

## Pillar 3 Disclosure

31<sup>st</sup> December 2011



## **Introduction**

Barratt and Cooke Ltd is a member of the London stock exchange and is authorised and regulated by the Financial Services Authority. The Company has performed an Internal Capital Adequacy Assessment Plan (ICAAP) which highlights the financial risks to the business.

The capital requirement directive has three pillars these are

- 1.) Pillar 1:- This is a variable capital requirement based upon the market, credit and operational risk. The firm must maintain capital that is equal to or greater than this requirement.
- 2.) Pillar 2:- Requires firms to assess the additional capital that must be retained in order to cover the risks that may not be covered under Pillar 1.
- 3.) Pillar 3:- A firm has to publish key information on its risk exposure and its risk management. This must be updated at least annually.

## **Background of the Firm**

Barratt and Cooke Ltd is an incorporated company which has been providing traditional stockbroking advice for over 120 years. Situated in the heart of Norwich, the firm has approximately £1bn under management and although it has clients from all over the country the majority originate from Norfolk and East Anglia.

Barratt and Cooke focus on providing bespoke advice whereby they tailor individual portfolios to the requirement of each client. In order to meet client's objectives, whether their priority is for growth, income or capital preservation, the experienced team of investment managers construct balanced diversified portfolios.

### **Risk Management Objectives.**

This document has been prepared under the requirements of Pillar 3 to provide information about the risk management undertaken and the implications on the Capital requirements. The Board of Directors meet on a regular basis and they determine the risk appetite of the firm and are constantly reviewing and updating the processes and procedures to reduce the risks.

### **Risk Categories and Definitions**

The ICAAP is reviewed and approved by the board half yearly, but will be revised should there be any material changes to the Company's business or risk profile. The ICAAP outlines the risk in BIPRU 11; the following risks have been identified as material to the business and can be divided into four categories:

Operational Risk

Credit Risk

Market Risk

Liquidity Risk

Each of these risks have been addressed in the ICAAP, however the risks can never be completely eliminated.

### **Operational Risk**

Operational Risk can be defined as “the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events”.

Processes and procedures are in place and available to all staff and are updated constantly. The compliance department do numerous checks and monitoring and in addition Professional Indemnity Insurance is held.

### **Credit Risk**

Credit Risk is the risk that a client or counterparty will fail to complete a financial transaction according to the terms of the contract, resulting in a loss to the financial institution. The largest risk to the business is if the counterparty was to default while the firm had outstanding unsettled stock/funds with them; however the majority of the business is traded using the deliver versus payment process.

### **Market risk**

The firm does not proprietary trade and therefore has very limited market risk. In the event that any position was held for any reason then it would be monitored according to a level of degree of risk agreed with by the directors. The firm does hold Index link Gilts for security reasons, the price movement of these is minimal.

### **Liquidity Risk**

Liquidity risk is where a firm’s cash flow is insufficient to meets its payment obligations as and when they fall due. The firm invests the profits twice yearly into Index Linked Gilts which can be released on a T+0 basis if needed. The board are constantly reviewing and ensuring that there is sufficient liquidity held in the business; the firm does not rely on any debt financing and also owns its own property.

### **Capital Resources**

Barratt and Cooke hold sufficient monies to cover the capital requirement.

### **Remuneration Code**

Barratt & Cooke are classified as a Tier 4 firm for remuneration purposes as specified in the Financial Services Authority rules. A remuneration committee, consisting of the Directors, deals with all decisions regarding remuneration and identifying the ‘code staff’ (members of staff whose activities have a material impact of the firms risk profile). The Barratt & Cooke code staff are the Directors, Non- Executive Directors and the Associate Directors.

The number of Code Staff is 8 these are categorised as senior management and staff who's professional activities have a material impact on the firms risk profile ( BIPRU 11.5.18R)

	£ 000's
Total Aggregated remuneration in respect of Code Staff :	1,300
Fixed Remuneration	746
Variable	554

The disclosures within this document will be updated at least annually.