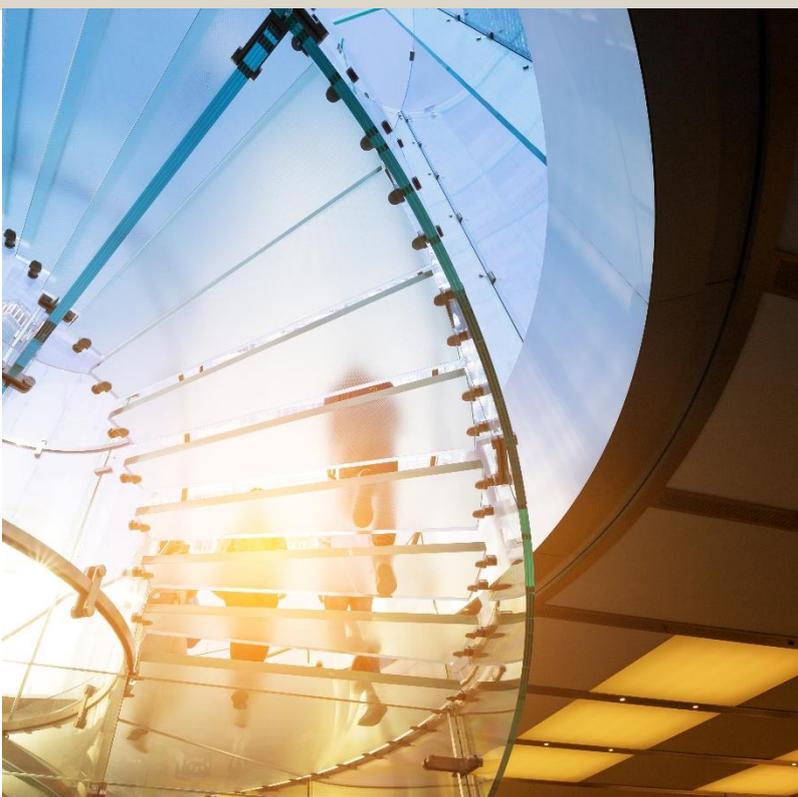




# Regulatory Disclosures



The Asset Management Exchange  
(UK) Limited

11 November 2021

# Table of Contents

<b>01: Pillar 3 Disclosure Statement</b> .....	<b>1</b>
Background .....	1
Scope of applicability of CRD .....	1
AMX UK disclosure policy .....	1
Risk management and governance.....	2
Capital resources.....	2
Capital requirements .....	3
Capital adequacy assessment .....	4
Remuneration .....	4
<b>02: Shareholder Engagement Policy Statement</b> .....	<b>6</b>
<b>03: Stewardship Code</b> .....	<b>7</b>

# 01: Pillar 3 Disclosure Statement

## Background

On 1 January 2007, the first of the European Union (EU) Capital Requirements Directives (CRD) came into force. This established a revised regulatory capital framework within the EU to govern the amount and nature of capital that certain credit institutions and investment firms are required to maintain. The CRD has been implemented in the United Kingdom (UK) by the Financial Conduct Authority (FCA) through rules contained in the FCA's General Prudential Sourcebook (GENPRU) and Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU).

Specifically, the CRD framework comprises of the following three Pillars:

- Pillar 1 sets out the minimum capital requirements for relevant firms based on their credit, market and operational risks;
- Pillar 2 requires relevant firms to assess whether they should hold additional capital to offset any risks not covered by Pillar 1; and
- Pillar 3 requires firms to publish details of their risks, capital resources and risk management procedures.

## Scope of applicability of CRD

The Asset Management Exchange (UK) Limited (AMX UK) is a legal entity authorised and regulated by the FCA and categorised as a BIPRU €50k MiFID investment firm. As such, AMX UK is required to abide by certain provisions of the CRD (namely, CRD III) as transposed into UK law. The following Disclosure Statement is thus issued in compliance with the relevant BIPRU 11 Pillar 3 disclosure requirements. Unless otherwise stated, all figures quoted as part of this Disclosure are based on the audited financial statements of AMX UK for the period ended 31 December 2020.

AMX UK does not currently foresee any practical or legal impediment to the prompt transfer of capital resources or the repayment of liabilities between the legal entities within the Willis Towers Watson (WTW) group (aside from limits associated with regulatory capital requirements). This Disclosure pertains exclusively to AMX UK and not to any other member of the WTW group of companies.<sup>1</sup> This Disclosure is made on a solo basis.

## AMX UK disclosure policy

BIPRU 11 permits a firm to omit one or more of the required Pillar 3 disclosures if the information is immaterial or could be regarded as proprietary or confidential in nature. Materiality is determined on the basis of whether an omission or misstatement could change or influence the actions of a user relying on that information for the purpose of making economic decisions. Proprietary information is that which, if shared, would undermine a firm's competitive position. Information is deemed confidential where a firm has binding obligations of confidentiality with respect to such information to its customers, suppliers or counterparties. AMX UK has made no omissions in this Disclosure on the grounds that information is immaterial, proprietary or confidential.

AMX UK reviews its Pillar 3 disclosure policy periodically, at least once a year. The Pillar 3 Disclosure Statement is made publicly available as soon as reasonably practicable on the AMX's website, [www.theamx.com](http://www.theamx.com).

<sup>1</sup> For the purposes of this Disclosure, the term "Willis Towers Watson group of companies" or "Willis Towers Watson group" shall include Willis Towers Watson plc and any company directly or indirectly owned or controlled by Willis Towers Watson plc.

## Risk management and governance

AMX UK's Board of Directors is responsible for the overall management of the firm. In particular it considers, approves and oversees the implementation of the firm's strategy, risk management processes and internal governance, and ensures that there is an effective segregation of duties and robust conflicts management.

AMX UK's Board is comprised of four Directors who together represent a broad base of skills, knowledge and experience in the asset management and investment industry.

The Board has adopted a proactive approach to risk management which is aligned to the firm's business activities and strategies. Risk exposures are monitored through the maintenance of appropriate risk appetites and risk registers and reported at quarterly Board Meetings.

AMX UK operates a Three Lines of Defence model where the First Line operational controls are overseen by the independent Risk and Compliance Function (Second Line of Defence). The firm's Third Line of Defence, the Internal Audit, is provided by WTW Group Internal Audit.

As part of AMX UK's ICAAP process, AMX UK has put in place sound, effective and complete processes, strategies and systems designed to assess and maintain on an ongoing basis adequate financial resources and internal capital which are sufficient to cover:

- The nature and level of the risks to which it is or might be exposed;
- The risk in the overall financial adequacy rule which requires AMX UK to maintain adequate financial resources to ensure that there is no significant risk that its liabilities cannot be met as they fall due; and
- The risk that the firm might not be able to meet its capital resources requirement in the future.

As part of the capital adequacy assessment, the Board of AMX UK has reviewed the Pillar 1 capital requirement which for AMX UK must be the higher of the sum of credit risk capital requirement and market risk capital requirement; or the fixed overheads requirement (FOR). The Board then identified any additional Pillar 2 capital requirement required to address the firm's exposures to operational risk. The higher of Pillar 1 and Pillar 2 (and the base capital requirement of €50k) is set aside as AMX UK's internal capital requirement.

## Capital resources

AMX UK's capital resources as at 31 December 2020 are set out below. The capital resources comprise exclusively of Tier 1 capital; namely, called-up share capital, share premium and P&L account as described in the balance sheet within AMX UK's financial statements. There is no Tier 2 capital.

AMX UK's capital does not currently include any innovative Tier 1 capital resources, hybrid capital or capital instruments which provide an incentive for the firm to redeem them and there are no plans to change this in the foreseeable future.

Capital type	Capital amount (£k)
<b>Core Tier 1 capital</b>	
Called-up share capital & Share premium	16,109
Profit and loss account – deficit	(9,363)
<b>Less: deductions</b>	<b>(1,002)</b>
<b>Total Tier 1 capital</b>	<b>5,743</b>

Capital type	Capital amount (£k)
<b>Tier 2 capital</b>	
AMX UK has no Tier 2 Capital (gross of deductions or otherwise)	0
Less deductions	0
<b>Total Tier 2 capital</b>	0
<b>Tier 3 capital</b>	
Net Interim Trading Book Profit and Loss (gross of deductions)	0
<b>Total Tier 3 capital</b>	0
<b>Total capital resources</b>	
Aggregate (net of deductions) of AMX UK's Tier 1 Capital plus Tier 2 Capital plus Tier 3 Capital	5,743

## Capital requirements

### Pillar 1

AMX UK is categorised as a BIPRU firm. In accordance with GENPRU 2.1, AMX UK's minimum Pillar 1 capital resources requirement (CRR) is therefore determined as the greater of the base capital resources requirement for BIPRU firms or the variable capital requirement for the firm.

AMX UK's base capital resources requirement and its variable capital requirement may respectively be calculated as follows:

- Pursuant to GENPRU 2.1.48R, AMX UK's base capital resources requirement is €50k;
- Under GENPRU 2.1.45R, AMX UK's variable capital requirement is the higher of:
  - the sum of its credit risk and market risk capital requirements; The credit risk is assessed at £286k and the market risk capital requirement (including FX risk) is currently calculated at £6k. Therefore, the aggregate combined credit risk and market risk capital requirements equals £292k; and
  - its fixed overheads requirement (**FOR**). The FOR is assessed at £2,775k.

The total Pillar 1 minimum capital resources requirement is accordingly set at the FOR.

### Pillar 2

AMX UK's Pillar 2 capital requirement is assessed as part of the firm's Internal Capital Adequacy Assessment Process (**ICAAP**). The ICAAP is a substantial report on AMX UK's business and the risk environment in which it operates. In particular, the ICAAP considers AMX UK's risk appetite, risk types pertinent to the firm and risk mitigation factors. It also includes scenario analysis and stress testing of those scenarios.

AMX UK's capital adequacy position is monitored by the Board and the firm's Finance function.

The FOR is greater than the wind down costs of the AMX UK legal entity which were estimated to be £2,556k.

Based on these reviews, AMX UK's Board of Directors will consider the need to change any capital forecasts and plan accordingly. The ICAAP is reviewed on an annual basis or more frequently if there is a material change in the internal or external business environment.

## Summary

A summary of AMX UK's capital requirements is set out below.

Risk type	Pillar	Total (£k)
<b>Risk type 1: Balance Sheet risk (Credit risk plus Market risk)</b>	1	292
<b>Risk type 2: Fixed Overheads Requirement</b>	1	2,775
<b>Risk type 3: Operational risk</b>	2	458
<b>Overall capital requirement for AMX UK</b>	1 (Risk type 2) and 2	3,233

AMX UK uses the standardised approach to credit risk. This means that AMX UK's credit risk capital component is calculated as 8% of the firm's total risk-weighted exposures. The exposures which count for this purpose are those which are in the firm's non-trading book and have not been deducted from its capital resources.

## Capital adequacy assessment

A table comparing AMX UK's current capital resources against its total overall minimum capital requirement is set out below.

Capital calculations	Total (£k)
Current capital resources available	5,743
Less the overall capital requirement for AMX UK	3,233
<b>Total capital surplus</b>	<b>2,510</b>

The current capital surplus of £2,510k represents a significant buffer over AMX UK's Pillar 1 and Pillar 2 capital requirements and is well within the firm's risk tolerance. Further, the underlying strength of the business, projected earnings and support of WTW are sufficiently robust to allow AMX UK to withstand the effects of the full range of extreme adverse events considered as part of its ICAAP. In view of this, AMX UK expects to maintain its capital position in excess of its total overall minimum capital requirement and the Board considers that no additional capital is currently required. This will, however, be kept under regular review.

## Remuneration

AMX UK is subject to the FCA's BIPRU Remuneration Code. This section of the Disclosure provides information on the firm's remuneration structure and governance as well as quantitative information on remuneration. AMX UK maintains a Remuneration Policy that is subject to Board review and approval on an annual basis (or ad hoc as required).

The AMX compensation programmes encourage and reward prudent discretion and business judgement and appropriate risk-taking over the long term. Total cash compensation reflects a 'pay for performance' approach including salary and bonus for bonus-eligible employees who make a contribution to the success of the business over time. Individual performance is assessed against a balanced mix of quantitative and qualitative criteria across four areas: Clients; Financial/ Business KPIs; People; and Operational Excellence and Innovation.

All forms of remuneration other than the base salary are discretionary and depend on the size of fund pool that is available and meeting performance standards and the AMX values.

The AMX UK Board of Directors provides independence, challenge and oversight in the determination of remuneration design, size of fund pool and individual awards for AMX UK employees.

## Quantitative information

There were 8 individuals identified as AMX UK Code Staff during the reporting period; these are people who have influence over the risk profile of AMX UK. The table below provides an analysis of the remuneration provided to them, as well as figures for all AMX UK employees, for the period from 01 January 2020 to 31 December 2020.

Remuneration Type	AMX UK Code Staff (£k)	All AMX UK Staff (£k)
Fixed remuneration	1,527	3,384
Variable remuneration <sup>2</sup>	779	1,181
<b>Total</b>	<b>2,306</b>	<b>4,565</b>

<sup>2</sup> Variable remuneration is usually paid to staff in the first half of each year.

## 02: Shareholder Engagement Policy Statement

The Asset Management Exchange (UK) Limited (**AMX UK**) has not published an engagement policy as it does not currently invest on behalf of investors in shares traded on a regulated market.

The Asset Management Exchange (Ireland) Limited (AMX Ireland), an AIFM and UCITS management company domiciled in Ireland and regulated by the Central Bank of Ireland, outsources investment decision making to third party firms which are duly authorised and regulated by relevant supervisory authorities such as the Financial Conduct Authority in the United Kingdom or the Securities and Exchange Commission in the United States. AMX Ireland will monitor and oversee the third parties to ensure that they meet the obligations imposed upon them by the Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement (**SRD II**).

AMX UK will continue to assess the application of SRD II and whether to develop and publicly disclose an engagement policy.

## 03: Stewardship Code

Under Rule 2.2.3R of the FCA's Conduct of Business Sourcebook (COBS), AMX UK is required to include on its website [www.theamx.com](http://www.theamx.com) a disclosure about the nature of its commitment to the UK Financial Reporting Council's Stewardship Code (the "Code") or, where it does not commit to the Code, its alternative investment strategy.

The Code is voluntary and sets out a number of principles relating to engagement by investors with UK equity issuers. AMX UK is an appointed UK distributor and service provider to AMX Ireland, consequently, while AMX UK supports the general objectives that underlie the Code, the provisions of the Code are not relevant to the type of business activities currently undertaken by AMX UK. If the nature of AMX UK's activities changes in such a manner that the provisions of the Code become relevant, it will amend this disclosure accordingly.

**Contact:**

**[www.theAMX.com](http://www.theAMX.com)**

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