Pillar 3 Disclosures

Wealth Options Ltd
("the Firm")

June 2019

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PILLAR 3 OVERVIEW

The Capital Requirements Directive (CRD) introduced a revised capital adequacy framework across financial markets in Europe in order to reduce the risk to consumers of financial loss and to minimise the effects of market disruption. CRD is designed to ensure that investment Firms have sufficient financial resources in relation to their risk profile and the controls that we have in place. The Central Bank of Ireland is responsible for the implementation and supervision of CRD in Ireland.

There are three pillars under the CRD Framework:

Pillar 1 Sets out the minimum capital requirements for credit, market and operational risks;
Pillar 2: Pillar 2 requires investment firms to undertake an Internal Assessment of the Capital required to cover the risks identified relating to their investment business activities. This is known as the Internal Capital Adequacy Assessment Process (ICAAP).
Pillar 3: Pillar 3 requires firms to disclose their assessment of the risks identified for their business and the manner in which they are managed.

- ✓ Risk Management;
- ✓ Capital Structure
- ✓ Capital Adequacy

The Firm's business model is focused on the provision of pre and post retirement product. It's core products include the administration of Approved Retirement Funds (ARFs), Personal Retirement Bonds (PRBs) and Personal Retirement Saving Account (PRSA's).

Risk Management

The Firm has implemented an integrated approach to risk management and understands that this requires sustained effort on behalf of all staff. The management of the Firm has detailed risk management processes in place. A Risk manager is in situ who is responsible for the implementation of the integrated risk policy and the ongoing assessment of risk and training of staff. The Risk Manager is a member of management and reports to the Board and the Executive and directs and sustains integrated risk management by considering corporate risk issues, approaches and performance. The Firm has made integrated risk management a key agenda item for the Board. A Risk committee meets quarterly and the minutes are presented to the Board.

The Firm has developed a risk assessment process to evaluate the risks to which it is exposed. The Firm identified internal and external factors and risks were identified through an environmental scan, preliminary data collection and analysis. Threats and opportunities were identified and the assessment of them will be adjusted as necessary through ongoing internal and external environmental scans and analysis

The Firm has a documented Risk Appetite Statement which determines that level of risk the Firm is willing to take in order to execute the Firm's strategy. The Firm's Board recognises that there is a requirement for on-going development of the Risk Appetite Statement to ensure that the metrics remain relevant and accurately reflect the changes to the business. To achieve this the Risk Appetite Statement is reviewed by the Firm's Board at least annually.
The following are the principal areas of risk for the Firm:

- **Operational Risk**

The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This risk includes legal and compliance risk. The Firm includes Outsourcing Risk in this section.

Legal and Compliance Risk (a subcategory of operational risk): The current or prospective risk to earnings and capital arising from violations or non-compliance with laws, rules, regulations, agreements, prescribed practices or ethical standards.

Other operational risks include incorrect documentation being produced, loss of key staff, poor administration and fraud. The Firm has processes in place to identify these risks and they are reviewed at Board level each quarter.

The Firm considers operational risk to be the primary material risk which the Firm faces because of the direct relationship between the risks identified and its level of fee income generated from operational activities.
Due to the small size of the Firm it is not always possible to have full separation of duties as a risk control mechanism.

The Firm has documented Operational Risk Management Framework, in order to control the impact within reason, and formalise the steps taken in identifying and resolving errors. The Board is confident that this will reduce the deemed level of risk within the operational functions of the Firm.

- **IT and Cyber Security Risk**

IT and Cyber Security Risk is a growing risk in the industry and of course globally. This risk is the current or prospective risk to clients or underlying investors and the Firm arising from inadequate information technology, safeguarding measures and processing in terms of manageability, exclusivity, integrity, controllability and continuity, or arising from an inadequate IT and Cyber Security strategy and policy or from inadequate and/or inappropriate use of the Firm's information technology.

The risk associated with Cyber Security is ever increasing and together with IT risk the Firm outsources information technology functions to include business continuity planning, to a third-party service provider ('IT Team').

These arrangements are governed by a documented service level agreement and MIFID II outsourcing obligations.
In order to mitigate and manage the risks within IT and Cyber Security, the Firm has adopted resilient software and hardware systems to protect the Firm and Client information. The Firm monitors the performance of this infrastructure alongside the IT Team through ongoing engagement. The Firm receives and reviews structured IT assessments and reports on a weekly and monthly basis from the IT Team.

The Firm's IT Team carry out Monthly "pro-active" days which includes monthly checks on the Firm's IT infrastructure to identify weaknesses and address any concerns staff at all levels have within the Firm.

The IT Team also provides regular training to staff members to ensure all staff is aware of the sensitive environment the Firm operates within. Staff awareness of potential Phishing and Virus threats is crucial to ensuring the protection of Client and Firm information.

The Firm also invites the outsourced IT service provider to attend Board meetings periodically.

- **Market Risk**

The current or prospective risk to earnings and capital arising from adverse movements in financial markets. This risk can arise from a number of factors including competitor activity, regulatory changes, loss of supplier and general economic factors.

To address this risk the Firm has developed and maintains systems and controls which include:

- The Firm is a member of the IMIA, the Irish MiFID Industry Association and APTI, the Association of Pensioneer Trustees in Ireland. Through this engagement the Firm is kept informed of current and upstream regulatory matters, and provides opportunities for the Firm to gain insights into competitor and regulatory activity, and how the Firm is best placed to adopt changes.

- The Firm also subscribes to Better Regulation in order to stay informed of changes to regulation and to provide the ability to be prepared for the introduction of new legislations that may have the potential to impact on revenues and the Firm's regulatory environment.

- Regular engagement and conversation with market peers to stay informed of activity.

- Ongoing monitoring of the Firm's profit and loss and capital levels to ensure adherence with the capital adequacy requirements;

- Quarterly reviews of all the risks identified in the risk register and Board reporting**.**

- The Firm also carries out regular reviews of the performance of Structured Retail Products previously distributed by the Firm, to ensure that it is aware of negative market changes that may impact on brokers clients.

- **Counterparty Risk**

The current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with the Firm or its failure to perform as agreed.
The Firm's key counterparty risk is considered to be with AIB and Bank of Ireland as they are the primary banks the Firm deals with. Other counterparty risk rests with the custodians of Structured Retail Products previously

distributed by the Firm. The Firm deems this to be a material risk. In order to manage and monitor these risks the Firm;

- Carries out an assessment of the credit institutions holding client assets on at least a bi-annual basis.
- Deposits its own funds with financial institutions of appropriate investment grade. The allocation of the Firm's own funds to each counterparty is monitored on a monthly basis and assessed for appropriateness.

- **Reputation Risk**

The current or prospective risk to earnings and capital arising from adverse perception of the image of the Firm on the part of clients, counterparties, investors and/or Regulators. This can be caused by the failure of a product, a regulatory sanction, fraud or adverse media comments. The Firm has identified this as a risk and any risk identified will be reported to the Board.

The Firm considers reputation risk to be material despite the low probability of an adverse occurrence.

To address this risk the Firm conducts significant due diligence on third party products and adheres to all its regulatory responsibilities in a robust manner to ensure that the Firm is not exposed to any regulatory sanctions.

- **Strategic Risk**

The current or prospective risk to earnings and capital arising from changes in the business environment and from adverse business decisions, fraud improper implementation of decisions or a lack of responsiveness to changes occurring in the business environment including regulatory changes.

Due to the Firm's recent review of its strategy and of the products and services on offer the Firm considers this risk to be reduced to a low risk. The Firm's revenue is primarily based on recurring income derived from low risk pre and post retirement products. The Firm no longer relies on the sale of product to drive commission income.

However, the firm recognises that changes to legislation may impact on the pension products structures under offer. To address this risk the Firm regularly reviews its strategy with a view to keeping on top of the ever-changing market and the Firm believes that it is in a position to react quickly if required.

- **Conduct Risk**

The risk that the Firm fails to conduct business in accordance with policies, procedures, and regulation.

The Firm has a Head of Compliance in place. There are procedures documents in place for all business areas and regular staff training is carried out. The internal organisation of the Firm allows for regular and ongoing supervision of staff and as such the Firm considers this to be a low risk. However, the impact of such a risk occurring could be significant. The Firm has at its core the proper treatment of its clients and underlying investors (i.e. broker clients)
The Firm endeavours to provide strong leadership actions and communications through training and how it conducts itself evidenced through zero complaints for the year 2018.
The Firm uses its remuneration structures to manage sales practice. Performance management and remuneration processes include assessment of and reinforcement of employee behaviours relating to our target market.

The Firm's promotion process takes account of employees' behaviour, including where employees have/ have not consistently exhibited commitment to the Firm's values and desired behaviours in relation to consumer protection;

Employees are trained on CPC matters and a climate of openness is encouraged.

Consumer Protection Risk is tracked and monitored through use of complaints and error identification and reporting, having in place policies and procedures which are adhered to and in addition governance and compliance training and monitoring.

- **Non Material Risks**
  (Potentially Important Risks Considered and deemed _Less_ Material)

Interest Rate Risk

The current or prospective risk to earnings and capital arising from adverse movements in interest rates.
The Firm considers this to be a non-material risk as the Firm is not dependent on either borrowings or interest income.

Liquidity Risk

The current or prospective risk to earnings and capital arising from an institution's inability to meet its liabilities as they come due.
The Firm considers this to be a non-material risk as the Firm has reasonable cash reserves to meet all its current liabilities.

Concentration Risk

The risk that exposures to specific sectors, asset concentration, individual portfolio accounts or client group could result in losses to the Firm or its business.

The Firm minimises this risk by:

- Focusing on the needs of its clients so as to ensure clients are satisfied with the service;
- Undertaking risk assessments of counterparties used for both client and Firm assets;

Insurance Risk

The risk of loss due to actual experience being different than that assumed when an insurance policy was bought.
The Firm maintains professional indemnity insurance. Professional Indemnity cover is set at a limit which the Firm considers appropriate for the business of the Firm and subject to a deductible premium which the Firm can reasonably afford to meet if called upon.

Credit Risk on investment administration fees from clients.

The risk that clients fail to pay fees as they fall due.

The Firm receives administration fees, typically on an annual basis. These fees are computed based on the value of each underlying pension fund. Fees are collected throughout the year and are reflected in the company's accounts. There is no marked seasonality in the collection of client fees. There is a level of fees that cannot be collected due to liquidity within a pension account. The Firm recognises income on a receipts basis. The Firm deems the credit risk on this to be low, given the nature of the accounts, and the fact that as Trustees, the Firm can ultimately effect changes in a pension to increase liquidity and settle outstanding fees, if required.

Payment of fees is principally by bank mandate as set out in the Firm's contract with the client.

Capital Structure

Capital and Reserves	December 31, 2018
Called up share capital	€376
Share Premium account	€99,949
Other Reserves	€124
Profit and Loss account	€700,417
Equity Shareholders' Funds	**€800,866**
Deductions Intangible Assets	€21,457
Own Funds	**€779,409**

Under Pillar I, the Firm's initial Capital Requirement is €125,000.

The Firms minimum capital requirement is the higher of the Firm's Fixed overhead requirement, and initial capital requirement. As at 31 December 2018, the Firm's Fixed Overhead Requirement, based on the Firm's Financial Statements for the year ended 31 December 2018 was €524,144.

The Firm has completed an internal Capital Adequacy Assessment Process. Following this assessment, the Firm notes that the Firm's Pillar I requirement is in excess of the Pillar II assessment.

Capital Adequacy

Based on the assessment of the Financial Statements as at 31 December 2018, the Firm's Tier One Capital Resources exceeded the Firms Pillar 1 requirement by 1.5 times, and the Pillar II capital requirement by 1.7 times.

Remuneration

Wealth Options Ltd is subject to the Central Banks Guidelines on Variable Remuneration Arrangements for Sales Staff along with the remuneration requirements as set out in CRD IV and the respective guidelines issued by the EBA.

In that regard, the Firm's remuneration practices will aim to ensure there is an appropriate balance between fixed and variable components and will seek to avoid excessive risk taking and conflicts of interest. Individuals are not involved in the assessment and approval of their own remuneration. Although Wealth Options Ltd do not provide investment advice, the Firm's Business Development Managers variable remuneration is awarded on a combination of qualitative and quantitative factors. The Firms Independent non-executive directors receive directors' fees and are not remunerated on a variable basis. Remuneration for executive directors may include salary, bonus, pension and other benefits.

Publication

The Board of Directors has approved the publication of this disclosure on the Firm's website.