing the strategy in line with the agreed appetite for risk. The general principles adopted by AMOI are:-

- AMOI places client interests as a priority in developing the strategy, business planning and decision making.
- Risks accepted should maintain appropriate risk diversification and avoid excessive concentration of risk.
- AMOI will operate consistently, fairly and in adherence with regulatory and legal requirements.
- AMOI only has an appetite for risks that are adequately understood and controlled.

AMOI's qualitative risk appetite statements are in plain language for all stakeholders and sets out the level of uncertainty that AMOI are willing to accept to achieve the business plan objectives. The quantitative risk appetites are defined in terms of tolerance limits or thresholds. Both types of statements are reviewed by appropriate Committees with key risk indicators being increasingly used within the business. Key risk indicators are a blend of performance indicators, control indicators and other management information that are focused on a particular risk.

5. Capital Resources

Capital is held to ensure a suitable margin is maintained in excess of the higher of Pillar 1 and Pillar 2 capital requirements. Pillar 2 capital requirements are determined using a risk based approach that explicitly takes into account management's view of specific risk exposures.

AMOI's capital resources as at 31 December 2019 and calculated in accordance with GENPRU 2 are shown in the table below:

		(£'000) 31 Dec 19 audited
Tier 1:	**Permanent Share Capital**	**9,000**
	Profit and loss and other reserves	**(1,457)**
	Deductions	**0**
	Total Tier 1 Capital	**7,543**
Tier 2:	**Total Tier 2 Capital**	**0**
	Available capital resources after deductions	**7,543**

AMOI is subject to the capital resource requirement for a limited licence firm. In Pillar 1, the minimum capital resource requirement has been taken as the fixed overhead requirement being the greater of both (i) the base capital requirement of €50k and (ii) the sum of the Market and Credit risk requirements. Both the fixed overhead requirement measure and the sum of the Market and Credit risks measures are calculated in accordance with the criteria set out by the FCA.

	Pillar 1 Capital Requirement
Fixed Overhead requirement (The FOR is calculated as 13 weeks' fixed expenditure based on financial statements as at 31ST December, 2019)	**2,229**
Pillar 1 total (Greater of (CR and MR) and FOR)	**2,299**
Current total capital	**7,543**
Surplus	**5,244**

The Company's capital resources are in excess of the minimum capital requirement identified by the ICAAP process.

6. Pillar 2 Capital Requirement

AMOI's overall approach to assessing the adequacy of internal capital is documented within Pillar 2, AMOI's Internal Capital Adequacy Assessment Process ("ICAAP").

The adequacy of the capital held by AMOI is assessed at least annually by the Board as part of the ICAAP and covers:-

- The current and potential risks to the business including both financial and non-financial risks and their potential to affect both long and short term value.

- The appetite to accept those risks and how they are managed
- An assessment of the capital requirements with respect to risks
- A forward looking assessment of the risk capital strength of AMOI over a multi-year horizon in light of the mid-term business plan, considering a range of potential stress scenarios.
- Accountability for the management of risks
- A wind down analysis which provided assurance that AMOI has sufficient capital to ensure that in the event of ceasing its business, all client asses and investment contracts could be safely transferred to the parent company or returned to clients.

AMOI completes ICAAP reporting which sets out key risks to the business and demonstrates how AMOI has satisfied itself that it has sufficient capital. The key risks identified in the ICAAP reporting process are shown below:-

Risk type	**Treatment**
Operational Risk	Operational risk is the risk of potential losses , which arise as a result of the Company's business and include loss attributable to human error, systems failure, IT systems, cybercrime or from external events (such as regulation) and includes legal, financial crime and market abuse risks. The Company has established a control framework so that the risk of financial loss to the Company through operational risk is minimised. This business continuity and disaster recovery plan has been put into place to manage its operational business risks during emergencies and to ensure the safety of its staff. AMOI seeks to manage operational risk with control measures in place such as: • Regular review of results and establishing clear policies, procedures and controls • Identification of key risks and the segregation of duties, enforced through IT access privileges and process controls • The regular testing and annual review of Business Continuity and Disaster Recovery plans. • Dual or triple authorisation procedures in place for dealing and payments, and transaction checking controls. • Pre-employment screening to aid the recruitment and development of appropriately skilled individuals, with staff training on an ongoing basis. Central to the management of Operational risk is the monitoring of key controls. The firm has a programme of insurances designed to reduce its liability exposure to protect its assets.
Market Risk	Market risk is the risk that a decline in the value of assets on the balance sheet adversely impacts the profitability of the company.

Risk type	Treatment
	AMOI does not operate a trading book. AMOI considers its market risk capital requirement as the risk of lower fee income due to the impact of adverse changes in the financial markets affecting the size of client assets under management.
Reputational Risk	Reputation risk covers the risk that the firm's reputation is damaged resulting in a significant loss of revenue due to the impact on the client base or loss of key staff. In assessing reputation risk consideration has also been given to:- • The risk of misconduct by employees • The risk that legal and regulatory requirements are violated • The risk that AMOI has not complied with client contracts and the resulting claim or legal action is significant • The risk that AMOI suffers a significant cost due to fraud or theft
Credit Risk	Credit risk is the risk that a counterparty will be unable to meet a commitment that it has entered into with the Company. The Company's cash balances are primarily with high credit , quality, well established financial institutions having a minimum credit rating of A-1 by S & P's and/or P-1 by Moody's to minimise risk. AMOI uses the standardised approach to counterparty risk, under which the capital requirement is calculated as 8% of the risk weighted exposure amounts.
Liquidity Risk	Liquidity risk is the risk that adequate liquid funds are not available to settle planned liabilities and unexpected cash flows as they become payable. Cash flow analysis is performed at regular intervals to access liquidity needs. The majority of AMOI's cash holdings as at 31 December 2019 were held on short-term deposit and available on short notice.

7. Remuneration Disclosures

AMOI as a BIPRU €50k limited license firm is within proportionality level 3 for the purposes of the FCA Remuneration Code. The Code governs the remuneration policies of regulated firms and aims to ensure that firms establish, implement and maintain remuneration policies, procedures and practices that promote effective risk management.

AMOI's remuneration policy is set by the CEO, CFO and the CIO.

In addition to the fixed remuneration, AMOI provides other benefits and bonus (which can be either discretionary or calculated to a formula), including discretionary awards and termination payments.

In certain cases there may be a guaranteed bonus.

Salaries are determined taking into account market influences and market rate for the role.

AMOI provides for its employees a range of discretionary benefits. These benefits are reviewed from time to time by the Company having regard to their value, effectiveness and market practice. They may be increased, varied or withdrawn at the Company's absolute discretion at any time during employment.

For all employees, assessment of financial performance of AMOI will be based principally on profits (rather than revenues). The fact that AMOI makes a loss may, but will not necessarily, result in no bonuses being paid. Bonuses may still be paid in these circumstances if justified on other grounds. Discretionary bonuses are awarded in line with business strategy, objectives, values and the long-term needs of AMOI, and take into account individual and corporate performance and retention. Assessment of individual performance is measured both informally through feedback throughout the year, and formerly via annual appraisal review, which includes an assessment of the individual's control and risk awareness. When determining the size of the bonus pool the cost of economic or regulatory capital liquidity is taken into account. Subject to certain qualifying criteria, employees are eligible for consideration for a discretionary bonus based on a number of performance measures as outlined above.

Overall remuneration in terms of salaries, costs and bonus levels are reviewed annually by the Board.

AMOI's one business area is the investment management business in which AMOI has three Code Staff that are Board Directors. The aggregate fixed and variable remuneration (including pension contributions) awarded to AMOI's code staff for the year ending December 2019, was £849k.