

JLT QFM Services Limited Pillar 3

Statement

Capital Requirements Directive

Pillar 3 Risk Management Disclosures at December 31, 2019

Background & Scope of Directive Requirements

JLT QFM Services Limited (“JLT”) is regulated by the Central Bank as an investment firm under Regulation 5 (2) of the Statutory Instrument No. 375/2017 European Union (Markets in Financial Instruments) Regulation 2017. .

The European Capital Requirements Directive (“CRD”) came into effect on 1 January 2007. On 31 March 2014 the European Union (Capital Requirements) Regulations 2014 (S.I. No. 158 of 2014) and the European Union (Capital Requirements) (No. 2) Regulations 2014 (S.I. No. 159 of 2014) were signed to give effect to the Capital Requirements Directive (Directive 2013/36/EU) and establish a revised regulatory capital framework across Europe governing the amount and nature of capital that credit institutions and investment firms must maintain.

The directive introduced a “3 pillar” approach:

Pillar 1

This is the minimum capital requirement set out by the Directive, it has 3 components

- Market Risk
- Operational Risk
- Credit Risk

Pillar 2

This requires firms to fully assess their risks and to ensure there is a practical link between their risk profile and capital they maintain in accordance with their internal capital adequacy assessment process.

Pillar 3

This sets out the disclosure requirements regarding capital and risk management. The disclosure requirements aim to complement Pillar I and Pillar II and involve the qualitative and quantitative risk management information to the market.

The Capital Requirements Directive (CRD) provides that a firm may omit one or more of the required disclosures if it believes that the information is immaterial. The CRD also permits a firm to omit one or more of the required disclosures where it believes that the information is regarded as proprietary or confidential. JLT’s regulated activity under MiFID is primarily in relation to the receipt and transmission of financial products / services. It is also subject to the Client Asset Requirements in relation to client funds and client financial instruments that are held on behalf of clients.

Frequency of Disclosure

These disclosures are available on our website at <http://www.lam.ie/Pillar-3%20Disclosure> on a continuing basis. A hard copy of the report is also available on request by writing to the Managing Director, JLT QFM Services Limited, Charlotte House, Charlemont Street, Dublin 2.

Consolidated Reporting

The disclosures in this document are made in respect of JLT on a non consolidated basis.

Risk Management Objectives & Policies

Approach

The Board has overall responsibility for the firm's system of internal controls, the objectives of which are the safeguarding of the firm's assets and clients' assets, the maintenance of proper accounting records and the availability of reliable financial information for use within the business and for publication.

Risk is inherent in all business processes and activities – the aim of JLT's risk management policy is not to eliminate risk – it cannot be- but to identify, quantify, manage and control the risks to enable maximisation of business opportunities on an informed and prudent basis.

JLT's risk management policies and main risk mitigations and controls have been documented in the firm's ICAAP. JLT's systems of internal control include appropriate levels of authorisation and segregation of duties. Financial reports are presented to management monthly and the Board quarterly, detailing the results, variances against forecast and other Key Performance Indicators.

Practices

Risk Management is based on the principles of risk identification, assessment and management, in a systematic manner. Risk Management should be embedded into business processes and procedures, in an operationally practical, efficient and effective manner. JLT's risk management structures / processes consist of both formal and informal practices across the organisation. Risk Management responsibility is built into the goals of Management and Staff and those charged with formal responsibilities within the governance structure.

Key Risk Exposures

The following key risks are considered to be material to JLT. They include risks related to e.g. processing, reputational, technological, legal, strategic, etc.

▪ **Operational Risk**

Operational risk is defined as an event or occurrence that could impact on the achievement of business objectives. JLT management has established robust organisational structures with appropriate procedures and reviews in place.

▪ **Liquidity Risk**

This is the risk of loss of capital and profit due to the possibility that the organisation will not be able to meet its short-term payment obligations without incurring unacceptable cost or losses. JLT has a separate financial function within the operation which carries out annual business planning forecasts and regular reporting against the plan.

▪ **Credit Risk**

The risk of losses due to failure to timely and properly perform payments of interest due, instalments, or premiums due, etc, by a counterparty. JLT manages this risk through the preparation and review of internal management information along with internal credit control procedures.

Capital Adequacy & Resources

1. Capital Resources

The table below sets out a breakdown of the firms capital resources available to meet its capital requirements.

| <i>Regulatory Capital Resources 31 December 2019</i> | <i>€'000</i> |
|---|--------------|
| Tier One Capital | |
| Paid Up Share Capital | 1,768 |
| Revenue Reserves as per the audited 2018 Financial Statements | 196 |
| Total Tier One Capital | 1,964 |
| Tier Two Capital | - |
| Total Capital Resources | 1,964 |

Notes:

1: Tier one capital comprises of share capital and audited retained earnings as per the 2018 audited financial statements of JLT QFM Services Limited.

2: The company does not have any tier two capital resources

2. Capital Adequacy

JLT is required to maintain a capital position which exceeds its expenditure requirement.

The expenditure requirement is set annually by the Central Bank following the submission of the annual Financial Statements

| <i>Capital Adequacy 31 December 2019</i> | <i>€'000</i> |
|--|--------------|
| Total Capital Resources / "Own Funds" | 1,964 |
| <i>Mifid minium capital requirement is the higher of the Firms Fixed overhead requirement or its Credit Risk Exposure.</i> | |
| Mifid- Credit Risk Exposure 2019 | (152) |
| Excess over minimum capital requirement | 1,813 |

The firm's capital management policy is to ensure that it always has sufficient capital to meet its regulatory capital requirements.

Supervision of the capital management policy lies with the Board. The firm's capital position is reviewed at each board meeting.

The firm believes in taking a pro-active approach to capital management and to addressing any capital issues which may arise.

Remuneration

JLT has a Remuneration Policy, which is reviewed by the JLT Board on an annual basis.