CANACCORD Genuity
Wealth Management

Canaccord Genuity Wealth Limited
Canaccord Genuity Financial Planning Limited

Pillar Three Disclosures

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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.

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 (FRN 194927)
Canaccord Genuity Financial Planning Limited (FRN 154608)

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

1.3 Frequency of disclosure

Unless otherwise stated, all figures are as at 31 March 2016, the Group's financial year end, with comparative figures for 31 March 2015 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 www.canaccord.com/en-gb/wm/wealth-management-uk/ under the 'Our Resources' section.

2. Corporate background

CGWGL is a wholly owned, direct 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 Group are undertaken through two separate regulated entities. Canaccord Genuity Wealth Limited provides investment management and stock broking services primarily to private clients. Canaccord Genuity Financial Planning Limited provides financial advisory services to private clients.

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

2.1 Discretionary and advisory portfolio management

The Group has approximately £2.7 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 70% 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 accounts total £2.4 billion and revenues account for 25% of Group revenues.

2.3 Financial planning and advisory services

The financial advisory business provides clients with advice on a broader range of wealth issues incorporating investments, tax and pensions. Revenues are generated both from ongoing advisory fees and from one off transactional business.

3. Risk Management objectives and policies

The Board 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 Board comprises of senior management from the business, directors from within the wider Canaccord Group and two independent non-executive directors, one of whom is also a non-executive director of the CGGI Board. The Board operates within defined terms of reference which include clear objectives, authorities and requirements for management information and has scheduled quarterly meeting and other ad hoc meetings as required. The Board members receive the minutes from sub-committees of the Board.

The Group's Audit and Risk Committee has three members, is chaired by a non-executive director and the other members are the other non-executive director and an executive director of the CGGI Board. The Committee is also attended by the Chief Executive Officer ("CEO"), other senior management, internal auditors and external auditors as required. The Audit and Risk Committee's terms of reference include 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") represents the principal forum for conducting the business of the Group and takes day-to-day responsibility for the efficient running of the business. In addition, the ExCo is responsible for the formulation and implementation of Board approved strategies and plans.

The Divisional Risk Committee is responsible for ensuring that appropriate risk mitigation is in place, and that the control environment is commensurate to its needs, based on the strategy adopted by the Group's Board. Accordingly, it considers management information from all areas of the business and from key outsourced service providers. It is also responsible for co-coordinating the Group's approach to fighting financial crime.

The role of the Remuneration Committee is set out in 16.5.

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 polices, 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 consultants. Internal audit performs a programme of audit examinations as agreed by the Audit and Risk Committee. The output of the reviews is reported to the Audit Committee 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 2016, 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 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 publically available.

CGWM Group	£m
Own funds	
Common equity tier one capital before deductions	33.4
Deductions	(18.9)
Common equity tier one after deductions	14.5
Tier two capital	–
Total own funds after deductions	14.5
Own funds requirements (OFR)	
Higher of sum of	
Market risk	0.1
Credit risk	9.9
and	
Fixed overhead requirement	75.1
Risk weighted assets (OFR multiplied by 12.5)	75.1
Common equity tier 1 capital ratio to risk weighted assets	19.31%
Total own funds ratio to risk weighted assets	19.31%

4.1 Common equity tier one capital

Tier one capital comprises of share capital of £28.8m, share premium of £7.3m and audited reserves of (£2.7m).

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 is 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	20,921	20%	4,184
Other (fixed assets and other debtors)	5,738	100%	5,738
	26,659		9,922

The risk of credit loss is considered low. Fees are agreed in advanced 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 with the exception of deposits held at clearing and settlement agents amounting to £172,759 (2015 - £179,747).

10. Use of ECAIs

The Group uses 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. Current policy requires the use of ratings from Moody's, Standard & Poor's and Fitch.

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, nor does it have any significant off balance sheet assets or liabilities. 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 income on cash 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 level three proportionality tier firm for the purpose of remuneration disclosures on the basis that it has gross assets of less than £15bn.

16.2 Remuneration committee

The Remuneration Committee remit covers the supervision and oversight of the UK Group's framework governing remuneration and reward, including overall responsibility for the implementation and compliance with the FCA's remuneration code. The membership of the Committee comprises of two independent non-executive directors plus an executive director of CGGI.

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

Remuneration is made up of fixed and variable elements designed to reward performance, with the overall package intended to generally reflect market practice for any given role. However, the Group's policy is that compensation should not be based entirely on revenue attributable to an individual.

Individual performance is measured in a number of ways against agreed objectives, with annual appraisals providing a significant element of performance assessment. The variable element of remuneration includes the use of share schemes, with awards deferred to ensure that longer-term performance is considered, with suitable claw-back in place in appropriate circumstances.

16.5 Aggregate remuneration

The following information relates to the year ended 31 March 2016. 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 26 (2015 – 23) 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 2016 was £3,050,081 (2015 – £4,022,060) of which the fixed element was £1,576,256 (2015 - £1,876,375), the variable element was £1,473,825 (2015 - £1,164,435) and severance costs were £Nil (2015- £Nil). Included in the variable element was £221,139 (2015 - £379,859) in respect of long term share based incentive schemes.

Total outstanding deferred remuneration in respect of code staff at 31 March 2016 is £576,373 (2015- £716,198). All deferred remuneration was unvested at the reporting dates. Total deferred remuneration paid out in the financial year was £118,403 (2015- 210,231).

16.6 Higher paid employees

There was one (2015 – Nil) employee whose remuneration was in excess of EUR 1 million in the financial year.