Ashmore Group plc

Internal Capital Adequacy Assessment Process Report

Pillar III Disclosures As At 30 June 2014

September 2014

1. Overview

1.1 Introduction

Ashmore Group plc (the "Group") as a UK registered group, listed on the London Stock Exchange, is subject to prudential oversight by the UK Financial Conduct Authority (FCA). As such, the Group is required to meet the requirements of the FCA's capital adequacy framework, in addition to meeting the solo entity requirements of regulated subsidiaries. This framework consists of three pillars:

- Pillar I: Sets out the minimum capital requirements for credit, market and operational risks;
- Pillar II: Requires that regulated firms take a view on whether a firm should hold additional capital against risks not covered by Pillar I; and
- Pillar III: Complements Pillars I and II, and requires firms to publish details of their risks, risk management processes and capital position.

The regulated entities and relevant regulatory body are set out in section 1.4.

1.2 Basis of Disclosures

In accordance with the requirements of Chapter 11 of Building Societies and Investment Firms (BIPRU), the disclosures included in this document relate to the Group (a full list of all material subsidiaries is included within the Group's Annual Report and Accounts). The disclosures cover both the qualitative and quantitative requirements.

1.3 Frequency of Disclosures

The Group has an accounting reference date of 30 June, and publishes its disclosures as soon as is practically possible after publication of the Annual Report and Accounts, and if appropriate, more frequently.

1.4 Scope of Regulation

The Group has the following regulated entities, all of which it controls, either as the sole or majority shareholder. The Group has been in compliance with solo entity capital requirements at all times during the year ended 30 June 2014.

ASHMORE REGULATED SUBSIDIARIES	% Effective Ownership	Local Regulator
Ashmore Investment Management Limited	100%	FCA
Ashmore Investment Advisors Limited	100%	FCA
Ashmore Management Company Turkey Ltd	91.20%	GFSC
Ashmore Portfoy YAS	91.16%	CMB
Ashmore Management Company Ltd	100%	GFSC
Ashmore Global Special Situations Fund 3 (GP) Ltd	100%	GFSC
Ashmore Global Special Situations Fund 4 (GP) Ltd	100%	GFSC
Ashmore Global Special Situations Fund 5 (GP) Ltd	100%	GFSC
Ashmore Global Special Situations Fund 6 (GP) Ltd	100%	GFSC
Ashmore Emerging Markets Special Situations Opportunities Fund (GP) Ltd	100%	GFSC
Ashmore Private Equity Turkey Fund 1 (GP)	91.2%	GFSC
AA Development Capital Investment Managers (Mauritius)	55%	FSCM

Ashmore Management Company Brasil Limited	91.3%	GFSC
Ashmore Brasil Gestora de Recursos Limitada	91.2%	CVM
AA Development Capital India (GP) Limited	55%	GFSC
Ashmore Japan Co Ltd	100%	JFSA
Ashmore Investment Management (US) (AIMUS)	100%	FINRA
Ashmore Equities Investment Management LLC (renamed 01/07/2013)	67.5%	SEC
Ashmore EMM (Ireland) Ltd	67.5%	CBI
Ashmore Investment Management (Singapore) Pte. Ltd.	100%	MAS
PT Ashmore Asset Management Indonesia	70%	OJK

FCA = Financial Conduct Authority; GFSC = Guernsey Financial Services Commission; CMB = Capital Markets Board, Turkey; FSCM = Financial Services Commission Mauritius; CVM = Brazilian Securities Exchange Commission; JFSA = Financial Services Agency of Japan; SEC = Securities and Exchange Commission; CBI = Central Bank of Ireland; MAS = Monetary Authority of Singapore; OJK = Otoritas Jasa Keuangan (Indonesian Financial Services Authority)

2. RISK

2.1 Risk Appetite and governance

The Group's activities are exposed to a range of risks for which the Group has in place a range of controls, procedures and governance which seek to identify, quantify, monitor and manage these risks. At least annually, the Board reviews the material risks and considers the results of the work of the various individuals, functions and committees in mitigating the risks and making the appropriate disclosures.

The Group employs a proportionate approach in assessing, quantifying or analysing the risks and related risk appetite of the firm. For example, while detailed analysis and review of the Group's risk appetite is undertaken in certain cases it may not always be practical to apply quantitative techniques to estimate these. In these instances, the Group would engage in qualitative analysis and discussion to ensure those risks and related risk appetite have been appropriately considered.

The Group's risk appetite framework has been developed by engaging key stakeholders at the functional, business and executive levels of the organisation and accordingly, the Group's risk appetite statement (and its associated components) is regularly reviewed and updated in line with the evolving strategy, business model, financial capacity, business opportunities, regulatory constraints and other internal and external factors.

The five key principles of the Group's Risk Appetite statement are:

i. Capital Resources: It is the Group's policy to maintain a strong balance sheet in order to support regulatory capital requirements, to meet commercial demands of current and prospective investors, and to fulfil development needs across the business which include funding establishment costs of distribution, offices and local asset management ventures, seeding new funds, trading or investment in funds or other strategic initiatives.

ii. Earnings Volatility: The Group targets consistent revenue margins over time in order to reduce unintended earnings volatility. Notwithstanding, the Group recognises that its revenue margins may vary as a function of a number of factors including management fees, performance fees which by comparison to management fees would be expected to be less stable over time, AUM and related AUM asset mix. The Group calculates Earnings before Variable Compensation, Interest, Taxation, Depreciation and Amortisation ex Performance Fees ("EBVCITDAexPF") over a six month period and uses this as an input to then measure the ratio of EBVCITDAexPF to AUM in order to estimate earnings efficiency associated with managing the Group's AUM;

iii. Liquidity:

a. The overall liquidity adequacy rule (BIPRU 12.2.1R) requires Ashmore at all times to maintain liquidity resources which are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due. The primary liquidity risk arises in that the nature of illiquid instruments held within the Group's cash and cash equivalents, seed capital, and other assets may prevent efficient investment exit strategies being adopted, especially in a downturn situation. Given its current asset composition, the Group has therefore established thresholds for seed capital investment.

b. The Group's corporate FX management framework supports its philosophy, and provides guidance as to the Group's appetite for FX risk, and expected operating practices and procedures in managing and monitoring this risk. The primary FX risk arises as a result of the majority of management and performance fee revenues being USD denominated, whilst the Group's functional currency is GBP, as is the majority of its cost base. The Group recognises that it is impossible to eliminate this FX risk, and seeks to manage it to within acceptable parameters.

iv. Operational Risk: The Group's Top Risk Matrix is an effective tool to highlight and monitor the principal risks of the Group and its evolution reflects changes in the business profile and the corresponding impact to internal controls and related processes. Whilst the Group recognises there are several key risk indicators that are routinely monitored as part of the Top Risk Matrix, the Group proposes to specifically report the following as part of the Group's Risk Appetite framework:

a. The change in the net number of funds over a six month period in order to assess the ability of the Group's infrastructure to manage and administer an increased number of funds.

b. The number and financial impact of operational errors over a six month period with a focus on trends or themes that could highlight specific areas of weakness.

v. Reputation: the Group recognises that with growth and global expansion, there is a greater need to identify potential media related reputation management issues, and for effectively dealing with such issues as they arise. The Group therefore has an established Media and Reputation Management Policy focusing on understanding the information that is currently publicly available on the Group and the funds and individual investments it manages, especially that which could create negative reputational issues.

The above metrics and related trigger levels assist in determining when review and discussion at the Executive and or Board level could be considered and so, to enable due consideration to either confirm that no additional action is required or else to recommend an appropriate course of action if required.

Effective risk management and control is one element of the Group's overall system of internal controls within its corporate governance framework - incorporating Finance, Compliance, Legal, Operations, Information Technology, Risk and Internal Audit functions. Annually, Ashmore publishes its ISAE3402 review, which is audited by KPMG. The outcome of the reviews conducted to date underline Ashmore's assertion that operational risks are adequately managed and mitigated. The latest published ISAE3402 was for the period ended 30 June 2014.

During the year, the Group's risk control framework was reviewed to take account of changing business and market conditions. There has been an ongoing focus on the development of the Group's Risk Matrix, which seeks to identify the key risks of the Group, as well as current mitigants and forward-looking action plans and as such, the Risk Matrix was refined to also include Conduct Risk. The matrix is used to identify and track key business, investment, credit, financial, legal, compliance, conduct and other operational risks including consideration of the likelihood of those risks crystallising and the resultant impact. The inherent risk within each activity has been identified, with the adequacy and mitigating effect of existing processes being assessed to determine a current residual risk level for each such activity. On the basis that further mitigants may be employed over time, a target residual risk for each activity after approximately one or two years has been identified. Further details of the Group's internal control environment have been included in the Corporate Governance report within the annual report and accounts.

Ashmore has both Professional Indemnity and Directors and Officers Liability insurance arrangements in place. During the most recent renewal for 1 May 2014, the Group kept the limit of the policies at £75m on a predetermined basis.

2.2 Overview of Material Risks

The Group seeks to identify, quantify, monitor and manage effectively each of the risks present in its activities. The ultimate responsibility for risk management rests with the Board. However, for practical reasons some of this activity is delegated and the Group actively promotes a risk awareness culture throughout the organisation.

The principal risks, their mitigants, and their delegated owners are set out in the table below for each of the four risk categories that Ashmore considers most important: strategic and business; investment; operational; and treasury. Reputational and conduct risks are common characteristics across all four categories.

Risk type/owner	Description of risk	Mitigation
Strategic and Business Risk The risk that the medium and long term profitability and/or reputation of the Group could be adversely impacted by the failure to either identify and implement the correct strategy, or to react appropriately to changes in the business environment. *Responsible body:* *Ashmore Group Plc Board*	These include: - A long-term downturn in the fundamental and technical dynamics of Emerging Markets; - ineffective marketing and distribution strategy; - Expansion into unsuccessful themes; - Potential market capacity issues and increased competition; and - Impact of negative or inaccurate press comments.	These include: - The Board's long investment management experience; - Group Operating Committee meets regularly - A clearly defined Group strategy, understood throughout the organisation and actively monitored; - A diverse range of Emerging Markets investment themes across asset classes; - Experienced, centrally managed and globally located distribution team to access increasingly diversified

		sources of AuM; - Product Committee with knowledge of the markets and related regulation; and - Defined Media and Reputation Management Policy in place.
Investment Risk The risk of non-performance or manager neglect of duty, including the risk that long term investment outperformance is not delivered, thereby damaging prospects for winning and retaining clients, and putting average management fee margins under increased pressure; and decreased market liquidity provided by counterparties that the Group and its Funds rely on. *Responsible body:* *Ashmore Group Investment Committees*	These include: - That the investment manager does not adhere to strict policies e.g. in relation to market abuse; - Funds with a similar investment theme and restrictions are not managed similarly resulting in different positions or exposures being held - A downturn in long-term investment performance; and - Insufficient counterparties.	These include: - Investment Committees meet regularly (weekly for most investment themes across the Group) ensuring consistent core investment processes are applied; - Allocations across funds are actively reviewed to ensure appropriate consistency - Dedicated Emerging Markets research and investment focus, with frequent country visits as well as a physical presence in key Emerging Markets; - Diversification of investment capabilities by theme, asset class and locations; - Strong Compliance and Risk Management oversight of policies, restrictions, limits and other related controls; and - Formal counterparty policy with reviews held at least quarterly.
Operational Risk Risks in this category are broad in nature and inherent in most businesses and processes. They include the risk that operational flaws result from a lack of resources or planning, error or fraud, weaknesses in systems and controls, or incorrect accounting	These include: - Compliance with regulatory requirements as well as with respect to the monitoring of investment breaches; - The oversight of overseas operations; - Availability and retention of staff;	These include: - The Group's Risk and Compliance Committee meets on a monthly basis to consider the Group's Key Risk Indicators ("KRIs"); - Compliance, Legal and Finance departments to identify, quantify and manage regulatory changes; - Conflicts of Interest review

or tax treatment *Responsible body:* *Ashmore Group Risk & Compliance Committee*	- Fraud by an employee or third party service provider; - Accuracy and integrity of data, including over reliance on manual processes; - Errors resulting from trade execution and settlement process; - Oversight of third party providers including Fund Administrators; - New fund set up or material changes to existing funds are incorrectly implemented; - Business and systems disruption including cyber security; - Set up and maintenance of trading counterparties. - Inappropriate accounting practices lead to sanctions; and - Inadequate tax oversight or advice.	performed; - An integrated control and management framework is in place to ensure day-to-day global operations are managed effectively; - Resources are regularly reviewed and also career development and succession planning is in place; - IT Steering group in place to approve and monitor progress of projects to reduce significant manual dependencies; - Fully integrated trade order management and portfolio accounting platforms; - Engagement letters or service level agreements are in place with all significant service providers; - Formal procedures and sign-off in place for launch of new funds or material changes to existing funds; - A BCP and Disaster Recovery policy and related procedures exist, and are tested regularly; - Cyber security review performed; - All trading counterparties are subject to strict risk, legal, compliance and operational sign-off prior to set up; - Group accounting policies in place and regularly reviewed; and - Dedicated tax specialist within the Finance department.
Treasury Risk These are the risks that the Management does not appropriately mitigate balance	These include: – Group revenues are primarily US dollar based, whereas results are denominated in Sterling;	These include: - Monthly reporting of all balance sheet exposures to the Executive; - Oversight and management of the

sheet risks or exposures which could impact the financial performance or position of the Group. *Responsible body:* *Chief Executive Officer and* *Group Finance Director*	– The Group invests in its in own funds from time-to-time, exposing it to price risk, credit risk and foreign exchange risk; – Liquidity management to meet funding obligations; and – The Group is exposed to credit risk and interest rate risk in respect of its cash balances.	Group's foreign exchange balances is the responsibility of the FX Management Committee which determines the appropriate level of hedging required; - Seed capital is subject to monitoring by the Board within a framework of set limits including diversification; - Cash flows are forecast and monitored on a regular basis and managed in line with approved policy; - Group Liquidity Policy in place; - The availability of US dollar S&P AAA rated liquidity funds managed by experienced cash managers; and - Defined risk appetite in place.

The Group's assessment of the impact of the principal components of the risks identified and the Pillar II capital requirements in respect of these are set out below:

Treasury Risk

The Group considers Treasury risks to be those which primarily impact the performance of the Group. Typically these will be in relation to the Group's balance sheet exposures, and are set out below:

Market Risk

This is the risk that the value of an investment will decrease due to movements in market factors. The market risk factors considered by the Group are: equity risk; interest rate risk; foreign exchange risk; credit spread risk; and commodity risk.

The potential loss amount due to market risk can be measured in a number of ways. For the purpose of estimating capital charges, one convention is to use Value at Risk (VaR). The capital charge for market risk, including foreign exchange exposure is based on an internal VaR model and uses the 99th percentile VaR over a 10-day holding period and a multiplier of three.

The modeling of the risk characteristics inherent in the positions involves a number of assumptions and approximations. While management believes that these assumptions and approximations are reasonable, there is no standard methodology for estimating VaR and different assumptions and approximations could produce materially different estimates.

Ashmore uses historical data to estimate the VaR and given this dependency, an inherent limitation of VaR is that the distribution of past changes of market risk factors may not produce accurate predictions of future market risk. In addition, VaR calculated over a 10-day time horizon may not always fully capture the market risk of positions that cannot be liquidated within such a time period.

The market risk for liquid seed capital positions using the methodology outlined above, results in a capital charge of £19.0 million (June 2013: £33.9 million).

The decrease in the capital charge since last year comprises a year-on-year increase in the level of the Group's net liquid seed capital positions to £175.6m at 30 June 2014 (£173.6m as at 30 June 2013) as a result of additional investments made in the year; and is offset by reduced market volatility resulting in a decrease in the VaR multiplier to 10.8% (June 2013: 19.5%). The decrease in the market risk charge is mainly due to the following factors:

- A reduction in FX volatility e.g. GBP/USD volatility declined from 8.2% at 30 June 2013 to 4.6% at 30 June 2014;
- The exposure to IDR denominated assets reduced from £46.9m to £36.2m coupled with a reduction in volatility e.g. Indonesia equity declined from 29.2% at 30 June 2013 to 11.8% at 30 June 2014; and
- Some seeding was in asset classes with lower volatility e.g. £8.7m seeding in short duration funds for which the estimated volatility is 2.0%.

Market risk is also calculated for undrawn illiquid seed capital positions arising on closed ended funds with a lock-in period greater than five years. Drawn-down commitments to such funds result in a 100% deduction from capital, whereas undrawn commitments result in a market risk charge. Instead of using VAR, the market risk charge is 100% to reflect the illiquid nature of these assets. The increase in drawn commitments has reduced the 100% market risk charge to capital for undrawn amounts but has no net effect on bottom line capital surplus since the corresponding increase in drawn commitments is deducted from capital at 100%.

The capital charge on undrawn illiquid seed capital positions is £10.8 million (June 2013: £8.4 million).

Foreign Exchange Risk
The risk that changes in the value of non-sterling denominated income and expenses, seed capital positions, and other assets and liabilities, will adversely impact the capital position of the Group:

- In respect of the Group's exposure to non-sterling denominated income and expenses, the Group has a policy to hedge a proportion of its expected net management fee revenues. Residual currency exposure has been incorporated into the Group's scenario and stress testing analysis. Accordingly, the Group considers that no additional capital is required to cover this risk.

- In respect of the Group's balance sheet risk relating to seed capital investments, the associated foreign exchange risk has been incorporated within the market risk quota set out above, to facilitate an aggregated view.

- Other assets and liabilities, comprising bank balances, management fees receivable and rebates payable, have been analysed by currency, with a capital charge being computed according to the VaR methodology outlined above; this results in a capital charge of £18.2m million (June 2013: £28.3 million).

The decrease in the FX risk charge is the net impact of i) increased overall US dollar exposure (as a result of an increase in the number of seed capital investments), ii) a less volatile mix of FX exposures and iii) a reduction in FX volatility during the period.

Diversification Risk reduction

An aggregate VAR capital charge (combining both market risk on seed capital and FX exposures) is, as a result of the nature of the VAR calculation, lower than the combined total of the individual VAR charges due to diversification.

Counterparty/Credit Risk

The risk of loss due to an obligor's non-payment of an outstanding debt, loan or other line of credit (either the principal or interest (coupon) or both).

- The Group had cash and cash equivalents as at 30 June 2014 of £370.6 million. The vast majority of these are all placed with institutions or within liquidity funds rated A or above, and Group funds are included within the Risk Management and Control (RM&C) department's quarterly counterparty review.

- Under the standardised methodology under Pillar I, the capital required to cover credit risk in respect of cash and cash equivalents is £5.8 million (June 2013: £6.3 million). Given the vanilla nature of Ashmore's credit risk, the Pillar II charge is assumed to be calculated on the same basis.

- No credit risk requirement has been assessed as necessary for the Group's fee debtors and accrued income, as the Group manages client assets, and would be able to make a claim against any sizeable outstanding amount prior to transferring them to another manager. As at 30 June 2014 there were £1.3m debtors over 30 days old (30 June 2013: £3.2m). All items were subsequently received.

- The Group had fixed assets and deferred tax asset balances of £24.3m at 30 June 2014 and commitments to fund illiquid seed positions of £10.8m (30 June 2013: £8.4m). The Pillar I capital requirement in respect of these balances of £0.4m (30 June 2013: £0.6 million) has also been adopted in the Pillar II charge.

Liquidity Risk

This is the risk that the Group either does not have available sufficient resources to enable it to meet its obligations as they fall due or can only secure such resources at excessive cost.

In the context of the Group, it is primarily the risk that investments in illiquid instruments prevent efficient investment exit strategies being adopted, especially in a downturn situation, for the Group's cash and cash equivalents, seed capital, and other assets.

- The group's liquidity risk management framework is set out in a policy document that was authorised by the Board in December 2010 and last updated in June 2014.

- The Group prepares regular cash-flow forecasts, and matches the maturity profile of the Group's cash, cash equivalents and other assets and liabilities on a conservative basis.

- In respect of seed investments, the Group invests in only Ashmore products. Liquidity management is a fundamental part of the firm's investment process across all its themes. There is a significant depth of expertise developed over the last two decades across the asset classes – and liquidity metrics are monitored on a regular basis by the Investment Committees.

- In the case where seed investments are made in closed ended funds with lock-in periods of greater than 5 years, a capital charge/deduction of 100% of the drawn/undrawn commitment has been recognised. The drawn commitments are deducted from available capital and the undrawn commitments are included within the market risk charge above.
- The Group's illiquid fixed assets, goodwill and intangibles are deducted in calculating capital resources.

The liquidity risk of seed capital investments has been fully captured within the market and counterparty risk charges at 30 June 2014.

Interest Rate Risk (in non-trading book)
This is the risk that a movement in interest rates will impact the Group's profitability.

The Group's balance sheet is not leveraged and cash balances are held on overnight or short term deposit. Given this, and the historically low level of interest rates at present, the Group has assessed that no capital charge is required.

Securitisation Risk
The risk that the capital resources held by a firm in respect of assets which it has securitised are inadequate having regard to the economic substance of the transaction, including the degree of risk transfer achieved.

This is not applicable to the Group as at 30 June 2014. Accordingly the Group has assessed that no capital is necessary.

Pensions Obligation Risk
The risk to the firm caused by its contractual or other liabilities to or with respect to a pension scheme.

The Group does not have a defined benefit pension scheme. Contributions to the defined contribution employee pension scheme are made as the Group's liability arises. Accordingly the Group has assessed that no capital is necessary.

Operational Risk
The Top Risk Matrix is one of the tools used to highlight and track over time the key risks of the Group. The matrix is typically reviewed as part of a quarterly assessment of the Top Risks and includes discussion and review of key risk indicators with the relevant departments including Legal, Compliance, Finance, Operations, HR, Technology and Risk. Consideration of actual operational losses is also factored into this process.

The findings are summarised and presented to the Risk and Compliance Committee. Regular updates are also provided to the Group's ARC. The Group recognises the importance of having a robust control framework to mitigate operational risks but recognises that operational errors may still occur from time to time.

An error report is produced for all operational errors. All error reports are reviewed quarterly at the Group's Risk and Compliance Committee and include an assessment of the error, the financial impact of the error and any additional controls required to minimise the likelihood of such errors in the future. Furthermore, on a quarterly basis the errors in the quarter are reviewed by the Compliance department to establish whether there are themes or trends present.

The Group has estimated the Pillar II Operational Risk requirement as at 30 June 2014 to be £23.2m. The quantification of the Operational Risk is based on combined event scenario analysis undertaken by the Group. The approach taken was as follows:

Senior Management reviewed the regular assessment of material risks to identify those that were considered to have a severe and direct impact on the Group based on the current and projected business operating model.

For each material risk, key stakeholders and those considered to be subject matter experts identified and completed a number of scenario assessments. The severity of each material risk was assessed with consideration to internal and external data loss, the business control environment, relevant business data and insurance mitigants. The scenarios were challenged by Senior Management for appropriateness and impact. Twelve material risks were identified for the Operational Risk Capital assessment by Senior Management based on judgement, experience, risk profile, business and control environments.

The 1 in 200 years assessments were statistically modelled using the log normal distribution based on 1 in 5 years and 1 in 20 years data points which were assessed by Senior Management and subject matter experts for relevance and applicability to the Group's current and projected business operating model. Through several rounds of discussion, the statistical estimate was challenged and approved by Senior Management to ensure applicability, consistent ranking of the risks and that the total capital for each combined scenario was reasonable.

The insurance cover applicable to each scenario was considered. Where applicable, insurance cover has a cap of £75m. To be conservative, management have limited the insurance deduction to appropriate scenarios and to a maximum amount of 20% of any loss. This approach is consistent with current market practice of limited licence investment firms and a report prepared by the Bank for International Settlements ('Recognising the risk-mitigating impact of insurance in operational risk modelling – October 2010') which states that "the recognition of insurance is currently limited to 20% of the total operational risk capital charge calculated". The excess of £250,000 was added back to reach the net operational risk capital amount when insurance was available.

Refer http://www.bis.org/publ/bcbs181.pdf for the full report.

The largest combined operational risk event scenario was put forward as the Pillar II operational risk capital requirement in the Group ICAAP. Other operational risks such as insurance risks are not material to the group at this time.

3. Financial Resources

	30 June 2014 £m
Tier 1	
Permanent share capital	-
Profit and loss account and other reserves	600.1
Share premium account	15.7
Minority interests	16.4
Total	**632.2**
Deductions from Tier 1	
Intangible Assets/goodwill	(72.2)
Investments in associates, JV’s and non-current investments	(21.4)
Tier 1 after deductions	**538.6**
Total Capital resources[1]	**538.6**

[1] The Group does not have Tier 2 or Tier 3 capital and any related deductions.

4. Capital Adequacy

It is the Group's policy that all entities within the Group have sufficient capital to meet regulatory and working capital requirements, and to keep an appropriate credit standing with counterparties. With this in mind, the Group conducts regular reviews of its capital requirements relative to its capital resources, and has maintained a significant surpluses at all times during the period.

The capital resources requirements of the Group are detailed below. As the Group's Pillar II requirement is higher than its Pillar I requirement, this has been used to calculate the Group's surplus financial resources. The Pillar II requirement is higher than the Pillar I requirement primarily as a result of the higher market risk charges derived from the VaR methodology compared with the standardised rate used under Pillar I. The derivation of the £465.7 million consolidated Group surplus is set out in section 4.2.

4.1 Aggregated Capital Resource Assessment (Pillar I)

	30 June 2014 £m
Consolidated requirement	
Market risk	-
FX risk	35.3
Credit risk	25.8
Operational risk	-
Other entities	0.5
Total Group Consolidated Resources Requirement	**61.6**
Group Financial Resources (section 3)	**538.6**
Surplus capital	**477.0**

The Pillar I capital requirements are calculated in accordance with the guidance set out in the BIPRU handbook.

4.2 Consolidated Capital Resource Assessment (Pillar II)

	30 June 2014 £m
Consolidated requirement	
Market risk	29.8
FX risk	18.2
Risk reduction due to diversification	(4.5)
Credit risk	6.2
Operational risk	23.2
Total Group Consolidated Resources Requirement	**72.9**
Group Financial Resources (section 3)	**538.6**
Surplus capital	**465.7**

5. Challenge and Adoption of the ICAAP

The production of this ICAAP report involved the input of a number of discipline heads across the Group's different departments including (but not limited to) Finance, Compliance, Risk, IT, HR and Operations. A full review has been undertaken by the Group Finance Director and Chief Executive. Subsequently the document was reviewed and approved by the Ashmore Group Board.

Each discipline brought to bear its expertise with the aim of identifying and quantifying the risks that the Group faces. These risks are not isolated to specific areas within the business, and as a result we consider the potential impacts on a consolidated basis.

Underpinning the analysis was Ashmore's "Risk Matrix" and base case financial forecast model. All key business disciplines were involved in challenging and analysing the impact on the business of the different risks which the business faces. The Risk Matrix includes specific risk management activities and related control mechanisms. The Group's Board review this Risk Matrix each September as part of the annual review of the effectiveness of internal controls exercise.

The financial forecast model is derived from the detailed annual budget that the Group prepares and presents to the Board. As highlighted above, the ICAAP tested and analysed various scenarios. While the Group's approach was to make prudent assumptions, it was also to ensure that the scenarios tested were realistic and reflected the inherent nature of the risks that the business faces. This process included not only a historical analysis of the Group's AuM development but also involved an examination of the changing environment that the Group operates in and the continually evolving nature of the Group's operations.

In the meantime, Ashmore understands the importance of prudent capital management and recognises that the ICAAP framework offers the Group the opportunity to assess its capital position within the context of its future strategic goals and objectives. As such, the ICAAP is recognised to be very much a live document and on this basis it will be reviewed regularly and formally considered by the Board as part of its annual risk and controls review. Finance has performed stress testing of its forecasts outside of the requirement to do so as part of this process.

6. Code Staff Aggregate Remuneration

The Ashmore Group plc Remuneration Report for the year ending 30 June 2014 includes information required to be disclosed in accordance with the FCA's prudential sourcebook for banks, building societies and investment firms (BIPRU) 11.5.18(1) and (2).

The information in the tables below is provided in accordance with BIPRU 11.5.18(6) and (7).
A total of 11 individuals were Code Staff during the year ending 30 June 2014. Code Staff are the Group's employees whose professional activities could have a material impact on the Group's risk profile. The list of individuals who are Code Staff includes:

- Directors of Ashmore Group plc
- Non-executive Directors of Ashmore Group plc
- Staff performing a Significant Influence Function within the Group
- Material Risk Takers; and
- Employees in key control function roles

Table 1: Aggregate remuneration of Code Staff by Business Area for financial year ending 30 June 2014 (11.5.18(6))

Breakdown of remuneration of staff in respect of whom disclosure is required by business area BIPRU 11.5.18 (6)		
Business Area	Number of Staff	Total Remuneration for Year Ending 30 June 2014 (£m)
Ashmore Group PLC	11	2.4

Table 2: Aggregate remuneration of Code Staff by staff category for financial year ending 30 June 2014 (11.5.18(7))

	Aggregate quantitative information, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the firm BIPRU 11.5.18 (7)		
	Staff Category		Total Remuneration for Year Ending 30 June 2014 (£m)
	Senior Management	Other Members of Staff	
Remuneration (£m)	2.4	0	2.4
Number of Staff	11	0	