

# Pillar three disclosures

**Canaccord Genuity Wealth Limited**  
**Canaccord Genuity Financial Planning Limited**

# Contents

1. Overview
  - 1.1 Background
  - 1.2 Basis of disclosure
  - 1.3 Frequency of disclosure
  - 1.4 Location
2. Corporate background
  - 2.1 Discretionary and advisory portfolio management
  - 2.2 Advisory and execution only stockbroking
  - 2.3 Financial planning and advisory services
3. Risk management objectives and policies
  - 3.1 Organisational structure
  - 3.2 Risk management overview
4. Summary of capital resources & requirements
  - 4.1 Common equity tier one capital
  - 4.2 Tier two capital
  - 4.3 Deductions from capital
5. Pillar two and the ICAAP
6. Exposure to counterparty credit risk and credit risk adjustments
7. Capital buffers
8. Indicators of global systematic importance
9. Unencumbered assets
10. Use of ECAI's
11. Exposure to market risk
12. Operational risk
13. Exposure in equities not included in the trading book
14. Exposure to interest rate risk on positions not in the trading book
15. Exposure to securities positions
16. Remuneration policy
  - 16.1 Classification of the group
  - 16.2 Remuneration committee
  - 16.3 The role of the relevant stakeholders
  - 16.4 The link between pay and performance
  - 16.5 Aggregate remuneration
  - 16.6 Higher paid employees

## 1. Overview

### 1.1 Background

The Capital Requirement Regulation ('CRR') and Capital Requirements Directive (together referred to as 'CRDIV') came into force on 1st January 2014 and is enforced in the UK, together with local implementing rules and guidance, by the Financial Conduct Authority ('FCA').

The rules include disclosure requirements known as 'Pillar 3' which apply to investment firms. These are designed to promote market discipline through the disclosure of key information about risk exposures and risk management processes within the business.

### 1.2 Basis of disclosure

Canaccord Genuity Wealth Group Limited ('the Group' or 'CGWGL') is the EEA parent institution of two firms regulated by the FCA. This report is prepared on an accounting consolidated basis and includes the following regulated entities:

- Canaccord Genuity Wealth Limited ('CGWL') (FRN 194927)
- Canaccord Genuity Financial Planning Limited ('CGFPL') (FRN 154608)

The report is not required to be reviewed by the Firm's auditor, but has been considered and approved by the Audit and Risk Committee of CGWL and representatives of the Board of CGFPL.

### 1.3 Frequency of disclosure

Unless otherwise stated, all figures are as at 31 March 2018, the Group's financial year end, with comparative figures for 31 March 2017 where relevant.

Pillar 3 disclosures are published annually concurrently with the Annual Report and Accounts in accordance with regulatory guidelines.

### 1.4 Location

This report is available on the Firm's website at <http://www.canaccordgenuity.com/wealth-management-uk/legal-and-regulatory-information/legal--regulatory-information-uk/> under the 'Legal and Regulatory Information' section.

## 2. Corporate background

CGWGL is a wholly owned subsidiary of Canaccord Genuity Group Inc. ('CGGI'), a Canadian company listed on the Toronto Stock Exchange. CGGI is a leading independent, full-service financial services

firm, with operations in two principal segments of the securities industry: wealth management and global capital markets. Canaccord has offices in 10 countries worldwide, including Wealth Management offices located in Canada, Australia, the UK and Europe. The international capital markets division operates in Canada, the US, the UK, France, Ireland, Hong Kong, mainland China, Australia and Dubai.

The activities of the CGWGL Group are undertaken through two separate regulated entities. Canaccord Genuity Wealth Limited ('CGWL') provides investment management and stock broking services primarily to private clients. Canaccord Genuity Financial Planning Limited ('CGFPL') provides financial advisory services to private clients.

In September 2017 the parent company of CGWGL acquired Hargreave Hale Limited ('HHL'), a wealth management business based in the UK. Throughout the period HHL continued in business as a separate regulated group, and as such have completed their own disclosures independently to that of CGWGL. As such this document continues to refer to CGWGL, excluding HHL, and will do so until such time as the businesses are combined and form a part of the same regulated group of entities. This is scheduled to occur in April 2019.

The Group offering to clients can be broken down into three broad categories:

### 2.1 Discretionary and advisory portfolio management

The Group has approximately £3.1 billion of assets under management under discretionary or advisory managed mandates. Clients are predominantly private individuals but also include trusts, charities and institutions. Portfolios are managed in accordance with asset allocation models and approved holding listings. Revenues are predominantly fees, based on a percentage of assets under management. Revenues from discretionary and advisory managed business equate to circa 75% of Group revenues.

### 2.2 Advisory and execution only stockbroking

Stock broking is a commission based business where the Group executes trades on behalf of clients either with or without advice. Assets under administration in held on behalf of clients total £3.1 billion and revenues account for approximately 20% of Group revenues.

### 2.3 Financial planning and advisory services

The financial planning and advisory business provides clients with advice

on a broader range of wealth issues incorporating planning around investments and pensions. The service does not provide tax advice, but directs clients to use a tax advisor. Revenues are generated both from ongoing fees and from one off transactional business, and represent approximately 5% of the total revenue of CGWM.

## 3. Risk Management objectives and policies

The Boards of Directors has overall responsibility for the establishment and maintenance of an appropriate risk management framework. A Committee structure, reporting to the Board, is in place to ensure that procedures, controls and limits are consistent with a Board approved risk framework.

### 3.1 Organisational structure

The Group operates with independent Boards. Membership of the respective Boards is as follows:

#### Canaccord Genuity Wealth Group Limited

- Executive Chairman of CGWM
- CEO of CGWM UK & Europe
- CGGI CFO
- Two independent non-executive directors (one of whom is also an independent non-executive director of CGGI)

#### Canaccord Genuity Wealth Limited

- Executive Chairman of CGWM
- CEO of CGWM UK & Europe
- CGGI CEO
- CEO UK & Europe
- Two independent non-executive directors (one of whom is also an independent non-executive director of CGGI)

#### Canaccord Genuity Financial Planning Limited

- Executive Chairman of CGWM
- CEO of CGWM UK & Europe
- Executive Chairman of CGWM
- CEO of CGWM UK & Europe
- Independent non-executive director

CGWL has also constituted an Audit and Risk Committee, comprised of:

- Two independent non-executive directors (one of whom is also an independent non-executive director of CGGI)
- CGGI CFO

Both the Boards and Audit and Risk Committee operate within defined terms of reference which include

clear purpose and authority, duties and requirements for management information. They also have access to the minutes from their respective sub-committees.

The Board has delegated day to day responsibility of running the Group to both the Chief Executive Officer ('CEO') and to the Executive Committee, which meets at least fortnightly and considers reports from a number of areas of the business, including Finance, Operations, Risk and Compliance.

The CGWL Audit and Risk Committee meets quarterly and is chaired by an independent non-executive director with membership including the Board's other independent non-executive director. The Committee is also attended by the CEO, CFO and COO, plus other Board members, Divisional Risk Committee ('DRC') and UK Compliance Committee members, internal auditors and external auditors as required. The Audit and Risk Committee's terms of reference include the review of the risk management framework, and reported exceptions. It is also responsible for considering plans and reports from both the external auditors and internal auditors.

The Executive Committee ('ExCo') is the principal forum for conducting the business of the Group, and its members take day to day responsibility for the efficient running of the business. The Committee is responsible for the implementation of Board strategy in conjunction with the UK Business Development Committee.

The Divisional Risk Committee ('DRC') is specifically responsible for monitoring risk exposure and for the general oversight of the Group's risk

management process. This Committee meets bi-monthly and is chaired by the Head of Operational Risk and is attended by the head of each operating area. The Committee is responsible for identifying risks and developing appropriate risk mitigation strategies. The Compliance department also has a comprehensive monitoring programme which is reported to the Divisional Risk Committee, through their attendance, and UK Compliance Committee, and feedback provided to the business through the Conduct Risk Committee.

The role of the Remuneration Committee is set out in 16.2.

### 3.2 Risk management overview

The Group utilises the Enterprise Risk Management ('ERM') methodology applied globally across the CGGI Group. This requires a systematic approach to the risk management process which encompasses all functional areas and necessitates ongoing communication, judgment and knowledge of the business, products and markets. The Group is responsible for its local implementation of risk management policies, and to ensure there is a clear organisational structure with defined layers of responsibility throughout the Group.

A cornerstone of the Group's risk philosophy is the continuation of the first line of responsibility for managing risk by department heads. The monitoring and control of the Group's risk exposure is conducted through a variety of separate, but complementary, financial, operational, and compliance reporting systems.

The Group uses the services of the CGGI internal audit function and also

outsources certain internal audit assignments to a firm of external specialists. Internal audit performs a programme of audit examinations as agreed by the Audit and Risk Committee of CGWL and the Board of CGFPL. The output of the reviews is reported to the Audit and Risk Committee of CGWL and the Board of CGFPL, and shared with Ernst & Young in their capacity of external auditors.

## 4. Summary of capital resources & requirements

The table below sets out the Group's capital resources, and Pillar One capital requirements, as at 31 March 2018, in line with the last set of financial statements published by each of the members of the Group. The Group does not publish consolidated accounts as it is exempt by virtue of Section 401 of the Companies Act 2006. This exemption applies as the companies within the Group are wholly owned subsidiaries of CGGI which prepares consolidated financial statements which are publicly available.

CRD IV expresses capital adequacy differently from the previous regime and is formulated as a percentage of own funds to risk weighted assets. Within the Group, own funds equate to the current capital resources less deductions, while risk weighted assets are based on capital requirements (higher of the sum of the fixed overhead requirement and the sum of market and credit risk) 'grossed-up' to give an underlying risk weighted asset total.

The Group has adopted the 'structured' approach to the calculation of its Pillar Two minimum capital requirement as outlined in the Committee of European Banking Supervisors Paper (March 2006), which takes the higher of Pillar One and Pillar Two as the ICAAP minimum capital requirement.

CGWM Group (£000's)	Pillar one	Pillar two
31 March 2018		
<b>Capital resources</b>		
Tier one capital		
Share capital	28,757	28,757
Share premium	10,581	10,581
Reserves	(5,402)	(5,402)
Tier one capital	33,936	33,936
Intangible assets	(17,218)	(17,218)
Other deductions	(3,005)	(3,005)
Tier one after deductions	13,713	13,713
Tier two capital	-	-
Total capital after deductions	13,713	13,713

CGWM Group (£000's)	Pillar one	Pillar two
<b>Capital requirements</b>		
Risk weighted assets:		
Market risk	313	500
Credit risk	13,090	15,697
Operational risk	–	92,850
Other risk	–	0
Fixed overhead requirement*	84,250	–
Wind down provision	–	–
Risk weighted assets	84,250	109,047
Existing ICG	105,182	109,047
Capital requirement equivalent (8%)	8,415	8,724
Capital ratio	13.04%	12.58%

\* based on actual annual expenditure calculated for the year ended 31 March 2018.

#### 4.1 Common equity tier one capital

The requirement is that the Group must satisfy own fund requirements at all times, which are as follows:

- A Common Equity Tier 1 Capital ratio greater than 4.5%
- A Tier 1 ratio greater than 6%
- A Total Capital ratio greater than 8%

Tier one capital comprises entirely of Common Equity, namely allotted, called up and fully paid share capital of £28.8m, share premium of £10.6m and audited reserves of (£5.4m) less deductions.

#### 4.2 Tier two capital

The Group does not currently have any tier two capital.

#### 4.3 Deductions from capital

Goodwill arising from past acquisitions, deferred tax assets and amounts receivable from an Employee Benefit Trust are all deducted from tier one capital.

### 5. Pillar two and the ICAAP

As a limited activity IFPRU investment group, the Group is required to undertake an ICAAP in order to establish the level of capital it deems sufficient to support its business activities. More specifically, the ICAAP assessment is intended to determine whether the FCA Pillar One requirements provide an adequate level of capital to support the Firm's business. As the regulated firms within the Group are subject to the FCA's capital adequacy regime at a consolidated level, the ICAAP is formulated at the level of the Group, and accordingly shares the same scope as the overall Pillar Three disclosures.

The Group has assessed the amount of capital it feels is necessary to hold to support the risks it faces. This was achieved through the application of the ERM methodology, which calculates a risk measure based on the impact and probability of loss events. Risk is apportioned by business lines and key risk categories, namely, credit, operational and other risks.

The calculation of these individual risk exposures enables the Group to determine a capital requirement for the levels of risk assessed, which in turn drives the assessment of the Pillar Two requirements. The outcome is documented in the Group's ICAAP, which is updated and approved by the Board at least annually.

### 6. Exposure to counterparty credit risk and credit risk adjustments

Credit risk represents the risk that the Group may suffer a financial loss arising from a counterparty failing to meet its contractual obligations.

The Group has adopted the standardised approach to credit risk. It has made use of external credit rating agencies for the purpose of risk weighting its exposure to credit institutions and, for other exposures it has applied a 100% weighting. An analysis of exposure by type is set out below.

£m	Exposure	Weighting	Risk weighted exposures
Institutions	20,654	20%	4,131
Other (fixed assets and debtors)	8,959	100%	8,959
	29,613		13,090

The risk of credit loss is considered low. Fees are agreed in advance and can usually be deducted directly from client accounts. The Group has a rigorous policy of providing for aged receivables.

### 7. Capital buffers

Capital buffers are not applicable to the Group in accordance with IFPRU 10.1.1(1).

### 8. Indicators of global systematic importance

The Group is not considered to be a global systemically important institution.

## 9. Unencumbered assets

All regulatory qualifying assets held on the balance sheet are considered unencumbered.

## 10. Use of ECAs

The Group uses publicly available information from counterparties as assessed by External Credit Assessment Institutions ('ECAI') as part of its assessment of banks to use for the purpose of depositing its own funds as well as client money funds.

## 11. Exposure to market risk

The Group has a very clear and unambiguous policy that it does not take proprietary positions. Market executions are always transacted to satisfy client orders or for the account of discretionary client portfolios.

The Group's systems, controls and procedures highlight positions arising from errors and ensure they are closed out immediately.

## 12. 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. The identification of operational risk within the Group is carried out as part of the process of compiling, updating and reviewing the Risk Register in conjunction with the ERM methodology described in Section 3.2. The register incorporates a comprehensive description of the Group's operational risk.

The regular review of the Risk Register and follow up of the action plans form a key aspect of the Group's ongoing assessment and mitigation of operational risk. This is the responsibility of the Divisional Risk Committee which formally reviews the register.

The firm also has a programme of insurance designed to reduce its exposure to liability and to protect its assets.

## 13. Exposure in equities not included in the trading book

The Group does not hold exposures in equities.

## 14. Exposure to interest rate risk on positions not included in the trading book

The Group is not a credit institution, however CGWL is required to comply with the FCA's Client Asset Rules which protect client assets and money held in nominee or on trust on their behalf. As a result, CGWL is obliged to have in place procedures to safeguard client assets, and as such client money deposits may only

be placed in specifically designated client money accounts maintained with regulated institutions. CGWL maintains a panel of such approved banks which have been subject to CGWM's internal approval processes.

As required by the FCA, CGWL has obtained confirmation from these institutions that the client money accounts are separate from our corporate accounts. CGWM may retain all or part of any interest earned on the client money held in those accounts.

Outside of the trading book, the risk arising from a change of interest rates to the Group is not significant as it has no variable rate borrowings and interest earned on firm cash or retained on client money deposits is a very small part of the Group's earnings.

## 15. Exposure to securitisation positions

The Group does not undertake securitisation and is not exposed to this risk.

## 16. Remuneration policy

### 16.1 Classification of the group

As set out in the FCA's General guidance on proportionality: The Remuneration Code SYSC 19A the Group is classified as a proportionality level three firm for the purpose of remuneration disclosures on the basis that it has gross assets of less than £15bn.

### 16.2 Remuneration committee

The CGWL Board has constituted a separate Remuneration Committee ('REMCO'), the members of which are two Independent Non-Executive Directors and one Non-Executive Director. No members of the UK management team sit on the REMCO, although they are in attendance, if invited to be so, by the Chairman, and are able to make representations.

The REMCO is responsible for approving the general principles of remuneration plans and ensuring the balance of pay is in-line with market. The REMCO is afforded with the flexibility to choose remuneration structures which are most appropriate for the Groups strategy and business needs. Remuneration Structures include, but are not limited to, fixed salary, discretionary variable bonuses, including the construction of formulaic bonuses, equity deferral, buy-outs and guaranteed variable pay, personal hedging strategies, pension payments and early termination payments.

The REMCO is responsible for the approval of all compensation of the members of the Executive Committee

and senior staff in control functions, including salary increases, bonuses and stock awards. REMCO will seek input from senior management and/or the control functions, as appropriate.

### 16.3 The role of the relevant stakeholders

The CEO and CFO are not members of the Remuneration Committee, although they do provide non-binding advice to it.

### 16.4 The link between pay and performance

Compensation payments are made up of a mixture of fixed salary paid monthly and a discretionary variable bonus, which is paid in cash and/or shares in Canaccord Genuity Group Inc. Total compensation includes a range of benefits associated with employment including, but not limited to, private health insurance, pension contributions and death in service insurance. Remuneration is designed to reward performance, with the overall package intended to generally reflect market practice for any given role.

UK CGWM's remuneration structure comprises a fixed salary element, which is intended to reflect an employee's professional experience and organisational responsibilities, and is distinct from variable remuneration which is intended to reward performance in excess of that required to fulfil the employee's job description.

Discretionary variable bonuses are paid following a 6 month performance review of the financial period to which they relate. All variable pay awards are conditional, discretionary and contingent on sustainable and risk-adjusted performance and therefore capable of clawback forfeiture or reduction at the employer's discretion.

### 16.5 Aggregate remuneration

The following information relates to the year ended 31 March 2018. All code staff are classified as senior management. Fixed remuneration includes both gross salary and employer payments to defined contribution pension plans. Variable remuneration includes cash bonuses and shares granted under long term share based incentive plans.

During the year a total of 17 (2017: 18) employees were categorised as Code staff. Aggregate remuneration, pro rated to reflect the period they were considered code staff, in respect of the year ended 31 March 2018 was £3,579,427 (2017: £3,016,427) of which the fixed element was £1,447,791

(2017: £1,389,531), the variable element was £2,131,667 (2017: £1,626,896) and severance costs were £111,413 (2017: £Nil). Included in the variable element was £295,000 (2017: £232,179) in respect of long term share based incentive schemes.

Total outstanding deferred remuneration in respect of code staff at 31 March 2018 is £507,429 (2017-£408,595). All deferred remuneration was unvested at the reporting dates. Total deferred remuneration paid out in the financial year was £196,935 (2017: £137,875)

## **16.6 Higher paid employees**

There was one (2017: one) employee whose remuneration was in excess of EUR 1 million in the financial year.

Australia

Canada

Guernsey

Isle of Man

Jersey

United Kingdom

[canaccordgenuity.com](http://canaccordgenuity.com)

Canaccord Genuity Wealth Limited is authorised and regulated by the Financial Conduct Authority, and is a wholly owned subsidiary of Canaccord Genuity Group Inc. Registered office: 41 Lothbury, London, EC2R 7AE. Registered in England & Wales no.03739694.

The company of the Canaccord Genuity group of companies through which products and services are offered may differ by location and service. See [www.canaccordgenuitygroup.com/en/companies](http://www.canaccordgenuitygroup.com/en/companies) for more information.