Quality Capital Management Limited

Pillar 3 Disclosure Statement

Quality Capital Management Limited ("QCM") is authorised and regulated by the UK Financial Conduct Authority ("FCA") as an investment manager and as such is subject to the capital adequacy rules set out in the Financial Conduct Authority's ("FCA") BIPRU sourcebook. As a BIPRU firm QCM is subject to rules set out in the third European Capital Adequacy Directive ("CRD III") and is not required to follow the rules of the fourth European Capital Adequacy Directive ("CRD IV").

The capital adequacy framework consists of three Pillars:

- Pillar 1 sets out the minimum capital amount that meets the Firm's credit, market and operational risk;
- Pillar 2 requires the Firm to assess whether its Pillar 1 capital is adequate to meet its risks and is subject to annual review by the FCA (the ICAAP as set out below); and
- Pillar 3 requires disclosure of specified information about the underlying risk management controls, capital position and remuneration. This document is QCM's Pillar 3 disclosure statement.

As required by the rules of the FCA QCM has undertaken an 'Internal Capital Adequacy Assessment Process' ("ICAAP"). The ICAAP is reviewed annually or whenever there is a material change to the business, whichever is sooner. The most recent ICAAP review was undertaken as at 31 December 2018. The ICAAP process considered the risks that QCM is exposed to and the controls that exist to mitigate those risks. It further considered whether additional capital was required to meet the risks that QCM faces including, as required by the FCA rules, the potential cost of closing QCM down in the unlikely event that such action was necessary. QCM 's Pillar 1 capital requirement is the higher of the base capital requirement of EUR 50,000, the sum of the credit risk and market risk requirements and the fixed overhead requirement. Currently the fixed overhead requirement is the highest of these three requirements and the capital requirement amounts to £1,100,000. QCM have assessed that there is no additional capital requirement under Pillar 2 and thus the Pillar 2 Capital requirement is also £1,100,000.

Risk Management

QCM is an asset manager and does not risk its own capital in the financial markets. QCM does not have regulatory permission to take proprietary trading risk and does not take such risk. Accordingly, the risks that QCM faces are more limited in scope than for other types of regulated firms. The risks and controls detailed below are, in accordance with the BIPRU rules, risks that QCM faces in respect of its own activities. The risk management processes and controls for monies managed by QCM are not part of these disclosures.

Capital

All of the capital of the company is Tier 1 capital. As at 31 December 2018 QCM had Tier 1 capital of £2,214,000.

Approach to risk

QCM has identified and performed an assessment of the key risks that may impact its business. QCM is an investment manager and does not undertake proprietary trading. The material risks to QCM largely fall within the "Business Risk" and "Operational Risk" categories.

Principal risks and uncertainties

Market risk

For the purposes of these disclosures, market risk is the risk value of, or income arising from, QCM's assets and liabilities varying as a result of changes in the market price of financial assets, changes in exchange rates or changes in interest rates.

QCM does not take proprietary trading risk. QCM 's risk management activities are on behalf of clients and QCM 's own money is not at risk. The only market risks that QCM potentially face is currency risk due to the mismatch of the currencies in which income is earned and the currencies in which costs are incurred. Currently this is not a material risk to QCM's business.

Credit risk

Credit risk refers to the potential risk that QCM 's bankers or customers fail to meet their obligations as they fall due.

QCM has appropriate policies to monitor this exposure on an ongoing basis.

Liquidity risk

QCM's liquidity policy is to maintain sufficient liquid resources to cover cash flow imbalances and fluctuations in fees received/receivable. QCM maintains cash balances at its bankers to cover liquidity risk.

Operational risk

Operational risk is the risk of loss arising from failed or inadequate internal processes or systems, human error or other factors. The risk is managed by the directors who have responsibility for putting in place appropriate controls for the business. QCM documents the risks that it is exposed to and the compensating controls in its ICAAP.

Business risk

Business risk is the risk that QCM may not be able to carry out its business plan and could therefore suffer losses if its income falls. This is a risk that all businesses face. The directors continuously monitor income and expenditure levels and adjust their plans accordingly.

Concentration risk

Concentration risk is the risk that QCM is overly dependent upon any one customer or any one group of connected customers either in terms of income dependency or in terms of credit risk. QCM has a diversified income source and is not subject to concentration risk.

Pension obligation risk

QCM has no defined benefit schemes and thus has no pension obligation risk.

Interest rate risk

QCM is not exposed to interest rate risk.

Residual risk

Residual risk is any risk not covered by the specific risk categories outlined above.

The directors do not consider that there are any residual risks that require the Company to maintain any additional capital.

Overall Capital Summary	£2,214,000
Capital	
Total Tier 1 Capital	2,214,000
Pillar 1 Capital requirement	1,100,000
Additional requirement under Pillar 2	-
Total Capital requirement	1,100,000
Capital surplus	1,114,000
Capital adequacy percentage	201.27%

Remuneration disclosures

Under the Remuneration Code (the "Remuneration Code"), QCM, as is standard for an investment management firm, is classified as a Proportionality Level three firm. Proportionality Level three firms are permitted to disapply many of the technical requirements of the Remuneration Code and proportionately apply the Remuneration Code's rules and principles in establishing QCM's policy.

As at 31 December 2018 QCM had 2 code Staff. QCM has only one business area which is its investment management business.

The Decision-Making Process

QCM has concluded that, on the basis of its size, the nature, scale and complexity of its legal structure and business and the nature of the risks that it takes on behalf of clients, it does not need to appoint a remuneration committee. QCM believes that its Remuneration Policy appropriately addresses potential conflicts of interest and that QCM's authorised persons are not rewarded for taking inappropriate levels of risk. The policy is reviewed at least annually and will be amended, as and when required, due to changes in regulation as well as QCM 's own decision making process.

The link between pay and performance

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.

Quantitative Remuneration Data

QCM has concluded that it is not required to publish quantitative remuneration data relating to code staff on the grounds of proportionality, there only being 2 code staff.