

**Wm Thomson & Sons
Pillar 3 Disclosure
As at 31 December 2018**

Overview

This is the CRR Disclosure made in accordance with the UK Financial Conduct Services Authority (FCA) Prudential Sourcebooks for Investment Firms which is required to be made on an annual basis. This relates to the year ended 31st December 2018.

The key principles of the regime are enshrined in three Pillars:

Pillar 1 outlines the minimum capital that a firm is required to hold, calculated for credit, market and operational risk.

Pillar 2 expands the risks assessed, requiring firms to consider risks not captured in Pillar 1.

Pillar 3 requires firms to publish information on their approach to risk management, with the aim of encouraging market discipline by allowing market participants to assess key pieces of information on risk exposures and the risk assessment processes of the firm.

Nature of the services provided by Wm Thomson & Sons

Wm Thomson & Sons provides investment services exclusively to members of the Thomson family. The services provided are non-advisory. The firm does not promote its services to the general public or offer any products in its own name.

Scope of application

Wm Thomson & Sons is authorised and regulated by the Financial Conduct Authority (the "FCA") and is categorised as a IFPRU €125k Limited Licence Firm. It is not required to prepare consolidated reporting for prudential purposes. In accordance with chapter 11 of the FCA's Prudential Sourcebook for Banks, Building Societies and Investment Firms (IFPRU), the Firm is required to disclose Pillar 3 information.

Disclosure Policy

The Pillar 3 rules in IFPRU chapter 11 require firms to have a formal disclosure policy. In this regard, Wm Thomson & Sons will disclose the information set out in IFPRU chapter 11 ("the Pillar 3 rule") on at least an annual basis. The Pillar 3 disclosure will be made on any website which from time to time it may operate.

Wm Thomson & Sons may omit information it deems immaterial. Materiality is based on the criterion that omission or misstatement would be likely to change or influence the decision of a person relying on that information. Accordingly, where Wm Thomson & Sons has considered an item to be immaterial it has not been disclosed.

In addition, if the required information is deemed to be proprietary or confidential then Wm Thomson & Sons may take the decision to exclude it from the disclosure. Wm Thomson & Sons defines proprietary information as that which, if shared, would undermine its competitive position. It defines information as confidential where there are obligations binding it to confidentiality with customers, suppliers or counterparties.

Risk Management

Due to the size, nature and lack of complexity of the business, there is no independent risk management function. The Board of Directors and senior management determine its business strategy and the risk appetite. They have designed and implemented a risk management framework that recognises the risks that the business faces.

The Board of Directors and senior management also determine how those risks may be mitigated and assess on an ongoing basis the controls and procedures necessary to manage those risks. The Board of Directors and senior management liaise on a regular basis and discuss, *inter alia*, liquidity, regulatory capital, business planning and risk management.

Wm Thomson & Sons currently considers that it has negligible or no risks in the following categories:

Pillar 1 Risk	Pillar 2 Risk
Credit risk	Liquidity risk
Market risk	Insurance risk
	Concentration risk
	Securitisation risk
	Business risk
	Interest rate risk
	Pension obligation risk

As a limited licence firm, Wm Thomson & Sons is not required to hold capital under the standardised approach to operational risk under Pillar 1. The firm has, however, considered additional capital requirements arising from operational failures under Pillar 2 and has determined that the likely impact of such risks is immaterial.

ICAAP

Wm Thomson & Sons' approach to assessing the adequacy of its capital is documented in the firm's Internal Capital Adequacy Process ("ICAAP"). Completion of the ICAAP included an assessment of all material risks to the business and the controls in place to identify, manage and mitigate those risks. Given the nature of the firm's services, the manner in which expenses are incurred and met, and the arrangements in place to provide additional capital resources if required, stress and scenario testing has not been carried out in preparing the firm's ICAAP.

Whilst the ICAAP is reviewed and challenged by the Board of Directors once a year, senior management reviews risks and required capital more frequently.

Capital Resources

As a IFPRU €125K firm, Wm Thomson & Sons regulatory capital requirement under Pillar 1 is the higher of:

- The Sterling equivalent of €125,000; or
- Fixed overhead requirement (i.e. 13/52 of the firm's prior year expenses); or
- Credit risk requirement plus market risk requirement.

Having performed the ICAAP it is Wm Thomson & Sons' opinion that no additional capital is required in excess of its Pillar 1 capital requirement.

As at 31 December 2018 the firm's capital resources for regulatory purposes were as follows:

£000's	Pillar 1	Total
Base requirement (€125k)	113,000	113,000
Credit risk	-	-
Market risk	-	-
Fixed overhead requirement ('FOR')	135,000	135,000
Pillar 1 total is the FOR	135,000	135,000
Pillar 2 total	-	-
Pillar 1 minimum capital requirement	135,000	135,000
Total Tier 1 held by the firm	-	165,000
Total Capital Surplus	-	30,000

Wm Thomson & Sons' Capital Resources Requirements will normally be determined by reference to its FOR, but changes to business and operations are monitored to ensure this is the case.