



Quality Capital Management Limited
Pillar 3 Disclosure
March 2015

Introduction

The Pillar 3 disclosure of Quality Capital Management Ltd ‘the Firm’ is set out below as required by the FCA’s ‘Prudential Sourcebook for Banks, Building Societies and Investment Firms’ (BIPRU) specifically BIPRU 11.3.3 R. This follows the introduction of the Capital Requirements Directive (Basel II) which came into force on 1st January 2007 and these rules require the Firm to assess the adequacy of their capital resources given the risks they face in order to ensure the continued protection of investors.

Frequency

The Firm will be making Pillar 3 disclosures annually. The disclosures will be as at the Accounting Reference Date ‘ARD’.

Media and Location

The disclosure will be published on the Firm’s website

Materiality

The Firm regards information as material in disclosures 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 economic decisions. If the Firm deems a certain disclosure to be immaterial, it may be omitted from this statement.

Confidentiality

The Firm regards information as proprietary if sharing that information with the public would undermine its competitive position. Proprietary information may include information on products or systems which, if shared with competitors, would render the Firm’s investments therein less valuable. Further, the Firm must regard information as confidential if there are obligations to customers or other counterparty relationships binding the Firm to confidentiality. In the event that any such information is omitted, we shall disclose such and explain the grounds why it has not been disclosed.

Summary

The CRD requirements have three pillars. Pillar 1 deals with minimum capital requirements; Pillar 2 deals with Internal Capital Adequacy Assessment Process (“ICAAP”) undertaken by a firm and the Supervisory Review and Evaluation Process through which the firm and regulator satisfy themselves on the adequacy of capital held by the Firm in relation to the risks it faces and; Pillar 3 which deals with public disclosure of risk management policies, capital resources and capital requirements. The regulatory aim of the disclosure is to improve market discipline.

The Firm is a Commodity Trading Advisor. It acts solely as an agent, so the main protection to the Firm’s clients is provided through third party client money arrangements. The Firm’s greatest risks have been identified as business and operational risk. The Firm is required to disclose its risk management objectives and policies for each separate category of risk which include the strategies and processes to manage those risks; the structure and organisation of the relevant risk management function or other appropriate arrangement; the scope and nature of risk reporting and measurement systems; and the policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants.

The Firm has assessed business and operational risks in its ICAAP and set out appropriate actions to manage them. A number of key operations are outsourced by our clients to third party providers such as administrators and brokers reducing our exposure to operational risk. The Firm has an operational risk framework (described below) in place to mitigate operational risk. The Firm’s main exposure to credit risk is the risk that

management fees and incentive fees cannot be collected and therefore credit risk is low. The Firm holds all cash balances with banks assigned high credit ratings. Market Risk exposure has been assessed by the Firm and is limited to the Firm's exposure to any cash amounts held by the Firm in a foreign currency. The Firm's cash is held in both Sterling and US Dollar denominated currency.

Background to the Firm

Background

The Firm is incorporated in the UK, and is authorised and regulated by the FSA as an Investment Management Firm. The Firm's activities give it the BIPRU categorisation of 'Limited Licence' and a 'BIPRU €50k' firm.

BIPRU 11.5.1: Risk Management Objectives and Policies

Our general risk management objective is to develop systems and controls to mitigate risk to a level that does not require the allocation of Pillar 2 capital.

Governance Framework

The QCM Board Members and Compliance Officer make up the Governing Body of the Firm and have daily management and oversight responsibility. It meets quarterly and is composed of the Board of QCM and Nishil Patel.

The Governing Body is responsible for the entire process of risk management, as well as forming its own opinion on the effectiveness of the process. In addition, the Governing Body decides the Firm's risk appetite or tolerance for risk and ensures that the Firm has implemented an effective, ongoing process to identify risks, to measure its potential impact and then to ensure that such risks are actively managed. Senior Management is accountable to the Governing Body for designing, implementing and monitoring the process of risk management and implementing it into the day-to-day business activities of the Firm.

Risk Framework

Risk information is available upon request.

BIPRU 11.5.4: Compliance with BIPRU 3

For its Pillar 1 regulatory capital calculation of Credit Risk, under the credit risk capital component the Firm has adopted the Standardized approach to Credit Risk (BIPRU 3.4) and Simplified Method of calculating risk weights (BIPRU 3.5).

BIPRU 4

The Firm does not adopt the IRB Approach and hence this is not applicable.

BIPRU 6

The Firm, being a Limited Licence Firm is not subject to the Operational Risk Requirement and, therefore, this is not applicable.

BIPRU 7

The Firm has only non-trading book potential exposure (BIPRU 7.4, 7.5).

BIPRU 10

The Firm monitors its non-trading book limits in line with BIPRU 10.5.2R to BIPRU 10.5.10R. The situation is monitored and assessed on a live basis. When the Firm has a single exposure exceeding 25 per cent of its capital resources, it is recorded internally and monitored until such time as is rectified upon receipt of fees.

Overall Pillar 2 Rule

The Firm has adopted the "Pillar 1 plus" approach to the calculation of its ICAAP Capital Resources Requirement.

BIPRU 11.5.8: Credit Risk and Dilution Risk

The Firm is primarily exposed to Credit Risk from the risk of non-collection of advisory fees. It holds all cash balances with Banks assigned high credit ratings. Consequently risk of past due or impaired exposures is minimal.

BIPRU 11.5.12: Market Risk

This disclosure is not required as the Firm has no market risk capital requirement.

BIPRU 11.5.2: Scope of application of directive requirements

This disclosure is not required as the Firm is not within scope of the Banking Consolidation Directive and is not a member of a UK Consolidation Group.

BIPRU 11.5.3: Capital Resources

The Firm is a BIPRU Investment Firm without an Investment Firm Consolidation Waiver deducting Material Holdings under GENPRU 2 Annex 4.

BIPRU 11.5.5 and 11.5.6

This disclosure is not required as the Firm has no retail or equity exposures.

Capital Resources at 31 December 2014

	2014 (£000's)	2013 (£000's)
Tier 1 Capital	6,562	12,235
Tier 2 Capital	-	-
Tier 3 Capital	-	-
Total Capital before deductions	6,562	12,235
Less Variable Capital Requirement	1,024	1,601
Surplus of own funds	5,372	10,634

BIPRU 11.5.7

This disclosure is not required as the Firm does not have a trading book.

BIPRU 11.5.18

The Firm's remuneration policy has been prepared by the board in consultation with our legal and compliance advisers and reflects the Firm's status as a proportionality Level 3 firm.

The staff that are subject to the FSA's remuneration code are paid a performance related bonus which is calculated by reference to revenues generated, then adjusted to reflect costs and certain other matters.

The combined remuneration paid to senior management in 2014 was £0.90 million.

The combined remuneration paid to all other members of staff subject to the FSA's remuneration code including the above in 2014 was £1.5 million.

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