Architas Multi-Manager Limited

Pillar 3 Disclosures

1.0 Introduction

This document is a summary of the Pillar 3 disclosure requirements that are required to be disclosed under the Capital Requirements Directive (CRD) as laid out in Chapter 11 of the prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU). The CRD consists of three pillars:

- Pillar 1 specifies the minimum capital levels that the business is required to carry to cover the risks to the business.
- Pillar 2 sets out the supervisory review process to be used by both the business and the Financial Conduct Authority (FCA) to determine whether additional capital should be maintained against any risks not adequately covered under Pillar 1.
- Pillar 3 specifies the disclosure requirements which a business is required to make of its capital, risk exposures and risk assessment process.

Disclosures have been made in this document in compliance with BIPRU 11. This document will be updated on an annual basis or more frequently if required due to material changes.

2.0 Business Structure

Architas Multi-Manager Limited (AMM) is authorised and regulated by the FCA. AMM is categorised as a BIPRU €125k limited licence firm by the FCA and consequently calculates its Pillar 1 Capital requirement as the higher of its fixed overhead requirement (FOR) and the sum of credit and market risk capital requirements.

AMM is a wholly owned subsidiary of AXA UK plc; however AMM is not a member of the AXA UK Group for the purposes of the CRD and is therefore not required to prepare consolidated reporting for prudential purposes.

The principal activities of AMM are a) to act as the Authorised Corporate Director (ACD) for a number of UK open ended investment companies (OEICs) and b) to act as investment manager for UK and non-UK collective investment schemes operated by other companies. In addition AMM also provides investment advisory services primarily to other AXA entities.

3.0 Scope

This disclosure relates solely to the business of AMM, and does not relate to any other AXA regulated entity. AMM is a 100% subsidiary of AXA UK plc.

4.0 Capital Resources

The business has calculated its capital needs in accordance with the relevant FCA regulations for the base capital requirement, the credit risk requirement, market risk requirement and the fixed overhead capital requirement.

The Pillar 1 requirement is the higher of the fixed overhead requirement and the total of our credit risk and market risk requirements. This is the fixed overhead requirement, which is one quarter of our previous year's audited adjusted annual expenditure, since the credit risk and market risk requirements are immaterial in comparison. The figures below are as at 31 December 2015.

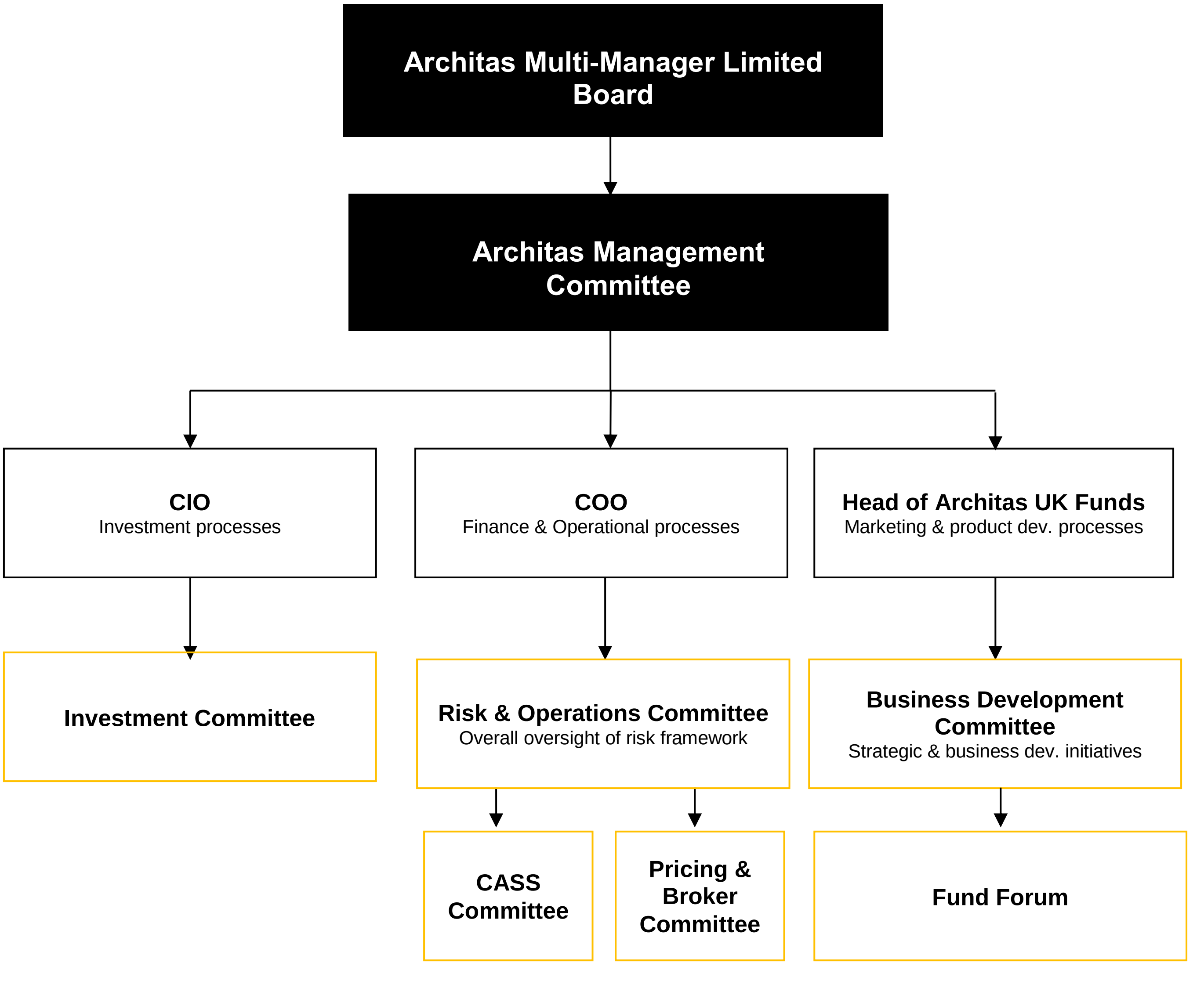
	£m
Tier 1 Capital Resources	26.127
Tier 1 Capital deductions in respect of intangible assets	(13.195)
Tier 1 Capital Resources after deductions	12.932
Tier 2 Capital Resources	Nil
Total Capital Resources before deductions	12.932
Deductions from Total Capital	Nil
Total Capital Resources after deductions	12.932

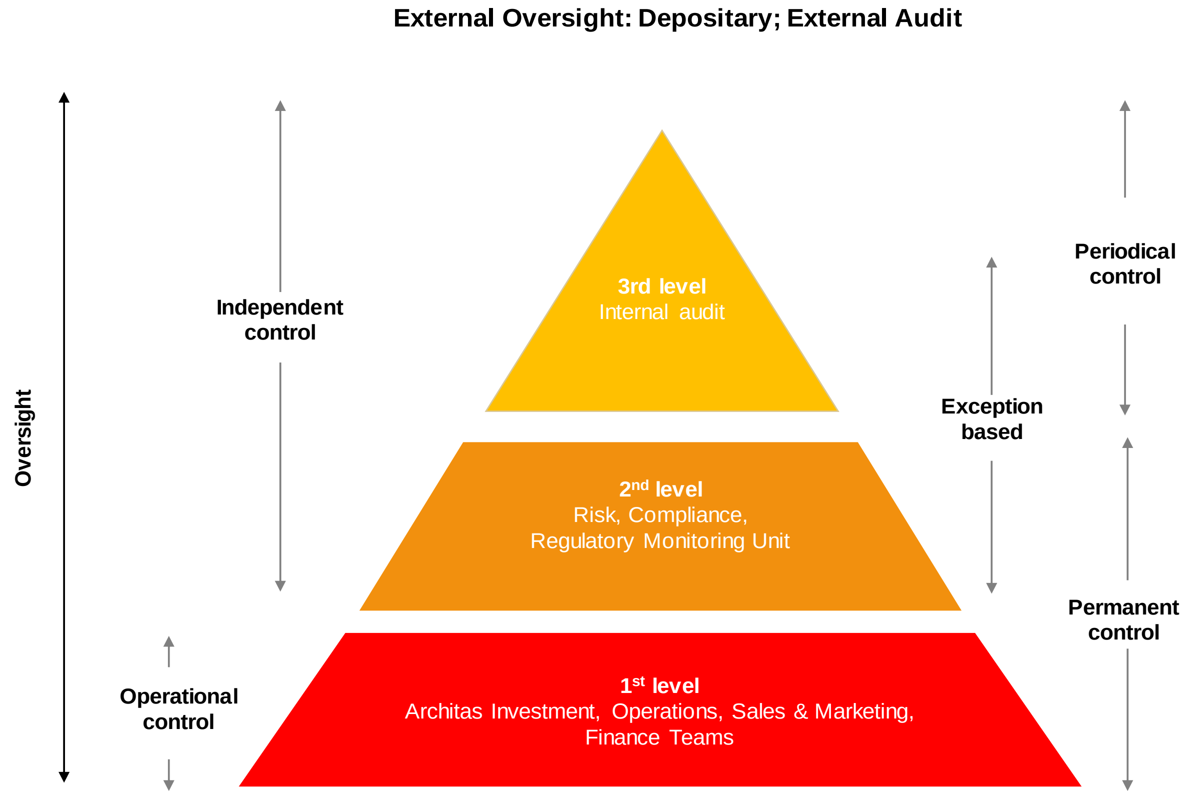
In addition to Pillar 1 Capital we are required to hold additional capital in respect of Pillar 2. This is calculated following a detailed risk assessment process, which is supported by the Risk Management Framework outlined below.

5.0 Risk Management Framework

AMM is part of the AXA UK Group which has established a group-wide risk management framework and policies. These are designed to provide a mechanism and framework for risks identification and controls. In addition, AMM has its own risk function, governance structure and processes appropriate for an Investment Management Company with specific focus on risk identification, control and management and risk management feeds into the decision making processes.

An overview of the AMM risk governance structure is shown below together with a diagram showing the three lines of defence model in place.





5.1 Risk identification, assessment and management

The Company has adopted a comprehensive risk assessment methodology in accordance with the AXA UK Group requirements to identify, evaluate and manage the risks to which the Company is exposed.

Risks are assessed within AMM at a functional level with reference to risk categories and the Company's knowledge of both internal and external loss events.

The extent to which AMM is exposed to a particular risk is assessed on the basis of frequency of occurrence and severity of impact when considering the internal control environment surrounding the risk and an extreme scenario of no or failing controls. This allows identification of both the gross, inherent risk exposure and the net, residual risk exposure post controls.

The risk owners are responsible for ensuring that effective and appropriate controls are implemented and maintained to mitigate the risks identified.

The AMM risk team challenges the results of the risk identification and assessment process performed within each function.

The functional risk profiles are consolidated to provide a view of risks across AMM in particular to:

- Identify and report on the top risks across the Company at a point in time
- Compare and aggregate risk profiles across the Company in order to identify trends and themes

Reports on the risks are provided to and reviewed by governance bodies including the Risk and Operations Committee, Management Committee and the Board.

6.0 Key Risks

Key risk areas identified, assessed and managed are as follows:

6.1 Operational & Business Risks

Operational risk is the risk of loss due to failed or inadequate people, processes or systems. The failure or inadequacy may result from both internal and external causes.

Key operational risks considered using the risk assessment methodology include:

- Breakdown of employee relations or failure to adhere to employment law
- Breaches in regulation and legislation
- System failures and business disruption
- Significant fund management or dealing error
- Failure to operate within investment guidelines
- Fund pricing error
- Failure of outsourced third party supplier or key external vendor
- Internal fraud
- External fraud

Operational risks are managed within management's tolerance for risk.

6.2 Non-key risks

Whilst some operational risks are key to the Company's business, there are also other risks that the Company may be exposed to. The Company is exposed to these risks through the inherent uncertainty in undertaking business affecting its financial assets and liabilities. The most important components are market, credit and liquidity risks.

6.3 Liquidity risk

Liquidity or cash flow risk is defined as the risk that the Company, irrespective of solvency and profitability, may not have sufficient available cash (or near cash assets or funding facilities) to enable the Company to meet its day to day liabilities as they fall due.

Due to the high level of capital held by the Company to meet both its Pillar 1 requirement and operational risks (Pillar 2), AMM does not face a significant liquidity risk in the normal course of business, either in respect of its own cash resources or those of the underlying funds that it is responsible for.

6.4 Credit risk

Credit risk can be defined as the risk of capital or income loss resulting from counterparty default or issuer credit downgrades. Credit risk can arise from investment related assets or from non-investment related assets. An AXA UK group-wide policy exists for the control of investment related credit risk whilst a business unit level policy exists for non-investment related items.

The most significant credit risks are those for the sales debtors on the AMM Balance Sheet and the AMM bank accounts. These risks are monitored and mitigated as appropriate, and are not considered to be material.

6.5 Market risk

Market risk can be defined as the risk that movements in market factors namely equity, bond, property and commodity prices, interest rates and foreign exchange rates impact adversely the value of and income earned from the assets under management. AMM has considered the effects on its revenues, costs and capital resources of a severe and prolonged market downturn and has set aside appropriate capital for such eventualities.

AMM also considered the impact of market movements to the assets held on its Balance Sheet. The only assets affected by market movements are the box holdings in the shares held in the OEICs that AMM operates. AMM's policy is to keep these holdings to a minimum and does not seek to derive investment gains on these holdings.

6.6 Other risks

There are other risks outlined within Chapter 1 of the General Prudential sourcebook (specifically GENPRU 1.2.30R), as well as other risks identified internally which are not currently significant or appropriate to AMM's business or have been considered as part of the risks outlined in 6.1. These include:

- Group Risk
- Insurance Risk
- Concentration Risk
- Residual Risk
- Securitisation Risk
- Interest Rate Risk
- Pension Obligation Risk
- Literature Risk

6.7 Remuneration disclosure 2015 - Architas Multi-Manager Limited

Our regulator, the FCA, has implemented a number of rules and requirements under 'The Remuneration Codes' which are intended to support their fundamental objectives of sustaining market confidence and to promote financial stability through reducing incentives for risk-taking by regulated firms. Specifically, Architas is subject to the BIPRU Remuneration Code as outlined in the Chapter 19C of the FCA's Senior Management Arrangements, Systems and Controls (SYSC) Handbook. This Remuneration Code therefore sets out requirements to ensure that remuneration policies and practices are consistent with and promote effective risk management. AMM is categorised as a Level 3 firm under the rules, which determines the extent to which the rules must be applied. In line with our regulatory obligations, the following information provides an overview of the governance and decision-making processes relating to our remuneration policies and practices. It also provides an overview of how pay and performance are linked within our 'Remuneration Code' firms and sets out certain aggregate quantitative information required to be disclosed by Level 3 firms:

1. The remuneration policies are set by Human Resources (HR), in conjunction with the requirements of the business unit, Finance & Business Risk. The policies for Remuneration Code Staff will then be subject to approval by the AXA UK Remuneration and Nomination Committee. HR will design the reward policies in line with market benchmark and financial metrics agreed by Finance and requirements from the business. AXA Wealth Business Risk will provide an additional control to ensure the schemes do not promote excessive risk. The AXA UK Remuneration and Nomination Committee have overall governance over the schemes for Remuneration Code Staff including having direct oversight of the remuneration for those individuals in control functions.

2. There are a number of remuneration schemes in place depending on the level of seniority within the business which ensure alignment of reward with long-term and short-term objectives of the business and retention of key skills within the business. There is a direct link between performance and reward with Company performance, dictated by specific key metrics, driving the amount of reward that can potentially be allocated. This can also be impacted by personal performance (and any risk adjustment where appropriate). Within scheme designs there are minimum thresholds which Company performance and personal performance must achieve before any payment can be made. Examples of Company performance metrics used within the various schemes are New Money, Assets, P&L, Post tax earnings, Customer Scope, Expenses and Company value.

3. Quantitative Disclosure

   Number of Code Staff = 25

Total Remuneration = £3,184,197
Total Variable Remuneration = £2,088,373

For each individual, an estimation of the proportion of their remuneration relating to AMM has been made. This was based on a time spent basis.

All of the individuals included in the disclosure above are defined as senior management of AMM.