DART CAPITAL

Pillar 3 Disclosure - Financial year ended 30 April 2019

August 2019

Contact us

Richard Whitehead
richard.whitehead@dartcapital.com

Dart Capital
61 Queen Street, London EC4R 1EB
Tel: 020 7283 1117
Fax: 020 7283 0891

Dart Capital Limited is registered in England and Wales.
Company number: 2146006
Dart Capital Limited is authorised and regulated by the Financial Conduct Authority. FCA registered number: 137569

Introduction

Dart Capital Ltd (Dart) is authorised and regulated by the Financial Conduct Authority as an investment management company with permission to control clients' money but not to hold client money. Dart is subject to the requirements of the Markets in Financial Instruments Directive (MiFID) and is classified as a Limited Licence BIPRU €50,000 firm and, as such, is required to comply with the three Pillars of Basel II (the Capital Requirements Directive). The three Pillars that make up the Capital Requirements Directive are set out below.

- Pillar 1 sets out the minimum capital requirements that we need to retain to meet our credit, market and operational risk;
- Pillar 2 requires us, and the FCA, to take a view on whether we need to hold additional capital against firm-specific risks not covered by Pillar 1; and
- Pillar 3 requires us to develop a set of disclosures which will allow market participants to assess key information about our underlying risks, risk management controls and capital position.

This document is designed to satisfy the requirements of Pillar 3 by setting out Dart's risk management objectives and policies.

The aim of Pillar 3 is to encourage market discipline and improve comparability and consistency by developing a set of disclosure requirements for investment firms and credit institutions that will allow other market participants to assess key pieces of information on a firm's capital, risk exposures and risk assessment processes. The disclosures are to be made public for the benefit of the market.

All figures in this document are correct as at 30 April 2019 unless stated otherwise.

Governance Structure and Risk Management Policies and Objectives

Dart provides portfolio management and financial planning services to a small number (circa 421) of private clients and trusts, supported by market leading technology and third party outsource arrangements. The fee income is recurring as it is based on a multiple of the funds under management.

Dart's Board has both Executive and Non-Executive Directors who provide leadership and are responsible for the long term success of the firm. The Board determines strategy and oversees its implementation. The Board has ultimate responsibility for risk management which is driven by the nature of the business, Dart's regulatory permissions and applicable regulations. The Board set the standards expected of the business, risk appetites and the behaviours expected of Directors and employees. In order to facilitate effective oversight, a number of Committees are in place.

These include:

- **Audit Committee:** responsible for overseeing the financial reporting and disclosure process, monitoring choice of accounting policies and principles and overseeing hiring, performance and independence of external auditors.
- **Risk Committee:** responsible for reviewing and acting on any identified areas of concern and ensuring that relevant risks are considered with clear mitigation plans.
- **Remuneration Committee:** responsible for determining and recommending salaries and bonuses in a fair and consistent manner for Directors and employees and for ensuring that salaries are competitive with the market and bonuses are calculated as outlined in Dart's Remuneration Disclosure which is available on Dart's website.

Under the direction of Dart's Chief Executive, the firm's management team is responsible for managing day to day business activities and client services supported by a number of Management Committees.

Dart applies the principles of the three lines of defence approach to risk management but given the firm's size there is no separate internal audit function. Dart assesses risks posed by its activities (including operational, regulatory and conduct risks). These risks are assessed against the controls in place. A rating is applied to each risk, as well as determining the monitoring activity required to manage the risk.

The Board and management team gather relevant management information which is then reviewed to determine whether there are any concerns with regards to crystallisation of risks and the potential for poor client outcomes.

Management information is reviewed by the Risk Committee which ensures that the Board is aware of concerns, that action can be taken to address risks identified and processes for managing risk are appropriate to the nature, scale and complexity of Dart's activities.

Dart monitors risks identified through the use of management information, external news & developments from industry & the FCA, internal compliance monitoring and external audit.

Where possible, the firm will attempt to manage all the risks that arise from its operations.

The ways in which the firm manages the risks faced include producing key risk information and indicators to measure and monitor performance and using the Risk Committee to monitor and control specific risks.

Dart is not currently exposed to Credit Risk, Market Risk (including interest rate risk), Position Risk, Foreign Exchange Risk, Counterparty Risk, Securitisation Risk or Large Exposures resulting from the same, as the firm is not authorised to and does not Deal as Principal or underwrite new issues of securities.

Dart has potential credit risk arising from clients. However, in practice the firm's fees are invoiced to and settled direct from client accounts or are transactions backed by cleared funds or third party settlement. As a result the firm has virtually no credit risk exposure.

Dart has potential counterparty risk arising from AJ Bell Securities Limited (AJBS) as our clients' primary custodian. AJBS is a regulated entity and as such is subject to equivalent regulatory jurisdiction as the firm. There is a tripartite agreement between Dart, AJBS and the client.

Dart is highly unlikely to have any significant exposures to any client or third party.

Dart's operational risk is managed in a professional and appropriate manner given the size and nature of its business. As such, the firm is of the view that operational risk does not give rise to any additional ICAAP capital requirement.

Risk Management Function

Structure

Dart is a small firm with twenty one employees of which five are directors. The directors hold quarterly meetings to review and identify any new risks and monitor previously identified risks.

Risk Reporting and Management Systems

There are a number of reports and processes that are employed by the firm to enable key risks to be identified, reported to appropriate personnel for consideration and, where required, action and managed. These include:

Quarterly Risk Assessment

This is an assessment of all relevant risks that the firm is likely to face in the next twelve months and is performed on a quarterly basis. The report is presented to the Board for review and approval and is used as the basis for the firm's compliance monitoring for the following period.

Compliance Resource Assessment

This assessment determines the level of internal compliance resource required by the firm for the period covered by the compliance risk assessment and will identify shortfalls in resourcing that could lead to compliance weaknesses and breaches. This is performed annually and is presented to the Board for review and approval.

Money Laundering Risk Assessment

A forward looking annual assessment of the risks the firm faces from money laundering and wider financial crime. The MLRO will use this assessment to drive the necessary anti financial crime initiatives within the firm.

Compliance Oversight Officer's Report

An annual consideration of the standard of the firm's compliance over the preceding year. The report is presented to the Board for consideration and action as necessary.

MLRO Report

An annual consideration of the standard of the firm's anti money laundering and other financial crime practices over the preceding year. The report is presented to the Board for consideration and action as necessary.

Capital Resources

The firm's capital resources comprise share capital and audited reserves.

Tier 1, Tier 2 and Tier 3 capital is as set out below:

	Tier 1 Capital
Gross	£1,211,710
Less Innovative Tier 1 capital	£0
Deductions	£0
Net	£1,211,710

	Tier 2 Capital
Gross	£0
Plus Innovative Tier 1 capital	£0
Deductions	£0
Net	£0

	Tier 3 Capital
Gross	£0
Net	£0

	Total Capital Resources
Gross	£1,211,710
Deductions	£0
Net	£1,211,710

Integration Into Business Strategy

It is the intention of the firm to maintain sufficient capital resources to allow it to continue to operate profitably in the private wealth management sector and to provide a reasonable return for the shareholders of the firm. In order to maintain this capital the firm must generate and retain profits that will add to the firm's financial reserves.

Internal Capital Adequacy Assessment Process ("ICAAP")

The latest ICAAP has been prepared based on 30 April 2019 financial statements and was approved by the Board in May 2019.

The ICAAP combines Pillar 1 and Pillar 2 requirements and involves a detailed analysis of the various elements of the business to understand the need for capital in the forthcoming period. Various models are tested in the process to identify areas where additional capital may be required to manage the risks to which the firm is exposed.

The result of the ICAAP is challenged by a party independent of the preparation of the ICAAP and this is ultimately reviewed and approved by the Board to ensure that there is sufficient capital within the firm to meet our future plans and anticipated risks.