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Asset Management One International Ltd.

# MIFIDPRU 8 Disclosure

July 2023

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## 1.1 Overview

This disclosure is in relation to Asset Management One International Ltd (“AMOI” “the firm”). AMOI is an investment management firm providing discretionary investment management services to institutional investors and professional investors including financial intermediaries. AMOI is authorised and regulated by the Financial Conduct Authority (“FCA under reference number 186147”).

This document sets out the public disclosures for AMOI as at 31st December 2022, which represents the end of AMOI’s financial accounting period. This disclosure will be published on an annual basis and will be assessed outside of this schedule should there be a material change for the firm.

### *Basis of disclosure*

As a UK investment firm undertaking activities within the scope of the UK Markets in Financial Instruments Directive (“MIFID”), AMOI is subject to the prudential requirements of the Investment Firms Prudential Regime (“IFPR”) contained in the MIFIDPRU Prudential sourcebook for MIFID investment firms of the FCA Handbook.

AMOI is required to disclose on an individual entity basis in line with the requirements described in MIFIDPRU 8. This disclosure is in relation to AMOI as a private limited company registered and authorised by the Financial Conduct Authority (“FCA”).

This disclosure can be found on the AMOI webpage (<https://www.am-one-int.co.uk/>).

AMOI is wholly owned by parent company Asset Management One (“AMO”), and ultimately owned by Mizuho Financial Group and Dai-ichi Life Holdings.

## 1.2 Risk Management & Governance

AMOI’s day-to-day business is overseen by the Board of Directors which is the senior governing body of the firm.

AMOI’s Board is collectively responsible for the long-term success of AMOI and the delivery of sustainable value to the shareholder, investors and employees. The AMOI Board provides leadership within a framework of prudent and effective controls which enables risks to be assessed and managed.

In carrying out its duties, the directors will act in accordance with all relevant and applicable legislative and regulatory rules, including the Senior Managers and Certification Regime, which aims to improve individual accountability and awareness of conduct issues. To enforce these clear lines of responsibility Compliance and Internal Audit provide independent oversight and report to AMOI’s Board.

The Board ensures that the Risk Framework Policy effectively identifies and manages the material risks to which the business is exposed and the resulting harm it can cause. The Board monitors to ensure adherence is agreed within risk appetite; to protect value by contributing to the achievement of the corporate objectives; and provides for a risk process to ensure the effective escalation of material risk issues.

### 1.2.1 Potential for harm

Through the firm's business operations, the material potential harms that could be caused by AMOI would largely be the result of:-

- **Harm to ~~clients~~-clients:** Operational incidents or errors impacting our investment management activities. ~~I~~-if these were to crystallise we would look to compensate the client through redress, however this may still result in reputational damage and loss of clients.
- **Harm to ~~markets~~-markets:** The harm that the firm can cause to markets in which it operates is considered limited due to its size, market share and activities.
- **Harm to ~~firm~~-firm:** ~~T~~he harm is from an unexpected financial loss including having to compensate clients due to operational incidents.

### 1.2.2 Risk Appetite

The risk appetite defines the level and type of risk that AMOI is prepared to accept in pursuit of its strategic objectives and business strategy, taking into account the interests of clients, shareholders and other stakeholders as well as capital and other regulatory requirements.

The agreed risk appetites ensures that there are adequate financial resources (capital and liquidity) to enable AMOI to remain financially viable, with the ability to address any potential material harms that may result from its ongoing activities.

We have a low tolerance for any situation ~~t~~what could put our capital or liquidity positions at risk.

### 1.2.3 Risk profile

AMOI is exposed to various risk types in pursuing its business objectives which can be driven by internal and external factors. Understanding and managing these risks is both a business imperative and a regulatory requirement.

Some risks are pursued to support the business plan such as the risks relating to investment performance. Other risks are inherent in routine business activities.

The type and severity of the risks we face can change quickly in a complex and evolving market environment, therefore the framework for managing these risks is dynamic and forward-looking to ensure it considers both current and emerging risks which could potentially have an impact on AMOI.

## 1.2.4 Effectiveness of the risk management process

Under the Risk Management Framework Policy, the Board ensures that:-

- all new initiatives and projects are formally assessed and evaluated for the degree of risk exposure and regulatory capital impact to the firm; and
- all principal risks facing the firm are formally assessed including those that threaten the business model, future performance, solvency and liquidity.

The Compliance Officer ensures that the Compliance team maintain a level of independence from the first line and provides independent challenge and oversight of its first line control activities.

## 1.2.5 Risk assessments

AMOI actively identifies and assesses the risks and potential harms associated with its key business strategy, ongoing operations, business change or external threats, as well as identifying and assessing the quality of controls in place to mitigate the associated risks and reduce the potential material harms.

These assessments are completed using AMOI's Risk Framework, including the Internal Capital and Risk Assessment (ICARA) process, the firm's Control Self Assessment (CSA) Process, and Operational Risk Reports. The risk assessments are reviewed by Senior Management.

## 1.2.6 Key risks considered

As an investment firm, the most material risk exposures are in the strategic, market and operational categories.

AMOI monitors exposure to these risks and associated harms including the following as examples:-

Risk type	Harm	Treatment
Operational Risk	Harm to firm	Operational risk is the risk of potential losses which arise as a result of the Company's business and include loss attributable to human error, systems failure, IT systems, cybercrime or from external events (such as regulation) and includes legal, financial crime and market abuse risks.
	Harm to clients	
	Harm to markets	Operational risk may arise from errors in transaction processing, breaches of internal control, failure to adhere to investment compliance requirements, internal or external fraud, damage to physical assets and/or business disruption due to systems failures or other events.

Risk type	Harm	Treatment
		<p>The Company has established a control framework so that the risk of financial loss to the Company through operational risk is minimised. This business continuity and disaster recovery plan has been put into place to manage its operational business risks during emergencies and to ensure the safety of its staff.</p> <p>AMOI seeks to manage operational risk with control measures in place such as:</p> <ul style="list-style-type: none"> <li>• Regular review of results and establishing clear policies, procedures and controls.</li> <li>• Identification of key risks and the segregation of duties, enforced through IT access privileges and process controls.</li> <li>• The regular testing and annual review of Business Continuity and Disaster Recovery plans.</li> <li>• Dual or triple authorisation procedures in place for dealing and payments, and transaction checking controls.</li> <li>• Pre-employment screening to aid the recruitment and development of appropriately skilled individuals, with staff training on an ongoing basis.</li> </ul> <p>Central to the management of operational risk is the monitoring of key controls.</p> <p>The firm has a programme of insurances designed to reduce its liability exposure to protect its assets.</p>
Reputational Risk	Harm to firm	<p>Reputation risk covers the risk that the firm’s reputation is damaged resulting in a significant loss of revenue due to the impact on the client base or loss of key staff.</p> <p>In assessing reputation risk, consideration has also been given to:-</p> <ul style="list-style-type: none"> <li>• The risk that poor performance can affect ability to generate income</li> <li>• The risk of misconduct by employees</li> <li>• The risk that legal and regulatory requirements are violated</li> <li>• The risk that AMOI has not complied with client contracts and the resulting claim or legal action is significant</li> <li>• The risk that AMOI suffers a significant cost due to fraud or theft</li> </ul>

Risk type	Harm	Treatment
		<p>AMOI acts in the best interests of clients and always places their interests first. To help ensure this, AMOI has a strong risk framework and tolerances to ensure that inherent conflicts of interest do not disadvantage clients; that products and investment services operate as described and meet the objectives and risk levels agreed; and that clients are not exposed to failures of governance or regulatory compliance.</p> <p>AMOI has a policy that when correcting any operational error, the client is put in the position it would have been had the error not occurred.</p>
Market Risk	Harm to firm	<p>AMOI does not trade on its own account and does not hold any proprietary trading book.</p> <p>Market risk is the risk that the Firm's financial position may be subject to loss or fluctuation because of changes in market valuations such as foreign exchange, interest rates or of balance sheet items.</p> <p>The main source of market risk is through currency exposure on settled balances, receivables, and payables in non-sterling <del>currencies</del> <u>(currencies</u> (indirect market risk through fees being linked to fund valuations is considered business risk).</p>
Credit Risk	Harm to firm	<p>Credit risk is the risk that a counterparty will be unable to meet a commitment that it has entered into with the Company.</p> <p>Credit risk applicable to AMOI would primarily arise from the banks with whom cash deposits are placed. The Company's cash balances are primarily with high credit, quality, well established financial institutions to minimise risk.</p>
Liquidity Risk	Harm to firm	<p>Liquidity risk is the risk that adequate liquid funds are not available to settle planned liabilities and unexpected cash flows as they become payable. Cash flow analysis is performed at regular intervals to assess liquidity needs. The majority of AMOI's cash holdings is held on short-term deposit and available on short notice.</p> <p>AMOI will maintain liquid resources which are adequate both in amount and quality to ensure that the FCA's overall financial</p>

Risk type	Harm	Treatment
		adequacy rule is met and there are no significant risks that liabilities cannot be met in full as they fall due.
Group strategic and business risk	Harm to firm	<p>Group strategic risk is the risk that the financial position of the firm may be adversely affected by its relationship (financial or non-financial) with <u>the</u> parent company or by risks which may affect the financial position of the whole group, for example reputation, contagion or parent default.</p> <p>The parental commitment to AMOI is central to global growth ambitions and demonstrated in the current agreement with the parent company. AMOI monitors the parent's financial health to ensure it is sufficient to meet the current contractual obligations including any unexpected significant losses.</p>
Political risk	Harm to firm	Political risk is the risk from the result of political changes or <del>sanctions</del> <u>insanctions in</u> a country that may impact our investments or operations.

## 1.2.7 Directorship

Members of AMOI's management body are expected to disclose any external executive and non-executive directorships in both commercial and non-commercial endeavours to the Compliance department.

Director	Role at AMOI	Number of Directorships (including other Group companies and excluding AMOI). <sup>1</sup>
Sugio Suzuki	CEO	0
Mario De Bergolis	COO	0
Ursula Schliessler	Independent Non-Executive Director	5
Takashi Maruyama	Non-Executive Director	3
Tomohiko Asano	Non-Executive Director	4
Nobutaka Aoki	Non-Executive Director	3

<sup>1</sup> As at 31 December 2022.



## 1.2.8 Inclusion and diversity

AMOI has adopted a Diversity, Equity and Inclusion (DE&I) strategy to further enhance the firm's inclusive culture and achieve increased diversity in the employee population over time.

The initiatives and actions that make up the DE&I Strategy are grouped around four themes:

- Introduce Initiatives or actions that support recruitment of more diverse employees into AMOI, or which give candidates insights into the inclusive and diverse culture that exists within the firm.
- Include Initiatives or actions that promote a culture of individual purpose and belonging amongst all employees, irrespective of individual characteristics, backgrounds, working styles etc. with the aim of promoting the retention of diverse individuals once they have been hired.
- Grow Initiatives or actions that support the career advancement of employees with the aim of developing a diverse range of individuals into more senior roles within the firm. The desired outcome is that not only is AMOI more diverse overall, but that it will have a more diverse leadership/-senior management team.
- Community Initiatives or actions that involve AMOI in external opportunities that have a DE&I focus. Some of these will support and benefit AMOI's own DE&I activities, while others may facilitate the firm's contribution to DE&I at an industry level, or in the communities in which we live and work.

Chief Operating Officer oversees the implementation, and future development, of the DE&I strategy for AMOI.

AMOI recognises that this is an area of constant change within the industry and, as such, will report any changes in this report annually.

## 1.3 Own Funds

### 1.3.1 Composition of Regulatory Own Funds

Asset Management One International's own funds (ie.i.e. capital resource) comprise exclusively CET 1 capital as per the below table:

Composition of regulatory own funds			
	Item	Amount (GBP thousands)	Source <sup>2</sup>
<b>1</b>	<b>OWN FUNDS</b>	9,446	
<b>2</b>	<b>TIER 1 CAPITAL</b>	9,446	
<b>3</b>	<b>COMMON EQUITY TIER (CET) 1 CAPITAL</b>	9,446	Net assets / Total shareholder funds note
4	Fully paid up capital instruments	9,000	Called up share capital note
5	Share Premium	-	
6	Retained Earnings	1,000	Retained earnings note
7	Accumulated other Comprehensive income	-	
8	other reserves	-	
9	Adjustments to CET1 due to prudential filters	-	
10	Other funds	-	
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-	
	CET1: Other capital elements, deductions and adjustments	(389) (165)	Deferred tax assets note Intangible assets note
<b>19</b>			
<b>20</b>	<b>ADDITIONAL TIER 1 CAPITAL</b>	-	
21	Fully paid up, directly issued capital instruments	-	
22	Share premium	-	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	
	Additional Tier 1: Other capital elements, deductions and adjustments	-	
24			
<b>25</b>	<b>TIER 2 CAPITAL</b>	-	
26	Fully paid up, directly issued capital instruments	-	
27	Share premium	-	
	(-) TOTAL DEDUCTIONS FROM TIER 2	-	
28			
	Tier 2: Other capital elements, deductions and adjustments	-	
29			

<sup>2</sup> Based on reference numbers/Letters of the balance sheet in the audited financial statements.

### 1.3.2 Reconciliation of Regulatory own Funds to Balance sheet in the Audited Financial statements

The table below describes the reconciliation with own funds in the balance sheet as at 31 December 2022 (audited), where assets and liabilities have been identified by their respective classes:-

Reconciliation of Regulatory own Funds to Balance sheet in the Audited Financial statements				
		A) Balance sheet as in published/audited financial statements	B) Under regulatory scope of consolidation	C) Cross-reference to template OF1
	GBP thousands	as at period end (31/12/2022) £000	as at period end	
<b>Assets - Breakdown by asset classes according to the balance sheet in the audited financial statement</b>				
1	Plant Property and Equipment	3	n/a	n/a
2	Intangible Assets	165	n/a	
3	Right of use Assets – Premises	1,263	n/a	
4	Deferred tax	389		
5	Trade and other Receivables	585	n/a	
6	Prepayments	337	n/a	
7	Cash and cash equivalents	11,125	n/a	
	<b>Total Assets</b>	<b>13,867</b>	<b>n/a</b>	
<b>Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements</b>				
1	Other liabilities	1,189	n/a	
2	Trade and other payables	2,662	n/a	
3	Provision for Employee Benefit Trust Closure Cost	16	n/a	
	<b>Total Liabilities</b>	<b>3,867</b>	<b>n/a</b>	
<b>Shareholders' Equity</b>				
1	Called up share capital	9,000	n/a	Item 4 (previous table)
2	Retained earnings	1,000	n/a	Item 6 (previous table)
	<b>Total Shareholders' Equity</b>	<b>10,000</b>	<b>n/a</b>	

## 1.4 Own funds requirements

AMOI's own fund requirements is the higher of:-

- Permanent minimum requirement (PMR);
- Total- K-factor requirement (KFR)<sup>3</sup> and
- The fixed overheads requirement.

The below illustrates the core components of ~~the own~~ the own funds requirement throughout the year.

Own Funds Requirements	
Item	£'000s
Permanent Minimum Requirement (PMR)	75
K-Factor KFR <sup>3</sup> (K-AUM) : Based as of 31 December 2022	285
Fixed Overhead Rate_(FOR) : Based on the audited results for financial year ended 31 December 2022	2065

AMOI is also required to comply with the overall financial adequacy rule.

## 1.5 Overall Financial Adequacy Rule (OFAR)

AMOI is further required to disclose its approach to assessing the adequacy of its own funds in accordance with OFAR. This is an obligation to hold own funds and liquid assets which are adequate, both as to their amount and quality, to ensure ~~that the firm remains financial~~ ly viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities. This is achieved by completing an annual Internal Capital Adequacy and Risk Management (ICARA) process.

The 2022 ICARA preparatory work has been carried out on behalf of the Board of Directors which remains responsible for the ICARA overall.

Analysis undertaken under the ICARA process ensures that AMOI meets both its Own Funds Threshold Requirement (OFTR) and Liquid Assets Threshold Requirement (LATR). The analysis of the

<sup>3</sup> The only applicable K-Factor is K-AUM given AMOI's limited scope of activities.

OFTR and LATR is consistent with the potential impact of the material harms that could result from its operations even under stressed economic cycles. In particular, AMOI's ICARA evidences:

- That ~~th~~e ICARA has been subject to senior management review
- That ~~th~~e ICARA has been subject to challenge
- That AMOI meets the OFAR stipulated by requirements in the FCA's IFPR. –
  - AMOI holds sufficient capital and liquidity to cover the own funds and liquid assets requirements.
  - AMOI holds funds in excess of the firm's Own Funds Threshold Requirement (OFTR).
  - AMOI also has liquid assets in excess of the firm's Liquid Assets Threshold Requirement (LATR).
  - AMOI has adequate own funds and liquid assets to wind down the business in an orderly manner.

The adequacy of the ICARA process will be reviewed at least annually or more frequently where there are material changes to AMOI's risk profile or business strategy.

Based on these assessments: -

- AMOI is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities.
- AMOI has adequate own funds and liquid assets that its business can be wound do~~wn~~ne in an orderly manner, minimising harm to consumers and to other market participants.

## 1.6 Remuneration Policy and Practices

FCA rule MIFIDPRU 8.6.2 requires AMOI to disclose information on remuneration policy and practices for those categories of staff whose professional activities have a material impact on its risk profile.

AMOI's Board has created a Remuneration Policy for all Employees with a compensation philosophy that aligns the interests of our employees and shareholder. The Policy encourages actions that contribute to the long-term shareholder value and ~~ensures that~~ensures that incentive compensation arrangements do not encourage employees to take unnecessary or excessive risks that threaten the value of the business or benefit individual employees at the expense of clients or other stakeholders.

The governance of remuneration matters is overseen by the Board. The Board has determined that it would not be proportionate for AMOI to establish a remuneration committee. All decisions on the remuneration of personnel are made by the CEO upon consultation with other senior members as necessary, and is overseen by AMO Tokyo.

The payment of a cash bonus is entirely at AMOI's discretion and will depend on both the financial position of the firm and the outcome of the individual's performance review which is undertaken at the end of each financial year. The performance review process takes into account a range of factors including the individual's performance and their broader contribution to the business including a range of non-financial measures.

Employees working in control functions such as risk management or compliance have their personal objectives set by reference to their specific functions and will be rewarded according to the achievement of those objectives as well as the performance of the business more generally.

### 1.6.1 Material risk taker information

In accordance with MIFIDPRU Remuneration Code, AMOI has identified individuals who have a material impact on the risk profile and include:-

- Chief Executive
- Chief Operating Officer
- Chief Investment Officer.

### 1.6.2 Quantitative remuneration disclosure

AMOI is required to disclose quantitative remuneration information. The table below provides details of the aggregate remuneration the group of staff identified as Material Risk Takers for the AMOI for the year ended 31 December 2022.

£m	Senior Management <sup>4</sup>	Other	Total
Fixed remuneration	0.6	3.0	3.6
Variable remuneration	0.3	1.3	1.6
Total	0.9	4.3	5.2

## 1.7 Investment policy

AMOI is not required by regulation to disclose its Investment Policy under MIFIDPRU 8.7.

<sup>4</sup> Senior management is comprised of Material Risk Takers categorised as 'Senior Managers' who carry out a significant management function as determined by the relevant regulators. (CEO, COO & CIO)

Approved ~~by~~-by:-

Chief Operating Officer

End of Report