

S U C C E S S I O N

Pillar 3
Disclosure

2016

Succession Advisory Services Ltd

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Section A: Introduction/Background

This document discloses the 'Pillar 3' information regarding the risk management practices and capital resources requirements of Succession Advisory Services Ltd ('Succession'). This public disclosure is a requirement of the Financial Conduct (FCA).

The contents of this disclosure document, unless stated otherwise, are based on the financial position of the Company as at 31 December 2015, this being its last financial year end.

This document has been prepared for the purpose of explaining the basis on which Succession has prepared and disclosed certain capital requirements and providing information regarding the management of its relating to these requirements.

For the avoidance of doubt, it does not constitute a financial statement, record or opinion of Succession.

Business Structure

Succession is authorised and regulated by the FCA. It is categorised as a BIPRU 50k Firm. The principal activities of Succession are the provision of an online Platform service and delivery of consultancy services to its UK-based Member Firms. The Succession Investment Platform ('SIP') provides access to a range of product wrappers including Onshore Bonds, Offshore Bonds, Pensions and ISAs.

Succession has engaged Investment Funds Direct Ltd (a subsidiary of the Royal London Group) to deliver the underlying investment administration and investment systems. In addition, IFDL is responsible for client money and asset custody functions under a Model B arrangement.

Pillar 3 Disclosures

The Capital Requirements Directive (CRD) created a regulatory capital standards and associated supervisory framework across the European Union based on the provisions of the Basel II Capital Accord. The Directive was adopted by the Financial Services Authority (now the FCA) within the Prudential Sourcebook for Banks, Building Societies and Investments ('BIPRU'). The CRD consists of three Pillars:-

- 1) Pillar 1 – under this Pillar of the Directive, firms are required to calculate their minimum capital requirement based on credit, market and operational risk
- 2) Pillar 2 – firms are required to assess the additional capital required for risks not covered in Pillar 1. The objective of Pillar 2 is to enhance the link between a firm's risk profile, its risk management and risk mitigation systems and its capital. Firms should develop sound, robust risk management processes that accurately monitor, measure and aggregate their risks.
- 3) Pillar 3 – the aim of this Pillar is to improve market discipline via effective public disclosure. This complements the requirements under Pillars 1 and 2. This document – the Pillar 3 Disclosure Document, provides appropriate disclosure of the approach undertaken by Succession in respect of capital adequacy and the management of risk.

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Section B: Risk Management

Succession is authorised and regulated by the FCA and falls within the scope of the Markets in Financial Instruments Directive. It is categorised as a BIPRU 50K Firm.

This document has been prepared by Succession in accordance with the requirements of Pillar 3 and as set out in Chapter 11 of the BIPRU Sourcebook in the FCA Handbook.

Unless stated otherwise, all figures used are as at 31 December 2015. Disclosures are not subject to external verification, except to the extent that data/information appears in Succession's financial statements.

The Board of Succession anticipates future disclosures being issued on an annual basis in conjunction with preparation of the ICAPP.

This document has been prepared and approved by Succession's Executive Management Team. The process will not be externally audited.

Risk Appetite

Succession's risk appetite is determined by the Board. Succession considers itself to be risk averse with a low risk appetite. This applies to all Succession's activities and is evidenced by the Succession's strategy and business model, the key elements of which are as follows:-

- Succession is focused on building a profitable, sustainable business
- A recurring income stream will be derived from Assets under Administration
- A diversified retail customer base with low concentration risk
- Succession will limit its activities to retail financial services with an emphasis on platform operations, asset/fund consolidation and the facilitation of intermediary consolidation
- Succession does not give financial advice to clients
- Access to the SIP is only available to its Member Firms
- Low risk tolerance for the delivery of outsourced activities by third parties outside agreed Service Level Agreements
- All clients must be properly identified and verified
- It does not allow citizens of the United States of America to use its services
- It will only accept UK Advisers who are FCA authorised
- Trading is only allowed on cleared and available funds or where the settlement of purchases is to be met from the settlement of sales on the platform.
- It only acts as an agent when dealing
- Succession has no plans to deal on its own account or underwrite issues of financial instruments on a firm commitment basis
- It does not permit the offerings of complex financial products such as, Margin Trading, Short Selling, Option Writing or Spread betting

This low risk appetite is embedded in the culture of the Company through the various management structures including those specifically relating to the management of risk.

Risk Management Objectives And Process

Succession aims to implement and embed a risk management framework across the business with the outputs informing strategic development and decision-making.

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The business faces a number of material risk that are covered in more detail below. These risks were assessed as part of the Internal Capital Adequacy Assessment Process (ICAAP).

Succession Board

The Board meets on a quarterly basis to review business performance. There are three Non-Executive Directors who contribute to the development of strategy as well as providing an appropriate level of challenge. The Board is responsible for establishing the risk appetite for the business and ensuring that risk exposures remain within tolerance.

Risk Committees

Succession has established a Risk Committee (RC). The RC meets quarterly and consists of the Chief Executive Officer, the Chief Financial Officer, the Compliance Director and the Corporate Director.

Risk Categories And Exposure

Market risk

This is the risk arising from fluctuations in asset values, income generated from assets, interest rates or exchange rates.

Succession's exposure to market risk is derived from the relationship between market values and the income structure of the business. Income generated from assets on the platform will decline if the market falls. Succession has concluded that the risk to capital is low, as the current growth of the company would outpace the decline in markets, and should the company be required to do so, costs could be reduced significantly without harming the business

Succession does not take principal positions.

Credit risk

This is the risk that a borrower or counterparty will fail to meet their obligations.

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Other risks

Key man risks – Succession is a small firm and is dependent on a number of key people. However, all staff have an equity stake in the business and as such it is unlikely that key staff will leave.

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Section C: Capital Resources/Requirements

The assessment and quantification of all the risks identified under the headings discussed above, gives rise to an assessment within the ICAAP process of the level of capital required to be held to cover those risks. This is the Company's Pillar 2 capital requirement.

The Company has adopted the approach of comparing the Capital Resources Requirement calculated in accordance with Pillar 1 (the Fixed Overhead Requirement) with the Capital Resources Requirement determined under Pillar 2 (i.e. by the ICAAP process). That ICAAP process identifies all material risks based on the Company's risk register and where appropriate quantifies the risk and the level of capital deemed appropriate to hold against that risk.

The Pillar 1 calculation gives a capital requirement which is above the level calculated under Pillar 2, therefore the Pillar 1 requirement takes precedence. However, the minimum capital requirement for a BIPRU €50k firm is greater and is therefore the capital requirement for the Company.

Capital Resources

Tier	Element	December 2015
Tier 1	Paid up share capital	£8,236,009
	Disclosed reserves & current year's retained profits	-£3,154,555
	Total Tier 1 Capital	£5,081,454
Tier 2	Total Tier 2 Capital	£0
	Total deductions	-£2,770,747
Tier 3	Total Tier 3 Capital	£0
	Total Capital Base	£2,310,707

Succession's financial resources comprise the issued share capital of the company and the profit and loss account

As at 31st December 2015, the combined value of capital resources was £5,081,454 before deductions or £2,310,707 after deductions.

Capital Adequacy

Succession operates an ICAAP as required under Pillar 2. This process essentially formalises the Company's risk appetite/management framework and aligns it with the financial processes and procedures. As a consequence, potential risks are identified, assessed, evaluated, managed and quantified – where appropriate.

Succession will review and update its ICAAP at least annually. The quality and quantity of the firm's capital resources are monitored on an ongoing basis.

Link between Pay and Performance

Combined profits of SAS and another group company contribute to determine the variable pay of all Executive Committee members.

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Remuneration

The total remuneration for all staff of Succession in the financial year ending 31 December 2015 was £1,522,822.

The total remuneration of senior management and members of staff whose actions have a material impact on the risk profile of the business was £779,561 to 10 beneficiaries. These costs were split between fixed salary costs of £635,875 and a variable pay element of £143,686. Variable pay is capped per individual and dependent on both company and individual performance.

Additional Disclosure Statements

Materiality: Regulatory rules require us to disclose material matters. We regard information as material if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making an economic decision. If we consider information to be immaterial, it may be omitted from this disclosure.

Proprietary and confidential information: Regulatory rules and guidance permit us to omit information in this disclosure if it is regarded as proprietary or confidential. If we do so, we will state the fact that specific items of information are not disclosed and the reason for non-disclosure.

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