



Pillar 3 Disclosures

Invesco UK Limited

Document Version:	Version 1
Version Date:	31st December 2010



Table of Contents

1	Background	3
	1.1 Basis of Disclosure	3
	1.2 Frequency of Disclosure	3
	1.3 Media and Location of Publication	3
2	Risk Management Framework	4
	2.1 General Principles of the Risk Management Framework	4
	2.2 Corporate Governance	5
	2.3 Risk Management Objectives and Policies	7
	2.4 Risk Strategy, Processes and Tolerance	7
	2.5 Organisational Structure and Information Flow	7
	2.6 Nature and Scope of Risk Reporting and Measurement	8
	2.7 Risk Identification and Quantification	8
	2.8 Risk Monitoring and Reporting	9
	2.9 Internal Capital Adequacy Assessment Process (ICAAP)	9
3	Scope of Application	9
4	Capital Resources	10
5	Capital Adequacy	11
	5.1 Adequacy of Internal Capital	11
	5.2 Credit Risk	11
	5.3 Market Risk	12
	5.4 Fixed Overhead Requirement	12
	5.5 Large Exposures	12



1. Background

In 2007 and 2008, the Financial Services Authority's new General Prudential Sourcebook ("GENPRU") and Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU") rules came into effect, implementing the Capital Requirements Directive, which is the common framework for implementing Basel II in the European Union.

The new framework of rules are built on three pillars:

- Pillar 1: Minimum capital requirements that we are required to meet.
- Pillar 2: Guidance for the setting of bespoke capital requirements by the firm's senior management through the Internal Capital Adequacy Assessment Process ("ICAAP") and subsequent Supervisory Review and Evaluation Process ("SREP").
- Pillar 3: Rules for the disclosure of certain details of our risk and capital management, including capital adequacy.

The purpose of Pillar 3 is to encourage market discipline by developing a set of disclosure requirements which will allow market participants to assess key pieces of information on a firm's capital, risk exposures and risk assessment process. The disclosures are to be made public for the benefit of the market.

1.1 Basis of Disclosure

Invesco Ltd. is the ultimate parent of Invesco UK Limited. Invesco Ltd. is listed on the New York Stock Exchange and is a Bermudian domiciled company.

Invesco UK Limited is a directly owned subsidiary and is the parent company of the regulated corporate entities falling under the capital requirements rules.

This document is produced in order to comply with the disclosures required by BIPRU Chapter 11 and covers the Pillar 3 disclosures for the Invesco UK Limited Group of companies as described in section 3. The disclosures cover both the qualitative (e.g. processes and procedures) and quantitative (e.g. capital requirements of the BIPRU rules).

1.2 Frequency of Disclosure

The disclosures in this document are required to be updated annually and if appropriate, more frequently under the terms of BIPRU 11.4.4R. Accordingly this document will be updated annually after the material subsidiaries of the Invesco UK Limited Group have been audited and as soon as practically possible after the year ended 31 December. If it is deemed to be appropriate due to a material change in the business, this document will be updated as soon as practically possible once the impact of the material change is known.

1.3 Media and Location of Publication

These disclosures have been provided to meet the requirements of Pillar 3 as required by BIPRU Chapter 11. The disclosures have been reviewed by the Risk Management Committee and Board of Directors



of Invesco UK Limited. These disclosures are not audited and do not form part of the financial statements.

The disclosures have been put together to explain the basis of preparation and disclosure of certain capital requirements and provide details of the management of certain risks and for no other purpose.

The Board of Directors of Invesco UK Limited is responsible for the consolidated Groups system of internal control and for reviewing its effectiveness. Such a system can provide only reasonable and not absolute assurance against material financial mis-statement or loss and is designed to mitigate, not eliminate risk.

These disclosures are available by contacting Nicholas Styman the Director of European Compliance at Invesco UK Limited, 30 Finsbury Square, London, EC2A 1AG.

2. Risk Management Framework

Invesco UK Limited believes it has a robust governance structure and it is considered that our risk management framework is appropriate to the size, nature and complexity of our business. The arrangements are reflective of our parent Invesco Ltd. and are characterised by a matrix management model across our functions and regions.

2.1 General Principles of the Risk Management Framework

The management of risk and capital across Invesco UK Limited is performed by the following:

Board: The Board has responsibility for approving and overseeing the strategic objectives including objectives related to the control of risk.

Executive Management Committee: The Executive Management Committee performs such functions as are properly delegated to it by the Board.

Heads of Functions have primary responsibility for the day-to-day control and mitigation of risk. The Heads of Functions consult with the Enterprise Risk function on matters involving risk management policy.

Enterprise Risk Function: The Enterprise Risk function assists the Board and Executive Management Committee in formulating risk appetite, strategies, policies and limiting structures for the management of risk and provides objective evaluation, oversight and support of risk management activity across the business. The Enterprise Risk function oversees and reviews business decisions on risk matters, has the ability to escalate issues that cannot be resolved to the senior management of the business areas and, if necessary, to the Board. It also has the ability to escalate issues to Invesco Ltd., the ultimate parent company of Invesco UK Limited through formal escalation lines.

Risk Officer: The Risk Officer provides overall direction for the effective evaluation and management of significant risks, provides reports to the Board and is supported by and reports to the Head of Enterprise Risk.

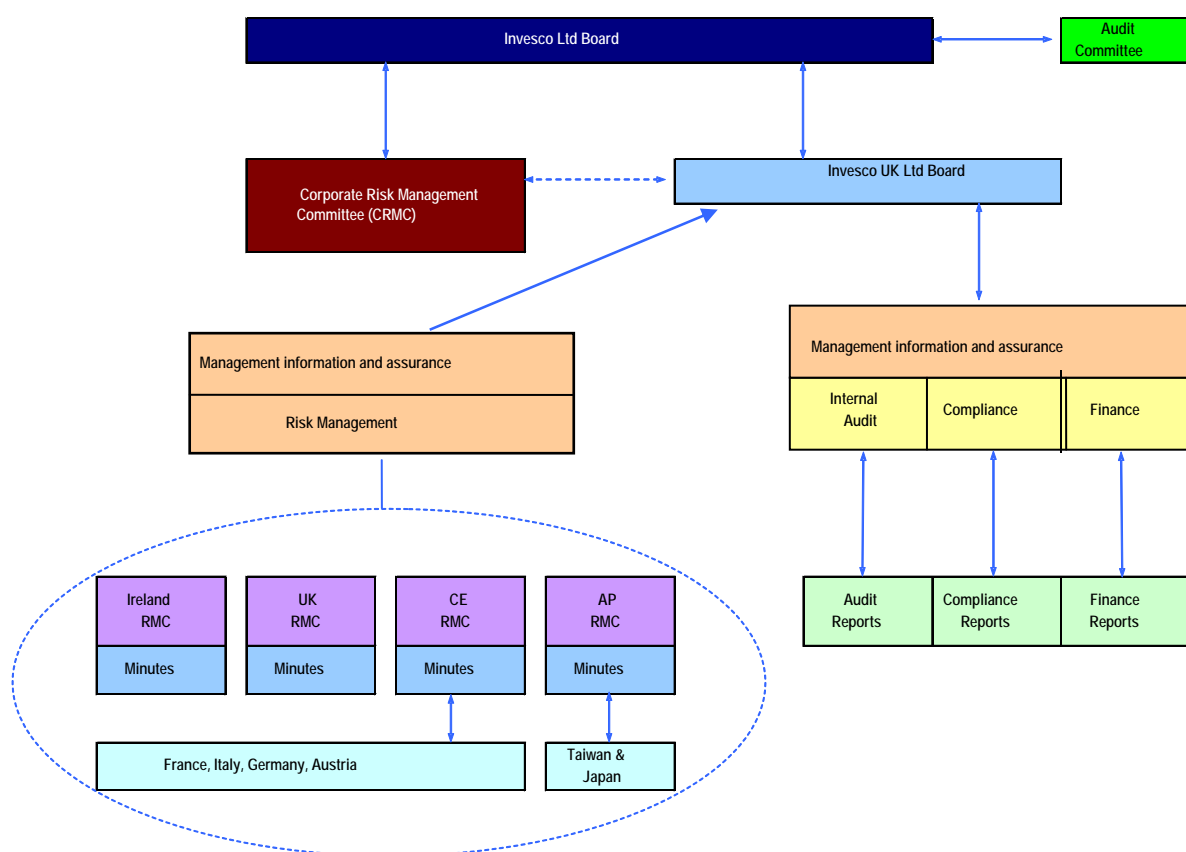


Compliance Officer: The Compliance Officer advises management on compliance issues, provides reports to the Board/management and is supported by and reports to the Chief Compliance Officer of Invesco Ltd. as well as to the Chief Executive Officer of Invesco UK Limited.

Legal Officer: The Legal Officer provides advice on the laws and regulations applicable to the legal entity and reports to the Group Legal Division.

Internal Audit: Internal Audit provides independent and objective review of the effectiveness of the overall system of internal control, including financial, operational, compliance and risk management. Internal Audit provides reports to the Board of Directors as well as to the Invesco Ltd. Audit Committee.

The following diagram illustrates this flow of information:



2.2 Corporate Governance

The Board of Directors of Invesco Ltd., the ultimate parent company of Invesco UK Limited, seeks to maintain the highest standards of integrity and accountability in the stewardship of the Company's affairs and recognises that proper and effective corporate governance is important to shareholders and other stakeholders. The overall Group governance structure consists of a number of Boards and independent oversight committees, which include those described below:



2.2.1 Invesco Ltd. Board

The Invesco Ltd. Board is elected by the shareholders to oversee the management of the business conducted under the leadership of the Chief Executive Officer (CEO). The Board is responsible for ensuring the long-term interests of the shareholders are being served and along with general oversight management performs a number of specific functions including:

- (i) Assisting management with assessing major risks facing the Company and reviewing options for their mitigation; and
- (ii) Working with management to help ensure processes are in place for maintaining the integrity of the Company.

2.2.2 Audit Committee

The purpose of the Audit Committee is to assist the Board in fulfilling its responsibility to oversee functions including:

- (i) The Company's financial reporting, auditing and internal control activities, including the integrity of the Company's financial statements;
- (ii) The Company's compliance with legal and regulatory requirements;
- (iii) The independent auditor's qualifications and independence; and
- (iv) The performance of the Company's internal audit function and independent auditor.

2.2.3 Corporate Risk Management Committee (CRMC)

The purpose of the CRMC is to provide oversight of strategic Group-wide risks, so that risk within the Invesco Ltd. Group will be taken at a level that is both commensurate with the Groups overall appetite for risk and is in line with its risk tolerance in specific areas. The objectives and responsibilities of the Committee include:

- (i) Maintaining an effective program to identify, evaluate, monitor and mitigate risks that could be material to the Invesco Ltd. Group and to facilitate the effective management of such risks within agreed tolerances;
- (ii) Maintaining an effective monitoring and communication of risks, through the use of the enterprise-wide risk management framework and reporting to senior management of risk activities;
- (iii) Providing guidance to the business units on the application of the risk management framework; and
- (iv) Reviewing risks escalated from the regional Risk Management Committee meetings.

2.2.4 Invesco UK Limited Board

The purpose of the Invesco UK Limited Board is to oversee the management of the functions and support Groups of UK, EU, Japanese and Taiwanese sub Group business. The responsibilities of the Board include:

- (i) Evaluation of management information including risk, compliance and internal audit reports, assurance on risks and internal



- controls and considering significant risks, their assessment and management;
- (ii) Approval of the Groups ICAAP;
 - (iii) Review of financial controls and approval of the regulatory returns; and
 - (iv) Interaction with the CRMC to ensure wider Group risks are considered.

2.2.5 Invesco UK Limited Risk Management Committee

The Committee is responsible for the ongoing identification, evaluation, mitigation and monitoring of significant risks within the UK, EU, Japanese and Taiwanese business and as such its responsibilities include:

- (i) Reviewing the highest impact and probability risks identified from the “bottom-up” Risk Matrices and regional and local Risk Management Committee meetings;
- (ii) Reviewing audit and other assurance activity findings; and
- (iii) Escalating significant risks to the CRMC.

2.3 Risk Management Objectives and Policies

The risk management policies and objectives embedded within the Enterprise Risk Management framework employed across the Invesco Ltd. Group are applicable to the governance framework of the Invesco UK Ltd. Group. They are described in sections 2.4 to 2.9.

2.4 Risk Strategy, Processes and Tolerance

The Invesco Ltd. Group employs a “Top-down” and “Bottom-up” approach to risk management. Risk Matrices are used within the Enterprise Risk Management framework to capture risks. “Top-down” strategic Group-wide risks are managed by the CRMC and “Bottom-up” functional business risks are owned by the heads of the various business units.

The risk management framework supports the organisation in order to enable it to achieve its strategic objectives through a robust risk and loss reporting process that provides functional and regional senior management with risk management information. The Invesco Ltd. control environment reflects our low to moderate tolerance to these risk exposures. The risk appetite of Invesco UK Limited is reflective of our parent Group and Invesco Ltd. accepts the operational and business risks associated with management, sales and administration of funds.

2.5 Organisational Structure and Information Flow

Invesco UK Limited and its parent Invesco Ltd. are organised along functional reporting lines. Ten Senior Managing Directors (SMD’s) are responsible for the business and operational activities of the Group and report into the Chief Executive Officer (CEO) of Invesco Ltd.. The functions for which the SMD’s have responsibility cover the entire range of activities, brands and geographical locations within the parent Group.

To ensure that the Board of Invesco UK Limited. is sufficiently informed to be able to take responsibility for risk management and capital



planning, they receive information on a regular basis both in respect of its subsidiaries and the wider Invesco Ltd. Group. The Parent's Group Audit Committee assists the Invesco Ltd. Board in fulfilling the responsibility of overseeing the financial reporting, auditing and internal control activities. The Invesco UK Limited Board receive information from the CRMC on strategic Group risks and from the local and regional Risk Management Committees on functional risks which are relevant to the Group.

The facilitation and co-ordination of the flow of risk management information to the Invesco UK Limited. Board is provided by the Enterprise Risk team within the Group. Strategic Group-wide risks as well as high impact and probability risks highlighted at the business functional levels relevant to the Invesco UK Limited. Board are presented at Executive Management and Board meetings by the Enterprise Risk team.

At a granular level the Enterprise Risk team ensures that risks are raised, documented, categorised and, where appropriate, mitigating action completed using an enterprise risk management framework which is owned and maintained by the business. Monthly and quarterly Risk Management Committee meetings are held at a local and regional level with the business functions, where the risks with the highest impact and probability are discussed, minutes are taken and relevant risks escalated to the Executive Management Committees and Boards and finally through to the Invesco UK Ltd. Board.

2.6 Nature and Scope of Risk Reporting and Measurement

The Enterprise Risk function is responsible for facilitating the framework to ensure key risks are adequately identified, monitored and mitigated by the business on a regular and timely basis. The responsibility for risk management rests with the head of each business function who takes ownership of the process. The Enterprise Risk team provides support and a challenge process for the business heads to ensure risks are considered with the normal "business as usual" processes and within any business development planning and implementation.

2.7 Risk Identification and Quantification

The risk identification and quantification approach adopted serves the risk management needs of the business well and is considered thorough and appropriate to the size, nature and complexity of Invesco Ltd. Group. The cornerstone of the risk management process are the Risk Matrices which detail the key risks that the business functions are mitigating and provides quantitative and qualitative assurance and measurement. The functional Risk Matrices contain the "Bottom-up" risks which have been identified by the heads of function. The heads of function perform a risk self-assessment on a quarterly basis. The evaluation process is supported by Key Risk Indicators and the measurement of these as well as consideration of the current control environment and mitigating actions being employed. The head of function provides an updated Risk Matrix to the Enterprise Risk team along with a signed document certifying that the control environment covering the risks remained in place during the period and if any



controls breakdown had occurred it had been raised within the incident and loss database.

2.8 Risk Monitoring and Reporting

The Enterprise Risk team provides the risk management framework and ensures a common approach and use of language is used throughout the organisation. They review and challenge the Risk Matrices provided by the heads of function and ensure risks have been evaluated and measured in accordance with the assessment criteria. The Enterprise Risk team provides reports of the highest impact and probability risks to the regional and local Risk Management Committees on a monthly and quarterly basis. Any significant risks are escalated through the Committee and management structure to the Invesco UK Risk Management Committee and Invesco UK Limited Board as required. Any risks of a strategic or Group-wide nature are escalated to the CRMC and ultimately to the Invesco Ltd. Board if deemed necessary.

2.9 Internal Capital Adequacy Assessment Process (ICAAP)

The Invesco UK Ltd. Board formally approves the ICAAP annually with quarterly reviews of summary information and consideration of any major changes to the business strategy or risk profile. The annual review utilises the existing risk management framework and sets out to identify the key risks and the management of those risks, along with stress testing and scenario analysis of extreme events provides an assessment of the capital adequacy of the Group.

3. Scope of Application

These disclosures have been provided for Invesco UK Limited and all the entities it controls.

As noted previously Invesco Ltd. is the ultimate parent company and Invesco UK Limited is a directly owned subsidiary. Invesco UK Limited owns all Group entities falling within the Capital Requirements Directive Rules.

Invesco UK Limited does not produce consolidated financial statements as they are exempt from the requirements to produce consolidated financial accounts, under section s400 to s402 of the Companies Act 2006, UITF abstract 43 and the Seventh Directive, as it is a wholly owned subsidiary undertaking of Invesco Ltd., a company incorporated in Bermuda and which publishes consolidated accounts including the results of the company and its subsidiary undertakings in accordance with US Generally Accepted Accounting Practice.

For regulatory accounting purposes the consolidated financial statements include all entities controlled by Invesco UK Limited. Invesco Great Wall Fund Management Company Limited has been proportionately consolidated.

For Regulatory consolidation Invesco Perpetual Life Limited (formerly Invesco Pensions Limited) has been de-consolidated as the nature of its business of Life Insurance is deemed not to be a financial activity for the purpose of regulatory consolidation. The investment in this entity is deducted from the sum of Tier 1 and Tier 2 capital.



The following regulated entities are regarded as material to the Invesco UK consolidated Group for the purposes of Pillar 3 disclosure:

Invesco Asset Management Limited, a Limited Licence investment firm
 Invesco Fund Managers Limited, a UCITS firm.

There is no current or foreseen material, practical or legal impediment to the prompt transfer of capital resources or repayment of liabilities among the parent undertaking and its subsidiary undertakings.

4 Capital Resources

Tier 1 capital consists of permanent share capital, preferential share capital, share premium, profit and loss and other reserves as well as minority interests.

In the companies listed below there is only one class of ordinary share capital. The preferential share capital in Invesco Asset Management Limited is non-cumulative redeemable preferential share capital.

The deductions of tier one capital consist of intangible assets primarily relating to goodwill. The deduction of material holdings in Invesco UK Limited consolidated is primarily for seed capital investments and the investment in Invesco Perpetual Life Limited described in section 3.

	31/12/2010 £000's
Tier 1	
Permanent share capital	147,232
Preferential share capital	25,000
Share Premium	971,583
Profit and Loss and other reserves	84,740
Dividends	(50,000)
Minority Interests	1,354
	1,179,909
Deductions from Tier 1 capital	
Intangible assets	(885,771)
Tier 2 Capital	
Revaluation reserves	61,744
Deductions from Tier 1 and Tier 2 capital	
Material holdings	(30,156)
Total Capital Resources	325,726

5 Capital Adequacy

Invesco UK Limited assesses its capital adequacy with reference to the guidelines laid down in the Pillar 1 and Pillar 2 framework. It is the policy of the Invesco Group that all regulated entities in the Group maintain sufficient capital to meet their capital resource requirements and ongoing working capital requirements. In line with these requirements, the firm maintains the higher of Pillar 1 and Pillar 2 (ICAAP) capital requirements. The



adequacy of the capital held by Invesco UK Limited is assessed, quarterly, and is subject to formal sign-off by the Invesco UK Limited Board.

The key risks to which the Group is exposed have been identified within the ICAAP. An appropriate risk management framework is in place to manage these risks across each of Invesco's business units and regions. The risk identification and quantification approach adopted serves the risk management needs of the business well and is considered thorough and appropriate to the size, nature and complexity of Invesco.

5.1 Adequacy of Internal Capital

During the year ended 31 December 2010, Invesco UK Limited consolidated, and all regulated entities within this Group have complied with the applicable capital requirements directives at all times.

The capital resources requirement of Invesco UK Limited consolidated is the higher of:

Base capital requirement; OR
Fixed overhead requirement ("FOR"); OR
Sum of credit risk and market risk requirement.

As an investment management Group we do not take any market positions, we invoice clients for fees on a monthly or a quarterly basis, as such the sum of market risk and credit risk is significantly lower than the FOR and is expected to remain so for the foreseeable future. Accordingly the Fixed Overhead Requirement is the main determinant of the capital resource requirements for the Group.

5.2 Credit Risk

Credit risk is defined as the risk of loss caused by the failure of a counterparty to perform its contractual obligations. Invesco UK Limited is primarily exposed to credit risk in respect of outstanding fees due from funds, segregated mandates and from cash deposits with banks and money market funds held.

Invesco UK Limited consolidated uses the simplified approach of calculating credit risk. This is calculated at 8% of the total value of risk weighted exposures. BIPRU 4, the IRB approach, is not applicable to the Invesco UK Limited Group.

An exposure is classified as past due when it is still outstanding for more than 90 days after due date. An exposure is classified as impaired when there are indicators that the likelihood of full recoverability is in doubt. Past due debtors are reviewed for impairment regularly.



The value of risk weighted exposures per significant asset class is as follows:

Exposure class	31/12/2010
Institutions	384,546
Corporates	89,863
Past Due	31,780
Collective Investment Units	65,840
Prepayments	10,487
Investments	87,523
Retail	3,133

The past due category includes all deferred taxation debit balances.

5.3 Market Risk

Market risk is defined as the risk of loss arising from fluctuations in values of, or income from assets or arising from fluctuations in foreign exchange rates.

The Group does not hold any trading assets and does not deal for our own account. Therefore the market risk requirement consists primarily of foreign exchange positions which are calculated per BIPRU 7.5.19.

The Market risk requirement for Invesco UK Limited consolidated is £2.5m.

5.4 Fixed Overhead Requirement

The Fixed overhead requirement is calculated in accordance with GENPRU 2.1.54. This is based on one quarter of the previous year's audited expenditure less discretionary staff bonuses and shares in profits, commission and fees payable, foreign exchange losses and other variable expenditure. The Fixed overhead requirement for Invesco UK Limited consolidated is £57m.

5.5 Large Exposures

The Invesco UK Limited consolidated Group did not have any non-exempt large exposures as at 31 December 2010.