Pillar 3 Disclosures

As at 31st December 2017

true potential
investments

true potential investments

Contents

1. Executive Summary

This Pillar 3 Disclosure relates to True Potential Investments LLP for the year ending 31st December 2017:

- Own funds for totalled **£69,066,436**;
- The Pillar 1 minimum capital requirement totalled **£3,347,535**;
- Following the assessment of capital adequacy, it was determined that no additional capital was required at Pillar 2; and,
- The total capital ratio was **165.05 %.**

2. Introduction

2.1 Regulatory Framework and purpose

The EU Capital Requirements Regulation ("**CRR**") and the Capital Requirements Directive ("**CRD**") referred to collectively as CRD IV creates a revised regulatory capital framework across Europe. The Financial Conduct Authority ("**FCA**") is responsible for the implementation of the requirements of CRD IV in the UK and the details are covered in the FCA handbook.

The rules in the PRA and FCA Prudential sourcebook for Investment Firms ("**IFPRU**") set out the provision of disclosure outlined in Part 8 of the CRR. The purpose of Pillar 3 is to encourage market discipline by developing a set of disclosure requirements which will allow market participants to assess key pieces of information on a firm's capital, risk exposure and risk assessment process.

This document is designed to meet the Pillar 3 disclosure obligations for True Potential Investments LLP ("**TPI**" or "**the Firm**"). In accordance with Article 432 of the CRR certain disclosures not regarded as material and those regarded as proprietary or confidential are omitted from this document.

2.2 Approach

True Potential Investments is a limited licence IFPRU €125k firm and must at all times maintain overall financial resources and internal capital, including own funds and liquidity resources which are adequate both as to amount and quality to ensure there is no significant risk that its liabilities cannot be met as they fall due.

The capital adequacy framework consists of three pillars:

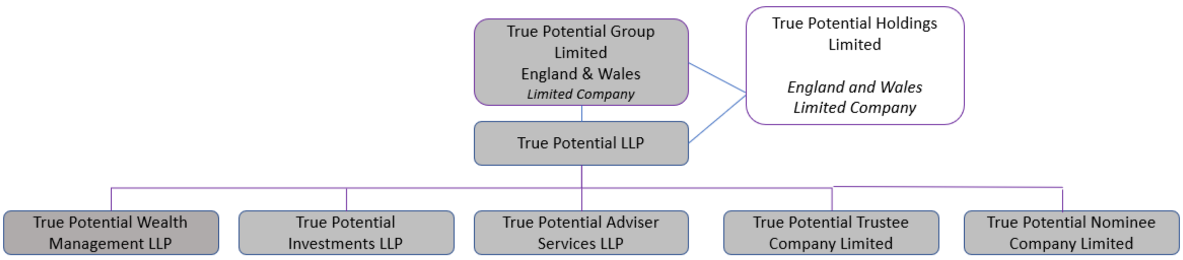
- **Pillar 1** sets out the minimum capital requirements that firms are required to meet for credit, market and operational risk;
- **Pillar 2** requires firms, and the FCA, to take a view on whether additional capital should be held against capital risks not covered by Pillar 1. This comprises the ICAAP, which a firm is obliged to carry out in accordance with the ICAAP rules, and a supervisory review and evaluation process ("**SREP**"), which is conducted by the FCA;
- **Pillar 3** requires firms to publish certain details of their capital, risks and risk management process.

The ICAAP includes an assessment of the material risks faced by TPI and the controls in place to identify, manage and mitigate these risks. The risks identified are stress tested against various scenarios to determine the level of capital that needs to be held. Where risks can be mitigated by capital, the company has adopted the CRD IV reporting requirements for Pillar 1. Should the TPI Board consider that the Pillar 1 calculations do not adequately reflect the risk following assessments, additional capital is added to the Pillar 2 requirement.

The ICAAP is formally reviewed annually by the TPI Board. The Finance department monitor the liquidity position for capital adequacy monthly and any material deviations are reported by the Head of Finance to the TPI Board. Senior managers review risks and the required capital more frequently and will do so when there is a planned change impacting risks and capital or when changes are expected in the business environment which could potentially impact the ability to generate income.

2.3 Group Structure

True Potential Investments LLP is a UK limited liability partnership (company reference: OC356027) with its Head Office at Gateway West, Newburn Riverside, Newcastle upon Tyne, NE15 8NX. TPI is part of the True Potential Group (the "**Group**") of companies; within the same group there is True Potential Wealth Management LLP ("**TPWM**") and True Potential Adviser Services LLP ("**TPAS**"), as set out as below:



2.4 Designated Members

As at 31st December 2017 for the members of the TPI management body the number of additional directorships held is as below:

Designated Member	Role	Directorships Outside the Group
Mark Henderson	Managing Partner, True Potential Investments	0
Daniel George Harrison	Managing Partner, True Potential Investments	2

2.5 Background

TPI provides a wealth platform, a pension scheme and investment management services to a wide range of customers. Since March 2015 TPI have launched a range of UK authorised funds, with an invested value at the end of 2017 of **£4.6 bn**. As of 31 December 2017, the value of assets under administration on the True Potential Wealth Platform amounted to **£6.8 bn**.

TPI continually wish to present our clients better services and products and believe our founding principles will provide a stable foundation for future success:

"To use technology to drive change and deliver innovative solutions that are built for the future and that of our clients".

2.6 Means of disclosure

This document is made public and is available on the TPI website (https://www.tpinvestor.com/).

Copies may also be requested by writing to:

True Potential Investments LLP Head Office
Gateway West, Newburn Riverside
Newcastle upon Tyne
NE15 8NX.

2.7 Frequency of disclosure

This disclosure is made at least annually and is published in accordance with the Firm's Annual Report and financial statements. TPI have assessed the need to publish the disclosure on a more frequent basis, and in doing so have considered the scale of operations and range of activities.

3. Risk management

The risk management framework in True Potential Investments forms an integral part of the management and decision-making in the firm. The key elements of the risk management framework comprise:

- Risk governance – including risk policies and business standards;
- Risk & Compliance oversight committee;
- The processes used to identify, measure, monitor and report risks across the business; and,
- Risk appetite statements

3.1 Risk Governance

The TPI risk governance framework is made up of the below:

The True Potential Investments Board

The True Potential Investments Board ("**TPI Board**") has responsibility for setting the risk management and internal controls for TPI. It is responsible for reviewing the adequacy and effectiveness of the internal controls and risk management process. To identify risks and potential control weaknesses the TPI Board draws upon the risk register, which documents key risks that are reported regularly to the TPI Board and are reviewed annually. The risk register shapes the compliance-monitoring regime which is also endorsed by the TPI Board.

The TPI Board comprises a mixture of executive and non-executive members and meets at least quarterly. The TPI Board fulfils its duty by means of direct intervention or by delegating appropriate responsibilities to appropriate senior managers.

The Group Risk and Compliance Committee

The Group Risk & Compliance Committee ("**RCC**") sets policy and provides oversight over the Group and operational risks. The RCC reviews the effectiveness of TPIs control environment and to enhance staff awareness of the risks and mitigating policies and procedures. The RCC comprises TPI Non-Executive Directors, one of which acts as chair, the Heads of Risk and Compliance for each of the firms in the Group, as well as the Group's Data Security Officer.

The RCC will review, at least twice a year, and recommend to the Board annually the TPI Internal Capital Adequacy Assessment Process ("**ICAAP**") and other regulatory equivalents which apply to the Group as required. This will provide an overall consolidated risk management framework of the Group's principal risks, their associated mitigation and controls and the surplus regulatory capital required commensurate with the Group's risk profile and regulatory obligations.

Risk and control monitoring

Risk management is the responsibility of all staff within each department performing functions that are vital for the effective management and mitigation of risk. TPI manages a variety of risks including investment, financial, operational and business risks.

TPI relies on the following layers of controls, oversight and assurance for risk management these are:

- The business areas who have responsibility to operate within an effective control environment; and,
- The risk and compliance control functions who set the framework for effective risk management and provide oversight and monitoring.

Imbedded as the first line of defence are the processes and procedures implemented in each department that are overseen by business managers. These vary dependent upon specific function and include reviews, approval sign off and maintenance of registers and enforcement of TPIs policies. TPIs compliance & risk function forms the second line of defense and is tasked with monitoring all categories of risk.

Operational risk is managed and mitigated by means of an embedded risk governance framework, giving clearly defined reporting lines, suitably trained and qualified staff and a comprehensive structure of internal controls with appropriate monitoring and oversight. The process is followed to identify, assess, mitigate, monitor and report these risks. The risk and compliance departments also provide monthly updates to the TPI Board to support the monitoring process and risk governance framework.

3.2 Risk Appetite

The TPI Board recognise that a degree of risk is inherent in business activities. The risk tolerance for TPI is outlined through a series of risk appetite statements formulated by the TPI Board that defines the types and degree of risk that the TPI Board is willing to accept when executing the business strategy.

The risk appetite sets practical guidance to key stakeholders in the business about the level of tolerance for the risk in the principal categories which TPI is facing. It also sets the scene for the framework of controls and oversight required to ensure that risk exposure remains within acceptable levels.

The TPI Board set the risk appetite statements on an annual basis.

4. Key risks

4.1 Credit and counterparty risk:

Credit risk is broadly defined as the possible loss due to debtors’ non-payment of loans, services or goods supplied. TPI income is derived primarily from management fees and platform fees. A negligible proportion of income is derived from invoiced services, primarily generated by the investment management team. The TPI Board is risk averse to credit risk in relation to shareholder assets and own cash balances. TPIs exposure to credit risk results from institutions with whom TPI places its corporate cash balances and settlement of market transactions. TPI continually reviews its corporate cash balances and the counterparties with whom it is placed to ensure sufficient capital strength of the bank.

4.2 Market risk:

Market risk is the risks that arise from fluctuations in values of, or income from, assets or in interest or exchange rates. TPI does not have any exposure to market risk in relation to stock market investments. The risk of market movements affecting portfolios lies with clients, particularly as TPI does not guarantee returns on portfolios and the risks are outlined prior to investment. The risk of loss resulting from fluctuation in the market value of positions a fund's portfolio attributable to changes in market variables, such as interest rates, foreign exchange rates, equity and commodity prices or an issuer's credit worthiness.

4.3 Liquidity risk:

Liquidity risk is the risk that TPI although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due or can secure such resources only at excessive cost. A key component to the TPI Board risk appetite is to ensure liquidity resources are adequate both as to amount and quality. TPI has no debt and maintains capital in excess of regulatory capital requirements. TPI maintain a contingency funding plan and has access to two main sources of contingency funding through cash held on account, and inter-company balances across the Group repayable immediately on request. The Finance department monitor the liquidity position monthly and any material deviations in profits, costs or liabilities are reported by the Head of Finance to the TPI Board. This practice is designed to identify any potential cash flow shortfalls as far in advance as possible, allowing for the opportunity to take actions with a view to preventing the shortfall from being realised and avoiding the need for contingency funding.

4.4 Operational risk:

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk. TPI seeks to avoid operational risks through the continued development of a robust infrastructure and adherence to documented processes and controls. The effectiveness of internal controls is reviewed on a risk-based approach as part of the compliance-monitoring plan. As TPI is at the forefront of cutting edge technology in the financial services markets, this puts us at risk of cyber-crime. TPI manages this risk with structured and robust information security policies and procedures. TPI has in place business continuity and disaster recovery ("**BC&DR**") plan which aims to ensure that in the event of severe business disruption, the firm can operate on an ongoing basis, with the preservation or restoration of key business services under interim arrangements, and that any losses are limited. The date of the last review of the TPI BC&DR plan was April 2017, and subsequent reviews are at 12 monthly intervals or as deemed necessary. As an Investment Firm defined in Article 95 of the CRR TPI is not subject to operational risk requirements.

There are risks associated with client redemptions and a reduction in fees earned by TPI, who are remunerated on funds under management, adviser charging would also be affected as this is commonly a percentage of the value of the funds under management. This is one of the principal risks faced by TPI and therefore considerable resources are devoted to the mitigation of the risk. All funds operate under clear mandates governed by the products & investment team, covering market, counterparty ad liquidity risk –outcomes of this due diligence are reported to the investment committee and the TPI Board. All funds are valued daily which helps identification and transparency of risk positions. Monthly performance reports serve to highlight any issues with fund performance to senior management, and regular performance attribution analysis provides insight into the drivers of profits and loss.

4.5 Concentration risk:

Written policies and procedures that make up the TPI risk management framework address and control concentration risk. Exposures to counterparties in the same economic sector, geographical location or sector are considered as part of the ICAAP.

4.6 Residual risk:

Residual risk means the risk that credit risk mitigation techniques used by the firm prove less effective than expected. The institutions with whom TPI places its corporate cash balances are of comparable nature to banks that have come under pressure in recent history due to economic difficulties and remain in place having been aided and assisted by the UK government. Due to the nature of TPI's credit risk outlined above, the residual risk of a failure in the firm's credit risk mitigation techniques is negligible and therefore no capital has been retained specifically to account for this risk. Written policies and procedures that make up the TPI risk management framework address and control residual risk.

4.7 Securitisation risk:

Securitisation risk includes the risk that the own funds held by a firm for assets which it has securitised are inadequate having regard to the economic substance of the transaction, including the degree of risk transfer achieved. TPI have assessed there to be no material Securitisation risk as no own funds are held for assets which are securitised.

4.8 Business risks:

Business risk means any risk arising from changes in its business, including: the acute risk to earnings posed by falling or volatile income; the broader risk of a firm's business model or strategy proving inappropriate due to a range of factors; the risk that a firm may not be able to carry out its business plan and desired strategy, and risks arising from the remuneration policy.

Clearly defined accountability, reporting lines, committee structures and governance allow the TPI Board to receive management information on which to base their strategies and monitor implementation. The loss of a member of the TPI Board or a key investment or distribution professional could have a material adverse impact on retention and revenues and therefore the desired strategy. TPI seeks to minimise the risk of losing key employees and partners through competitive remuneration packages and maintaining an attractive working environment.

The TPI remuneration committee ensure the remuneration policy is consistent with, and promotes, sound and effective risk management and does not encourage risk-taking that exceeds the stated risk appetite. The TPI Board has no risk appetite for unrewarded risk. This is detailed further in section 6.

Breach of ethical or regulatory standards:

TPI manages this risk of a breach of ethical or regulatory standards through a series of policies and procedures, which include, but are not limited to anti-money laundering, conflicts of interest, bribery and market abuse. All staff undertake regular training and testing in these areas. In addition, the TPI compliance function undertakes a risk-based monitoring programme against these policies to ensure that they are adhered to. TPI have in place a fraud strategy which includes a risk assessment process, regular training for all employees and ongoing transaction monitoring. The TPI Board has no risk appetite for regulatory breaches.

Outsourcing risk:

TPI does outsource certain activities and actively seeks to minimise the risk of loss or reputational damage through robust due diligence undertaken in advance of contracting with a third party, and robust outsourced services policies and procedures. Before a service or function is outsourced, a manager is assigned, and a full risk assessment is conducted, taking in to account various factors. Contractual and service level agreements are monitored, and due diligence conducted on both the organisation and contractual services on at least an annual basis.

4.9 interest rate risk, including interest-rate risk in the non-trading book:

TPI have reviewed exposure to interest-rate risk arising from any non-trading activities, as part of its obligations under the ICAAP Rules. TPI do not have any operations or activities which would bring about interest-rate risk in the non-trading book.

4.10 Pension obligation risk:

Pension obligation risk is the risk to a firm caused by its contractual or other liabilities to, or with respect to, a pension scheme (whether established for its employees or those of a related company or otherwise). It also means the risk that the firm will make payments or other contribution to, or with respect to, a pension scheme because of a moral obligation or because the firm considers that it needs to do so for some other reason.

A firm offering a defined benefit plan bears the risk that the investments in the plan do not produce a large enough return to meet the pension obligations to current and former employees. TPI do not operate a defined benefit plan and therefore pension obligation risk does not apply.

4.11 Further risks considered:

Political risk:

A change in regime and political party can result in changes to local tax rates, investment attractiveness and other challenges. TPI staff stays abreast of political commentary to ensure that the Company can anticipate and plan for changes ahead.

Competition risk:

There is a risk of losing clients due to poor performance or poor communication. These events can be triggered by failure to change along with the market, the loss of key investment professionals, and poor training. TPI has a policy of recruiting high quality staff and regular reviews of remuneration practices to ensure continuing competitiveness to maintain and motivate individuals.

Regulatory risk:

The risk that TPIs profitability may be negatively impacted by regulatory changes. TPI maintains an open and constructive dialogue with FCA as well as other regulatory agencies to gain insight into potential regulatory developments. The TPI Compliance function conduct horizon scanning to stay abreast of regulatory changes and developments.

Reputational risk:

Damage to reputation is likely to arise because of a failure to manage the other risks identified in this section in line with the stated risk appetite. The TPI Board recognise that effective risk management and strong internal controls are central to the business model, and the TPI Board have a very low risk appetite for activities that may impact the company's reputation and/or brand.

5. Capital Requirements

5.1 Own Funds

The below sets out the Own Funds reconciliation for TPI and should be read in conjunction with the Report and financial statements for the year ended 31st December 2017.

Common Equity Tier 1 items	**2017**	**2016**
Capital Instruments	£50,481,787	£100,004
Share Premium accounts	-	-
Retained Earnings	£21,379,602	£12,003,107
Accumulated other comprehensive income	-	-
Other reserves	-	£28,999,412
Funds for general banking risk	-	-
Total	**£71,861,389**	**£41,102,523**

Deductions from Common Equity Tier 1 Items		
Losses for the current financial year	-	-
Intangible assets	£2,797,723	£2,062,272
Deferred tax assets that rely on future profitability	-	-
Defined benefit pension fund assets	-	-
Total	**£2,797,723**	**£2,062,272**

Total Own Funds		
Total Common Equity Tier 1 Capital	£71,861,389	£41,102,523
Deductions from Common Equity Tier 1 Items	(£2,797,723)	(£2,062,272)
Additional Tier 1 Capital	-	-
Tier 2 Capital	-	-
Total	**£69,066,436**	**£39,040,251**

Tier 1 Capital

As outlined in Article 26 of the CRR; the Common Equity Tier 1 items applicable to TPI consisted of Tier 1 Capital Instruments and prior year retained earnings, having been verified by independent persons and published in the audited financial statements. The Tier 1 capital consists of the sum of the Common Equity Tier 1 capital and any Additional Tier 1 capital, less any deductions.

Tier 2 Capital

Tier 2 Items consist of Tier 2 Capital Instruments and subordinated loans meeting conditions set out in the CRR and related share premium accounts. For the year ending 31st December 2017 TPI did not hold Tier 2 Capital.

Total Own Funds

For the year ending 31st December 2017 the Total Own Funds figure for TPI totalled **£69,066,436**.

5.2 Risk Exposure

As an investment firm with limited authorisation to provide investment services as defined in Article 4 of the CRR and in accordance with Article 95 of the CRR and the FCA requirements and Rules outlined in the IFPRU Prudential Sourcebook for Investment Firms, TPI calculates its total risk exposure requirement by calculating the higher of:

- the sum of the credit and market risk capital requirement;
- own funds based on Fixed Overheads Requirement ("**FOR**"), which equates to one quarter of relevant fixed expenditure in the preceding year; and,
- € 125,000.

During the 12 months accounting period to 31st December 2017 the company Total Risk Exposure and Capital Requirements are outlined as below:

Sum of Credit and Market Risk – Article 95 2 (a) of the CRR	**2017**	**2016**
Credit Risk	£ 41,844,193	£26,455,239
Market Risk	-	-
Total	**£41,844,193**	**£26,456,239**
Own Funds based on Fixed Overheads – Article 95 2 (b) of the CRR		
Total	**£37,310,629**	**£13,533,650**

The higher value gives a Total Risk Exposure Amount applicable to TPI of **£41,844,193**.

In accordance with Article 438 of the CRR to identify the total capital requirements 8% of the risk weighted exposure amount is identified below:

Capital Requirement		
Total	**£3,347,535**	**£2,116,499**

As at 31st December 2017 the Pillar 1 minimum capital requirement for TPI is **£3,347,535**.

As an Investment firm authorised under Article 95 of the CRR TPI do not calculate the operational risk requirement.

The TPI Board do not consider additional capital is required under Pillar 2 from the stress testing and assessments conducted as part of the ICAAP.

5.3 Surplus Capital

Surplus Capital	**2017**	**2016**
Own Funds	£69,066,463	£39,040,251
Capital Requirement	£3,347,535	£2,116,499
Surplus Capital (Own Funds less the Capital Requirement)	**£65,718,900**	**£36,923,752**

The surplus capital for TPI as at the year ending 31st December 2017 totalled **£65,718,900**.

5.4 Total Capital Ratio

In accordance with Article 92 (1) of the CRR institutions should at all times satisfy the below own funds requirements:

Own Funds Requirement	
Common Equity Tier 1 Capital Ratio	4.5%
Tier 1 Capital Ratio	6%
Total Capital Ratio	8%

The total capital ratio is the own funds of the institution expressed as a percentage of the total risk exposure amount. For the year ending 31st December 2017 TPI satisfied the requirements, as below:

Total Capital Ratio	**2017**	**2016**
Own Funds	£69,063,666	£39,040,251
TREA	£41,844,193	£26,456,239
Minimum required Total Capital Ratio	**8%**	**8%**
Total Capital Ratio	**165.05 %**	**147.57 %**

The Total Capital Ratio for TPI at the year ending 31st December 2017 was **165.05 %**.

6. Remuneration Disclosure

6.1 Introduction

This remuneration policy disclosure is provided in accordance with Article 450 of the CRR. As a key driver of behaviour, the remuneration of senior and risk-taking staff is an important area of focus to ensure that risk and reward are aligned, it therefore forms part of the culture and governance priorities.

TPI has formed a Remuneration Committee ("**RemCo**") which meets at least twice each year. Within the authority delegated by the TPI Board, the RemCo is responsible for approving and overseeing the implantation of the remuneration policy, and in doing so considers the pay and conditions across the group, ensuring the remuneration policy is consistent with, and promotes, sound and effective risk management and does not encourage risk-taking that exceeds the stated risk appetite. The RemCo considers the terms of bonus plans, and individual remuneration packages of senior management and other senior group partners and employees, including all code staff. No one individual is involved in decisions relating to his or her own remuneration.

The RemCo takes full account of TPIs strategic objectives in setting remuneration policy and is mindful of its duties to relevant stakeholders, in doing so the RemCo seeks to preserve stakeholder value by ensuring the successful retention, recruitment and motivation of its partners and employees.

6.2 Code staff criteria

In accordance with Commission Delegated Regulation (EU) 604/2014 and FCA Rules all staff who are deemed to have a material impact on the risk profile of TPI are considered as a material risk taker ("**MRT**").

The Qualitative criteria in Article 3 of Regulation (EU) 604/2014 for identifying a MRT at the firm includes members of the management body in both the management and supervisory functions, senior management, heads of material business units, and certain staff members reporting into those identified with managerial responsibility of a material business unit.

The Quantitative criteria in Article 4 of Regulation (EU) 604/2014 for identifying a MRT at the firm includes staff members awarded total remuneration of €500k or more in the preceding financial year. It also includes staff awarded remuneration equal to or greater than the lowest total remuneration in that financial year of a member of senior management, heads of material business units, and certain staff members reporting into those identified with managerial responsibility of a material business unit.

6.3 Remuneration Principles

Remuneration is made up of fixed pay (drawings or salary and benefits) and performance related variable pay. Annual discretionary bonuses are considered by the RemCo, and any additional discretionary bonuses are only awarded in exceptional circumstances and must all be approved by the RemCo. The remuneration of the code staff is intended to ensure the continued ability to attract and retain the most qualified employees and to provide a solid basis for succession planning. In connection with the annual assessment of the remuneration of the code staff, developments in market practice are assessed systematically.

Pay is designed to reflect success or failure against a range of competencies which are assessed annually. This reviews competencies for staff covering both financial and non-financial metrics, specific behavioral competencies including compliance matters. When determining compensation, including any variable compensation, managers and the RemCo will give consideration to:

- Overall firm performance;
- Collective performance of the relevant team; and,
- Individual performance relative to role requirements (including performance against agreed financial and non-financial objectives where relevant) and with specific attention to stand out performance.

6.4 Aggregate remuneration cost for Code staff

For the period **1st January 2017 to 31st December 2017** there were a total number of **11 Remuneration Code staff**.

Fixed Remuneration totalled **£998,624.00** and variable remuneration **£50,588.00**.

The amounts of fixed remuneration for the financial year reflect the professional experience and responsibilities of the Code Staff as set out in the job description and terms of employment. The amounts of variable remuneration reflect the performance of the Code Staff and in accordance with the remuneration policy is justified on the basis of the financial situation and overall performance of TPI.

	2017 Remuneration Code Staff
Aggregate total remuneration (based on current financial year compensation for the relevant code staff):	£1,049,212
Beneficiaries	11
Fixed Remuneration:	£998,624.00
Variable Remuneration:	£50,588.00