

Capital Requirements Directive (CRD) – Pillar 3 Policy and Disclosure

Introduction

Pillar 3 complements the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2). The requirements of the CRD have been outlined by FSA regulations within the General Prudential Sourcebook (GENPRU) and the Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU).

This document has been produced by City Asset Management Plc (CAM) in order to outline the Company's risk management objectives and therefore to satisfy its Pillar 3 obligations.

Background

The Company, established in 1988, is mainly owned by its working directors. The Company is authorised and regulated by the Financial Services Authority (FSA) and our FSA register number is 122483. The Company predominantly provides discretionary investment management and financial advice services to private clients but also provides these services to corporations and authorised intermediaries. According to BIPRU, and for capital requirements, the Company is classified as a €125,000 limited licence firm which holds client assets but does not trade on its own account.

Risk Management

CAM gives serious attention to risk control across the whole range of its activities with specific reference to the following functions:

- Organisational structure
- Business and operational processes
- Compliance monitoring and reporting
- Staff development and integrity

CAM manages proactively the risks that arise from its operations and has identified Liquidity Risk, Market Risk, Operational Risk, and Business Risk as the principal risks affecting the company.



Because of the nature of its operations and business scope, CAM does not routinely expect to be materially exposed to Credit Risk, Insurance Risk, Concentration Risk, Securitisation Risk, Interest rate Risk and Pension obligation Risk

The company's directors and managers are fully involved in risk management and hold regular board, management and compliance meetings where risk controls and risk events are discussed and, where necessary, action taken.

In addition to the above meetings the Compliance department also produces for management review a monthly "Management Information" report containing key facts about the operation of the Company.

The Compliance Department also monitors departmental reporting processes covering all regulated activities across the entire Company.

Capital Resources and Requirement

	<u>30 September 2011</u>	<u>30 September 2010</u>
<u>Tier 1 Capital</u>		
Share Capital	£75,000	£75,000
Redemption Reserve	£70,383	£70,383
Share Option Reserve	£262,262	£96,315
Retained Earnings	£4,286,570	£4,309,214
Core Tier 1 Capital	£4,694,215	£4,550,912
Tier 2 Capital	Nil	Nil

Other information

Frequency	CAM will make Pillar 3 disclosures annually
Location	Disclosures will be made on CAM's website (www.city-asset.co.uk)
Appropriateness	All disclosures will be reviewed and approved by the Board of CAM
Verification	Verification of the disclosures will be performed by CAM's Board, Accounting department and the Compliance department