

**DRAGON**  
INVESTMENT MANAGERS

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**Capital Requirements Directive: Pillar 3  
Disclosures**

March 2020

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## 1. Introduction

Dragon Investment Managers Limited ('Dragon IM') is classified as a BIPRU €50k firm and, as such, is required to comply with the three "Pillars" of the Capital Requirements Directive. These are:

- Pillar 1, which sets out the minimum amount of capital that we need to meet our basic regulatory obligations;
- Pillar 2, which requires us and our regulatory supervisors to consider the requirement to hold additional capital against risks not covered in Pillar 1 which is implemented through the Internal Capital Adequacy Assessment Process ("ICAAP") undertaken by Dragon IM, and by the FCA through the Supervisory Review and Evaluation Process ("SREP");
- Pillar 3, which requires us to disclose to market participants key information about our underlying risks, risk management controls and capital position.

The purpose of this document is to meet our obligation in respect of Pillar 3. Dragon IM makes Pillar 3 disclosures on at least an annual basis, as soon as practicable following the end of our Financial Year. These are provided on our corporate website, [www.DragonIM.com](http://www.DragonIM.com).

The rules allow for firms to omit certain information, in specifically-defined circumstances, where it believes that the disclosure contains information that is immaterial, proprietary or confidential. **We confirm that we have NOT omitted any disclosures on these grounds.**

All figures in this document are correct at 30<sup>th</sup> September 2018 unless stated otherwise.

## 2. Background to the Firm

Dragon IM obtained permission to carry out regulated activities in 2016 and started providing services in July of that year. We are authorised and regulated by the Financial Conduct Authority under firm reference number 211075.

Full details of our permissions can be viewed online via the FCA register at: <https://register.fca.org.uk/>

Our main activity is providing investment management and stockbroking services to UK based retail and corporate clients.

Dragon IM is a wholly owned subsidiary of 75point3 Limited, which is also an FCA authorised and regulated firm. Ownership is expected to change in the current financial year and this will be set out in the ICAAP review which is being undertaken in mid 2020.

Dragon IM provides 'unconsolidated' reporting to the FCA, and has undertaken the ICAAP and Pillar 3 disclosure on a solo basis.

### 3. Risk Management Policies and Objectives

#### Risk Appetite

Dragon IM's risk culture and its philosophy regarding risks are established by the Board of Directors ("The Board"). We seek to inculcate a conservative risk culture, consistent with our values of client first, conservatism, independence and integrity.

The Board reviews the risk profile of the organisation and ensures alignment with Dragon IM's strategic plan.

#### Risk Management Framework

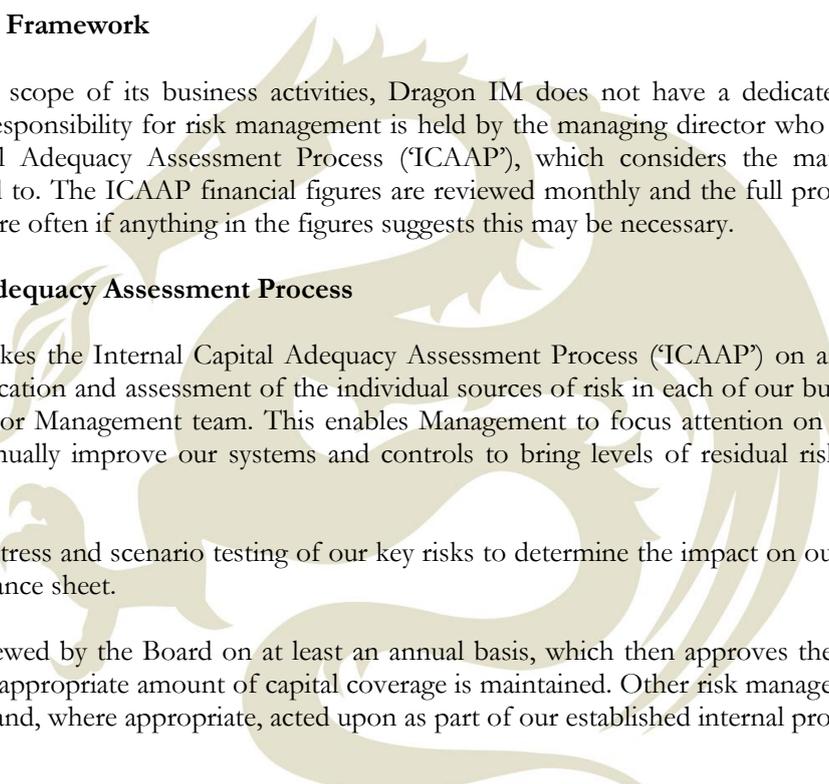
Given the size and scope of its business activities, Dragon IM does not have a dedicated risk management function. Instead, responsibility for risk management is held by the managing director who personally conducts the Internal Capital Adequacy Assessment Process ("ICAAP"), which considers the material risks that the company is exposed to. The ICAAP financial figures are reviewed monthly and the full process is conducted at least annually or more often if anything in the figures suggests this may be necessary.

#### Internal Capital Adequacy Assessment Process

Dragon IM undertakes the Internal Capital Adequacy Assessment Process ("ICAAP") on an annual basis. This involves the identification and assessment of the individual sources of risk in each of our business activities with input from the Senior Management team. This enables Management to focus attention on the top risks to our business, and continually improve our systems and controls to bring levels of residual risk to within our risk appetite.

We also undertake stress and scenario testing of our key risks to determine the impact on our current and future profitability and balance sheet.

Our ICAAP is reviewed by the Board on at least an annual basis, which then approves the firm's risk appetite and ensures that an appropriate amount of capital coverage is maintained. Other risk management information is collected, reviewed and, where appropriate, acted upon as part of our established internal procedures.



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#### 4. Identification of Material Risks and Mitigating Controls

Dragon IM has undertaken the ICAAP for the upcoming financial year and has determined the major sources of risk that our Firm faces. These are summarised below along with the controls we have in place to manage them:

Risk Category	Risk Description and Mitigating Controls
Credit Risk	<p>The risk of loss due to a client or counterparty defaulting on its obligations. All of our trading is outsourced to <a href="#">Raymond James Investment Services Ltd</a> (RJIS) which uses multiple counterparties to mitigate this risk.</p>
Operational Risk	<p><b>Operating Risk:</b> The risk resulting from inadequate or failed business processes and systems. Dragon IM seeks to monitor potential sources of errors arising from its operations and continually strengthen its internal systems and processes to reduce our residual risk exposure. Additionally, we maintain PI insurance cover to cap our exposure to operational errors.</p> <p><b>Information Security:</b> Unauthorised access to private, confidential, or proprietary company or client data. Mitigated through selection of appropriate IT partners. Presently client data housing is outsourced to RJIS. We have reviewed RJIS Information Security policy in that organisation's Pillar 3 disclosures. At the start of 2020 we implemented a proprietary back office system from <a href="#">Intelliflo Ltd</a>, this system is specifically designed for and is widely used by, financial services businesses.</p> <p><b>Workforce Development:</b> loss of key staff and skills. Mitigated by the maintenance of competitive staff compensation, provision to pay for staff professional development.</p> <p><b>Supervisory:</b> The risk resulting from inadequate supervision of retail clients and/or non-compliance with regulation. Mitigated through our compliance monitoring, with assistance from external consultants, <a href="#">SimplyBiz</a> and backed by Professional Indemnity insurance.</p>
Liquidity Risk	<p>Insufficient funds to meet liabilities as they fall due. Mitigated by the regular monitoring of liquidity and regular monitoring of capital coverage. There is no risk of offset against client assets as Dragon IM does not hold client money or assets.</p>
Business Risk	<p>Adverse movements in securities markets may affect commissions and fees from assets under management. Mitigated by the retention of appropriate capital resources, which are determined on the basis of stress testing, sensitivity testing and modelling.</p>

Dragon IM consider each of these listed risks as giving rise to Reputational Risk - damage to our reputation either through censure by our regulator or by a perception in the market of poor quality and service. We therefore consider the severity of the impact to Dragon IM's reputation in the assessment of both the inherent and residual risk that we face in each of our key risk areas.

## 5. Capital Resources

Capital is held to ensure that a suitable operating margin is maintained in excess of our regulatory requirements.

Pillar 1 capital requirements are the greater of:

- Base capital requirement of €50,000; or
- The sum of market and credit risk requirements; or
- The Fixed Overhead Requirement

We have determined that, as at 31<sup>st</sup> March 2020, the Fixed Overhead Requirement established our Pillar 1 capital requirements.

The firm's tier 1 capital resources comprise entirely of share capital and reserves. The capital position of the firm as at 30 September 2018 is as set out below:

Regulatory capital as at 30 September 2017	£'000s
Total Tier 1 Capital after deductions	353
Total Tier 2 Capital	-
Total regulatory capital	353
Pillar 1 Minimum capital requirement	65
Surplus	288
Regulatory capital % of minimum capital requirement (solvency ratio)	543%

## 6. Integration into Business Strategy

Our current primary objective is:

- To continue to grow client numbers in North Wales via introductions from a network of professional connections and from existing customers.

We intend to maintain sufficient capital resources to allow us to achieve this objective whilst meeting our regulatory obligations. Accordingly, our Internal Capital Adequacy Assessment Process ('ICAAP'), which considers the prudential risks that we are exposed to, is undertaken on at least an annual basis and considers our future cash flow and capital adequacy projections to ensure that sufficient capital exists within the firm to meet our future plans and anticipated risks. The ICAAP is reviewed and approved by the Board.

## 7. Remuneration Code

The Dragon IM Board has reviewed and considered the requirements of the FCA Remuneration Code. The Board has determined that the Company's policy on remuneration is in line with its regulatory obligations and the best interests of its staff and customers.

