OLIM Property Limited – PILLAR 3 Disclosure

December 2016

Introduction

OLIM Property Limited ('OPL') is authorised and regulated by the Financial Conduct Authority ('FCA'). It is categorised as a Limited Licence Firm for regulatory purposes. As such it is required to comply with the Capital Requirements Directive ('CRD').

The CRD requirements have 3 pillars:

- Pillar 1 – sets minimum capital requirements;
- Pillar 2 – requires regulated firms to take a view on whether they should hold additional capital against risks not covered by Pillar 1; and
- Pillar 3 – requires regulated firms to publish details of its risks, risk management process and its capital position.

The required Pillar 3 disclosure is set out in the FCA's Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU').

This document is designed to meet our Pillar 3 obligations.

We are permitted to omit required disclosures if we believe that the information is immaterial such that its omission would be unlikely to change or influence the decision of a reader relying on that information.

Risk management

OPL's Directors determine its business strategy and its risk appetite. They are responsible for establishing and maintaining the firm's governance arrangements, along with designing and implementing a risk management framework that recognises the risks the business faces.

The Directors meet as a Board at least quarterly and are very much involved in the day to day running of OPL. OPL is small, with an operational infrastructure appropriate to its size.

The Directors manage the firm's risks through a framework of policies and procedures having regard to relevant laws, standards, principles and rules (including the FCA's principles and rules) with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required and in any event are subject to annual review.

Risk appetite

OPL operates a simple business model with its only revenue being from fee income based on the capital value of the property assets managed on behalf of clients.

OPL has a low risk appetite which is evidenced by:

- customer type – all clients are institutional, ie professional clients;
- no client money nor assets are held by OPL. The Directors have made a conscious decision that property should be held directly by the clients;
- senior management are experienced and actively involved in OPL's day to day activity;
- capital held being approximately double that required to meet the Pillar 1 requirement.

Risks and uncertainties

The Directors consider that OPL's key risks and uncertainties are as follows:

- Sharp downward movements in property prices
- Poor property selection
- Failure of external service providers
- Loss of key staff
- Concentration of clients
- Concentration of cash balances

Annually the Directors review OPL's risks, controls and other risk mitigation arrangements and assess their effectiveness. The Directors consider the financial implications of material risks as part of OPL's business and capital management planning and conclude whether the level of capital remains adequate.

Regulatory capital

OPL is a limited licence firm and as such its Pillar 1 capital resources requirement is the greater of:

- its base capital requirement of 50,000 Euros; or
- the sum of its market and credit risk requirements; or
- its Fixed Overhead Requirement ('FOR').

The credit risk capital requirement and the market risk capital requirement are not material to the firm.

In the Directors' opinion the FOR is always likely to be the higher than the base capital requirement.

OPL’s capital resources are all Tier 1 with no deductions.

OPL’s capital and reserves as at 30 June 2016 were £589,067 (2015: £469,842).

Pillar 1

As at 30 June 2016 and the date of this report, OPL had a surplus of capital resources over its Pillar 1 capital resources requirement.

Pillar 2

OPL’s approach to the adequacy of its internal capital to support current and future activities is contained it its Internal Capital Adequacy Assessment Process (ICAAP) report. This process includes an assessment of the risks specific to OPL and the internal controls in place to mitigate those risks. Finally, an assessment is made of the probability of occurrence and the potential impact, in order to arrive at a level of required capital as relevant.

OPL stress test the firm’s forecasts and in order to address the worst case scenario, the cost to close down.

The Directors’ Pillar 2 assessment is that there is no need to hold additional capital above the Pillar 1 requirement.

The ICAAP is formally reviewed by the OPL Directors each year. It would also be reviewed if there are any material changes to OPL’s business or risk profile.

Remuneration Code disclosure

OPL is subject to the FCA Rules on remuneration (BIPRU 11.5.18 R). These are contained in the FCA’s Remuneration Code located in the SYSC Sourcebook of the FCA’s Handbook. The Remuneration Code covers all aspects of remuneration that could have a bearing on effective risk management.

Given the small size of OPL, remuneration policy for all staff is set by the Chairman.

OPL’s policy is designed to ensure that it complies with the Remuneration Code and the compensation arrangements:

1. are consistent with and promote sound risk management;
2. do not encourage excessive risk taking;
3. avoid conflicts of interest; and
4. are in line with OPL’s business strategy, objectives, values and long term interests.

Salary is set in line with market rates in order to retain and if necessary attract appropriately skilled staff.

Remuneration is made up of a base salary and a discretionary bonus. The primary component of overall remuneration is salary.

The setting of bonuses is at the absolute discretion of the firm. The resources available for bonuses are directly linked to the post tax profits of the OPL. Remuneration distributions made to staff are not based on the profitability of any specific investment decision.

OPL has one business activity and considers that it is not required to disclose the qualitative information at the level of senior personnel referred to in BIPRU 11.5.18R as the firm is not significant in terms of its size, internal organisation and nature, scope and the complexity of its activities (BIPRU 11.5.20R).

In the year ended 30 June 2016, OPL defined their Code Staff as the Board of Directors. The aggregate annual remuneration for the Directors is disclosed in the Financial Statements.

As a Limited Licence Firm, OPL is a proportionality level three firm for the purposes of the FCA's General Guidance on proportionality in relation to its remuneration code.

Proportionality level three firms are permitted not to apply certain principles contained within the FCA's Remuneration Code relating to deferral, form of delivery and performance adjustment.

As a result all variable remuneration is delivered in cash and performance adjustment is not applied.

Location and verification

These disclosures are approved by the Board of Directors and published on the Firm's website. The disclosures are not subject to an audit.