



ADM Investor Services  
International Limited

## **ADM Investor Services International Limited ('ADMISI') Pillar 3 Disclosures 2020**

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## 1) Introduction

Background:

The Capital Requirement Regulation (CRR) and the Capital Requirement Directive IV (CRD IV) both of which represent the implementation of the Basel III Accord in the European Union. This revised prudential framework governs the type and amount of capital to be held by firms. These EU directives have been implemented into UK Law through the Financial Conduct Authority ('FCA') handbook particularly through the 'Prudential Sourcebook for Investment Firms ('IFPRU') and Building Societies and Investments firms (BIPRU)

The Prudential framework comprising of three Pillars:

- Pillar 1 sets out the minimum capital the firm needs to meet its Credit risk, Market risk and fixed overhead risk.
- Pillar 2 requires the firm to establish a risk and capital framework that identifies all risks inherent in a firm's business that is not adequately captured in Pillar 1. Pillar 2 capital allocation ensures the firm assesses the capital required to cover those risks. This process is the Internal Capital Adequacy Assessment Process ('ICAAP'). The ICAAP is subject to review by the FCA through the Supervisory Review and Evaluation Process ('SREP').
- Pillar 3 requires the firm to disclose certain information about the firm's approach to risk and capital management and its capital requirements to market participants - (Market Disclosures).

The contents of this document are set out to meet the specific disclosure requirements as outlined in Part Eight (Article 431 – 455) of the CRR and FCA BIPRU 11 and making such disclosures accessible to clients and market participants.

The disclosures contained in this document have been approved by ADMISI's Board of Directors.

## 2) Disclosure Policy

In respect to Article 431 (CRR) and BIPRU 11.3.3, ADM Investors Services International Limited ('ADMISI') has adopted a formal disclosure policy to comply with the disclosure requirements, verification and disclosure.

Article 432.1 (CRR) and BIPRU 11.3.5 (FCA) states that a firm may omit one or more of the required disclosures if the information is material. Information will be regarded as material if its omission or misstatement could change or influence the assessment or decision of a user relying on the information for the purpose of making economic decisions. No disclosures have been omitted by ADMISI on these grounds.

Article 432.2 (CRR) and BIPRU 11.3.6 states that a firm may omit one or more of the required disclosures if the information to be disclosed is regarded as proprietary or confidential. Proprietary/confidential information if disclosed will undermine a competitive position or breach an obligation of confidence between the firm and its customers, suppliers and counterparties. No disclosures have been omitted by ADMISI on these grounds.

In accordance to Article 433 and 434 (CRR) and BIPRU 11.3.8/11.3.10, ADMISI will publish these disclosures at least annually on its website ([www.admisi.com](http://www.admisi.com)).

The Pillar 3 disclosures contained in this document are based on ADM Investor Services International Limited ('ADMISI').

### 3) Scope and application of directives:

#### **ADMISI's Overview**

ADM Investor Services International Limited ('ADMISI') is a wholly owned subsidiary of Archer Daniels Midland (UK) Limited in the UK, which in turn is a wholly owned subsidiary of Archer Daniels Midland Company (ADM) in the USA (Public traded company).

ADMISI (FRN: 148474) is authorised and regulated by the FCA. The firm is classified as a 730K Investment firm with Limited Activity Licence. The firm is also classified as a Significant IFPRU firm.

ADMISI is a full service multi-asset brokerage company. The company's principal activity is to act as a managing, clearing and executing broker for clients carrying out commodity and financial futures, equities and options investment business and trading, foreign exchange business, and broking in fixed income products.

The majority of the firm's business activities are for professional clients and eligible counterparties, however, the firm also cater for retail clients subject to certain criteria being met. The firm also holds and controls Client Money and Assets.

Trading is primarily undertaken on a matched basis on recognised exchanges or with other brokerage firms. The firm does not trade OTC contracts except for Equity CFDs and spot/forward FX.

The firm does not undertake any proprietary trading activities and there is no intention to enter into this area. As no principal account positions are taken, there are no trading book positions that need to be funded. The only exceptions to this being error trades or facilitation trades (typically in foreign exchange or some commodities) that need to be traded and allocated to close a client position.

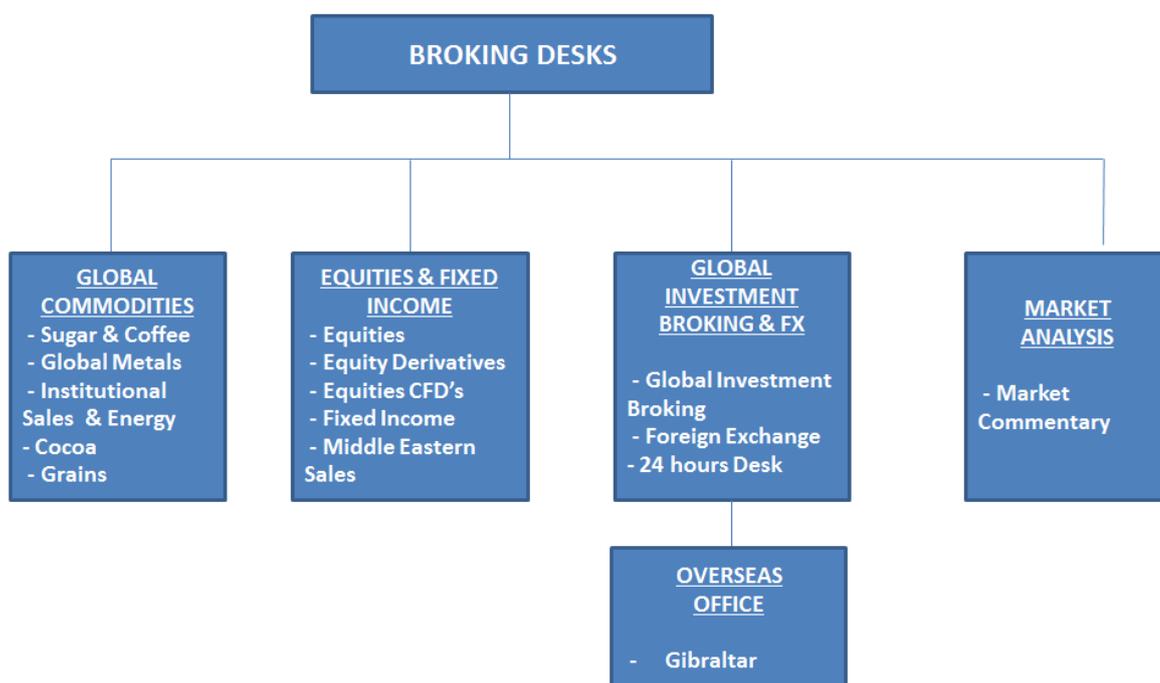
#### **ADMISI owns and controls:**

**ISI Nominees Limited**: Fully owned subsidiary of ADMISI which acts as nominee for ADMISI in respect of securities registered in its name. *ISI Nominees Limited is NOT a regulated firm.*

There are currently no known or foreseen practical or legal impediments to the prompt transfer of capital resources or repayment of liabilities between parent and subsidiary undertakings.

#### **Overview of ADMISI Core Business Lines**

Business undertaken by ADMISI is entirely customer driven. Key markets are commodity derivatives in metals, energy, and softs; financial derivatives in currencies and precious metals; securities markets in equities, equity and index options, equity CFDs, and fixed income; and cash FX spot and forward in various currency pairs.



**Commodity Markets:** As a part of one of the world’s leading food processors, we have a wealth of expertise in agricultural markets. Extremely experienced and professional teams in each of the main fields of the industry - energy, metals, grains, sugar, coffee and cocoa, support this. Our 24-hour trading desk enables ADMISI to cover all aspects of the industry - around the clock and around the globe.

**Equities and Fixed Income Markets:** As members of the London Stock Exchange, we have a highly knowledgeable and active securities group to meet clients’ requirements.

**Global Investment Broking:** the 24-hour broking desk is there to support all clients trading through the time zones in all the markets throughout the year.

**Foreign Exchange:** ADMISI execute FX transactions for many clients in relation to their currency exposures and requirements, serviced by its highly experienced team in foreign exchange.

**Market Analysis:** ADMISI provides market commentary and research covering all topics in the business; these are published on our website, or delivered by email or hard copy according to the needs of individual/groups of clients.

**Clearing/Straight through Processing:** a highly experienced and professional team supports all aspects of clients’ accounts from execution through to settlement. Clearing and Settlement capabilities are a core competency for ADMISI.

**Electronic Trading Platforms/Direct Market Access:** ADMISI is able to provide access to the most dynamic trading systems in the industry in futures, options, FX, Equity CFDs and equities. ADMISI provide a full brokerage service that includes clearing and brokerage into all major investment

markets and exchanges. The strategy is to provide customers access to an extensive range of investment opportunities, enabling effective risk management in all market conditions.

#### **4) Risk Management**

##### **4.1) Introduction**

ADMISI considers risk management to be fundamental to the successful achievement of its business objectives. Effective risk management underpins ADMISI's long term sustainability and growth. An enterprise-wide risk management framework is implemented across the firm. The embedded enterprise-wide risk management framework ensures the continuous monitoring, managing and mitigating of risks faced by the firm.

##### **ADMISI's Risk Culture**

Risk culture is defined as the norms, attitudes and behaviours related to risk awareness, risk taking and risk management. The risk culture for ADMISI is set as 'tone from the top' which is driven by the firm's management.

The 'ADM way' code of conduct, the various mandatory risk awareness trainings undertaken by the staff and staff induction programs are all designed to ensure ADMISI's risk culture is embedded in the fabric of the firm and governs the firm's day to day operations. This helps to ensure ADMISI's risk profile is within its articulated risk appetite by continuous monitoring and managing of risks. ADMISI ensures that its business strategy, risk strategy and risk appetite are linked and communicated across the firm; to ensure that decision-making at all levels of the firm reflects the firm's approach to risk management.

##### **4.2) Statement of Risk Appetite**

Our risk appetite is an expression of the maximum level of risk that we are willing to accept in order to achieve our strategic objectives. This statement quantifies the amount of risk that we are willing to carry and sets a framework for the management of the level of risk that we hold at a point in time. The ADMISI Board is responsible for setting the risk appetite of the business and for delegating the day-to-day control and monitoring of risk to the executive management of the firm.

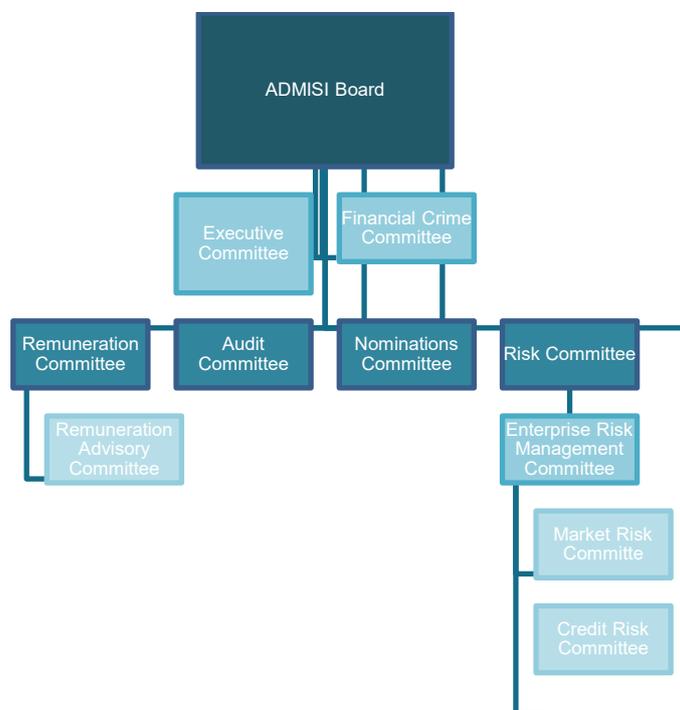
ADMISI has a low appetite for adverse risk outcomes. However, to contextualise this statement it is important to note that the commodity business is, by its very nature, often associated with higher risk jurisdictions and products. Consequently, ADMISI takes extremely seriously the development, application and maintenance of appropriate systems and controls to mitigate control and monitor these risks.

ADMISI has defined a set of monetary risk limits that define and control its risk appetite. These risk limits forms the basis of monitoring evolving firm-wide risks which prompts and guides management actions. Compliance with the risk appetite is regularly monitored. Management information is made available to the executive management and the Board on a regular basis.

The firm also performs regular stress testing of its clients positions. These stress tests check the firm's financial positions and the risk profile, to ensure the firm has sufficient resilience to withstand severe economic and idiosyncratic stresses. It also prompts the firm to come up with workable action plans to mitigate such risks before the stresses materialise. Details of stress tests feed into the ICAAP and the Recovery and Resolution Plan.

### 4.3) Risk Governance Structure

ADMISI's governance framework is proportionate to the size, nature, scope and complexity of the business activities of the firm and also reflects the company's position within the wider ADM group. The framework comprises the Board and a number of Risk committees and Risk forums as illustrated below.



#### The ADMISI Board

The Board is responsible for overseeing the management and supervision of the business of the company, including setting the strategy for the business, the assessment, management and oversight of risk, and the overall financial position of the company. The Board is also responsible for the development and sustenance of a culture that is consistent with the ADM Group's way ("THE ADM WAY"), its core values and promotes integrity in the interaction with clients and markets. The Board is responsible for ensuring the firm's compliance with financial services law and the FCA Rules and minimising the risk of regulatory failure.

The ADMISI Board of Directors comprises three Executive Directors - the Managing Director, the Finance Director, and the Compliance Director (all of whom hold SMF's). One Non-Executive Director (NED) holding SMFs (the President of ADM Investor Services Inc.). In addition, another non-SMF holding Non-Executive Director (the ADM Regional Chief Financial Officer for Europe, Middle East, Africa and India).

It is appropriate for the Board to have a majority of executive directors for a relatively small firm of approximately 124 people. ADMISI's ultimate shareholder is ADM Group and both Non-Executive Directors are ADM Group appointees.

The ADMISI Board is responsible for creating and delivering shareholder value and for the overall governance of ADMISI. The ADMISI Board is responsible for strategic matters and providing leadership within a framework of appropriate and effective risk management controls.

Primary responsibility for governance and risk oversight rests with the Board. The Board has delegated responsibilities to committees of the Board namely Risk Committee, Audit Committee, Remuneration Committee and Nominations Committee.

The Board meets quarterly. Minutes are kept of the meetings and actions arising from the meetings are followed-up. The ADMISI Board charges the UK based executive directors with the day-to-day control.

### **Committees of the Board**

The ADMISI Board has created the following committees as committees of the ADMISI Board to deal with Risk, Audit, Remuneration and Nominations (together referred to as '**the Committees**').

- 1) Risk Committee
- 2) Remuneration Committee ('Remcom')
- 3) Audit Committee
- 4) Nominations Committee

There are several sub-committee of the Board committee. These sub- committees have delegated responsibilities from the ADMISI Board. These sub committees are as follows:

- Remuneration Advisory Committee (RAC)
- Enterprise Risk Management Committee
  - Market Risk Committee
  - Credit Risk Committee

### **Risk Committees**

The various risk committees have risk oversight responsibilities for the specific areas. All Risk committees reports to the Executive Directors – who in turn report to the Board.

The firm has adopted the three lines of defence approach for risk management on the basis outlined below:

#### **First Line of defence:**

The first line of defence is responsible and accountable for carrying out ADMISI's activities in accordance with the company's policies and procedures. This includes adherence to the rules and regulations relevant to that area and operating within agreed limits in respect of each activity. For example, the Sales teams are responsible for checking all proposed client transactions are covered by client cash or collateral or credit limits before being executed, comply with exchange rules, company pricing guidelines, and adhere to relevant trading desk and client limits

#### **Second Line of defence:**

The role of the second line of defence is to oversee and challenge the activities of the first line and facilitate the implementation of ADMISI's risk management framework. The Risk and Credit team, are responsible for monitoring client margin calls and collateral positions and exceptions, and client margin finance line utilisation and escalating any issues to the Head of Risk and the Managing Director/Finance Director.

The Compliance function is responsible for drafting the company's policies and procedures and ensuring that these reflect all applicable rules and guidance set out by the firm's regulator. In addition, the Compliance function implements and follows a detailed monitoring programme covering the key business and operational areas of the business. This involves monitoring adherence by each area to the company's policies and procedures, limits, and the relevant regulations. The Compliance function presents the results of its monitoring process in written reports to the Board. In addition, the CASS team also provides second line of defence on all clients dealings/transactions firm wide.

**Third Line of defence:**

The third line of defence is the provision of independent assurance by ADMISI’s internal audit function. This is partly performed by an ADM Internal Audit team in relation to generic internal controls and processes. ADMISI employs an external third party for components of Internal Audit work that involves specialist regulatory expertise. All Internal Audit reports are circulated to the members of the Board. The Internal Audit report recommendations are allocated to specific individuals on the senior management team.

The diagram below indicates how responsibilities are assigned under the three lines of defence model

Front line - monitoring	Second line - oversight	Third line - assurance
<p><b>Client On Boarding Team (COBT)</b></p> <ul style="list-style-type: none"> <li>• Clients identification and validations through the on-boarding process</li> <li>• Ongoing clients KYC and EDD process</li> <li>• Monitoring clients activities</li> <li>• Identification of High risk clients and managing such accordingly</li> </ul> <p><b>Sales teams</b></p> <ul style="list-style-type: none"> <li>• Ensuring clients adhere to trade desk limits</li> <li>• Adherence to exchanges rules/regulations on clients trading</li> </ul> <p><b>Operations</b></p> <ul style="list-style-type: none"> <li>• Clearing and settlement</li> <li>• Unusual transactions identification and confirmation</li> <li>• CCP/Broker account reconciliations</li> </ul> <p><b>Risk</b></p> <ul style="list-style-type: none"> <li>• Margin call and collateral positions</li> <li>• Set trade desk and clients trading systems limits</li> <li>• Limits on client activity</li> <li>• Client repayments</li> </ul> <p><b>Finance</b></p> <ul style="list-style-type: none"> <li>• Cash flows and liquidity management</li> <li>• Client banking instructions for payments</li> <li>• Bank reconciliations</li> </ul>	<p><b>Compliance</b></p> <ul style="list-style-type: none"> <li>• Monitor transaction activity is within limits</li> <li>• Compliance to regulators/exchanges rules</li> <li>• Provide regulatory guidance and training</li> <li>• Advise on regulatory issues</li> <li>• Monitor and test compliance with company policies and procedures and with rules and regulations</li> </ul> <p><b>Risk</b></p> <ul style="list-style-type: none"> <li>• Monitor, collate and report risk information</li> <li>• Monitor margin call and collateral exceptions</li> <li>• Propose risk limits</li> <li>• Review client limits on trading systems.</li> </ul> <p><b>Credit</b></p> <ul style="list-style-type: none"> <li>• Review and report client margin finance line utilisation</li> <li>• Reviews of updated financial status of clients, CCPs, Brokers, and Banks</li> <li>• On-going monitoring of clients credit worthiness.</li> </ul> <p><b>Finance</b></p> <ul style="list-style-type: none"> <li>• Financial, liquidity and capital reporting</li> </ul> <p><b>CASS</b></p> <ul style="list-style-type: none"> <li>• Ensures compliance to CASS rules</li> </ul>	<p><b>Internal Audit</b></p> <ul style="list-style-type: none"> <li>• Conduct regular reviews, covering Finance, Risk, Compliance, Regulatory and CASS.</li> <li>• Provide independent assurance to Board/ADM group</li> <li>• Write and circulate reports to members of the Board of ADMISI, and to ADM Group senior management.</li> <li>• Internal audit of regulatory facing matters is outsourced to an external expert provider.</li> </ul>

#### 4.4) Corporate Governance

Primary responsibility for governance and risk oversight rests with the Board. The Board delegates certain authorities to the firm's committees namely – the Executive Committee, the Enterprise Risk Management Committee, the Credit Committee, Market Risk Committee and the Remuneration Committee.

This section gives the detail of ADMISI's governance framework and management ethos:

##### 4.4.1) Board of Directors

The ADMISI Board of Directors comprises of:

- Three Executive Directors
  - 1) Managing Director
  - 2) Finance Director
  - 3) Compliance Director
  
- Two Non-Executive Directors
  - 1) President of ADM Investor Services Inc. (ADMIS Inc.)
  - 2) ADM Regional Chief Financial Officer for Europe, Middle East, Africa and India

The Board meets quarterly. The Non- executive directors are ADM group representatives.

The UK based executive directors are charged with the day-to-day conduct and management of the firm and meet weekly.

##### 4.4.2) Executive Committee

The Executive Committee as delegated by the Board is responsible for implementing the company's operational, financial and personnel policies.

Approving all matters relating to the rules and regulations of the company.

Implementing development projects and strategic initiatives that meet the objectives of the company.

Approving all matters relating to Credit & Risk, identifying material risks facing the company and ensuring appropriate arrangements are in place to control and mitigate those risks effectively.

Reporting on the risks and controls to the Board. The committee meets every two months.

The Executive Committee consist of:

- 1) Managing Director
- 2) Finance Director
- 3) Compliance Director
- 4) Head of Information Technology
- 5) Head of Human Resources
- 6) Head of Operations
- 7) Head of Risk
- 8) Business Heads (Global Commodities, Equities & Fixed Income, Global Investment Broking and FX)

##### 4.4.3) Enterprise Risk Management Committee

The Enterprise Risk Management Committee provides oversight to the risk management of the firm. The committee is responsible for development of effective Risk Management Framework by identifying, assessing, monitoring and managing of the firm's risk.

The ERM Committee has its own sub- committees (Credit Committee and Market Risk Committee). The ERM committee meets quarterly and minutes are taken of the meetings.

- **Market Risk Committee and Credit Committee**

The Credit Committee and Market Risk Committee as delegated by the Board are responsible for the identifying material risks facing the company and ensuring that appropriate arrangements are in place to control and mitigate those risks effectively. Debating any proposed changes to risk procedures, processes and controls and presenting a profile of the company's key risks and associated controls to the Board.

The committee meets weekly or frequently if necessary.

#### 4.4.4) **Financial Crime Committee**

The Financial Crime Committee is a sub-committee of the Board that focuses on internal control, legal, compliance, regulatory and risk issues, projects, initiatives, and high-risk clients and relating to financial crime and Anti-Money-Laundering (AML) compliance.

#### 4.4.5) **Remuneration Committee**

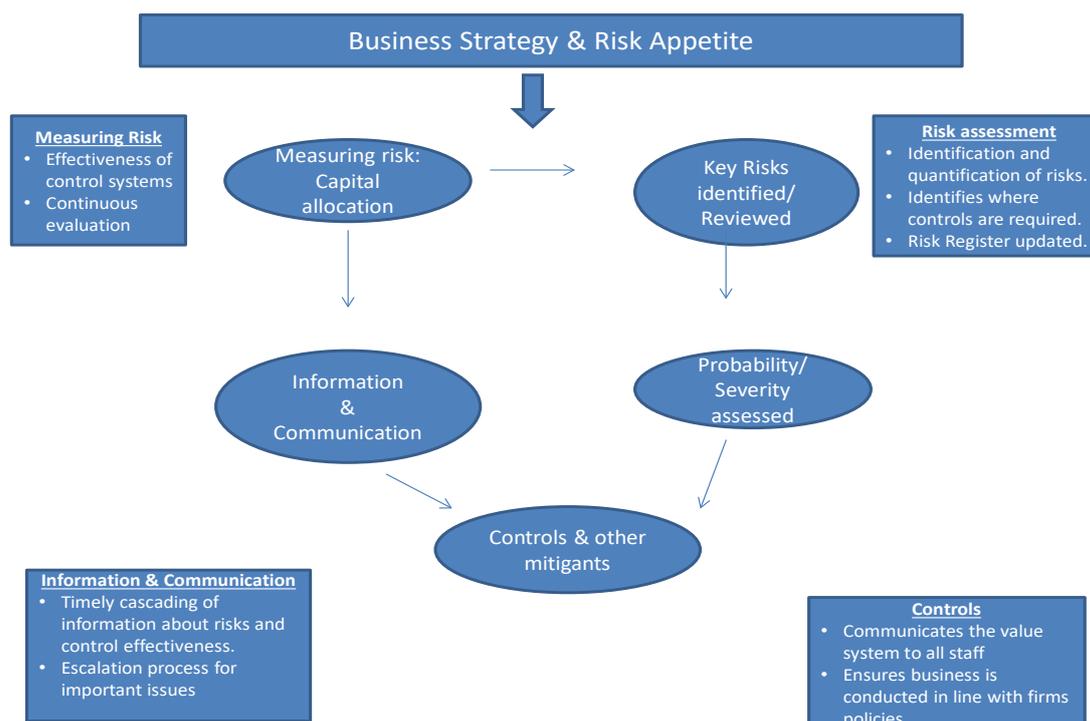
The Remuneration Committee as delegated by the Board is responsible for implementation of remuneration policies which meet the firm's objectives, ensure a clear and transparent process for determining remuneration package which is in line with ADM values and consistent with regulatory requirements and employment laws.

The Remuneration Committee has its own sub -committee – The Remuneration Advisory Committee ("RAC"). The RAC is responsible for implementing the remuneration policies set by the Remuneration Committee and for making recommendations on staff remuneration, including bonus payments, profit share agreement reconciliation, reductions in variable pay and financial penalty application to the Remuneration Committee. The RAC meets at least quarterly.

All of the above directorships are compliant with CRDIV Requirements.

### 4.5 **Risk Assessment and Measurement Methodology**

A summary of the process used to assess risk is outlined in the diagram below. The results are summarised in the Risk Register maintained by ADMISI's Risk team. The Risk Register identifies and assesses all potentially significant risks and the basis for ADMISI's internal risk measurements.



#### 4.6) Analysis of Risks

There are various components to ADMISI’s risk appetite and risk profile. These classifications of risks form an important part of the firm’s risk framework as it helps in the definition, identification, assessment and control of risks.

##### Credit Risk

Credit risk is ADMISI’s most significant risk. Credit risk is the risk of financial loss to the firm if a client, bank or counterparty fails to meet its contractual obligations in a timely manner or none at all. Credit risk is managed on a company wide basis.

The main sources of default that impact ADMISI are as follows:

- 1) The risk that a client does not pay margins when due:  
To mitigate this risk, the majority of ADMISI clients are expected to place collateral (cash or non-cash) prior to executing transactions. The risk department monitors margin calls regularly (daily and intra-day). ADMISI extends margin finance facilities based on Board approved limits. The Risk department also monitors under margined accounts regularly to monitor credit risk.
- 2) The risk that a CCP defaults:  
If a CCP were to fail, the positions/monies would be assumed by another entity and the positions and monies would be protected under the CCP and CASS rules. ADMISI liability in the event of a CCP default is limited to its default fund contributions and obligations thereto.
- 3) The risk of broker defaults:  
ADMISI mitigates the risk by using regulated and ‘well capitalised brokers’. Segregated client balances at brokers are protected under CASS rules.

- 4) The risk that a bank defaults:  
Client money and firm money are held only at institutions that are considered highly creditworthy and are approved banks of the wider ADM Group.

In order to mitigate credit risk, the firm performs thorough credit checks on potential customers and individual credit lines limits are subject to approval. These limits are monitored by the Credit departments on an on-going basis, whilst management reassess counterparty exposure limits periodically. Clients may also be subject to initial margin limits which have the effect of limiting credit exposures. Credit usage reports are prepared daily and circulated to senior management.

### **Market Risk**

Market risk is the risk of adverse movements in the values of equities, bonds, foreign currency and other financial instruments.

- ADMISI does not hold any trading book positions; exposure to market risk is limited to customer facilitation services for small positions in commodities and resulting from operational errors.
- Currency Risk: ADMISI only has incidental FX exposures. Client FX transactions are all back-to-back with major FX Bank counterparties. FX transactions are confirmed post-trade with clients and counterparties, as a daily control process. The Company receives income primarily in £ sterling, US dollars and Euros. The Company has a policy of frequently selling net currency earnings to the reporting currency being £ sterling, thereby reducing translation risk.

### **Liquidity Risk**

Liquidity risk is the risk that ADMISI, though solvent, either does not have sufficient resources available to it to enable it to meet its obligations when they fall due, or can secure them only at excessive costs.

ADMISI's liquidity tolerance is to operate at all times within the firm's business as usual liquidity requirements. ADMISI manages its liquidity risk on a daily basis ensuring the firm is able to meet its obligations when they fall due. Additionally, the firm also has a credit facility agreement in place with ADM International SARL – the firm's intention is to only draw on these credit facilities in emergency situations.

Regular stress tests are carried out for different stressed scenarios and results from this stress testing are fed into the firm's risk appetite - which ensures Liquidity contingency plans are robust and adequate.

### **Operational Risk**

This is the risk of losses arising from inadequate or failed internal processes, systems, personnel and external events. Operational risk affects every facet of the firm. ADMISI as a firm aims to actively identify, assess and manage such risks in an effective manner and ensure the risk management framework is embedded into all business areas. This is supported by the risk register that allows management to identify actual and potential risk areas and trends of risks so that they can put preventive and corrective measures in place.

### **Legal and Compliance Risk**

This is the risk that the firm is not in compliance with prevailing legal and regulatory laws, rules and regulations, which could lead to fines and sanctions for the firm and resulting in diminishing reputation in the markets. In addition, the amount and complexity of regulatory changes continues to be significant coupled with ever increasing regulatory focus on firms. Furthermore, the size and frequency of regulatory fines for

rules breaches and control weaknesses is increasing. Regulatory risk also covers tax compliance risk particularly cross border taxation rules.

### **Strategic and Business Risk**

Business risk includes any risk to the firm arising from changes in its business. Such risk includes the acute risk to earnings posed by falling or volatile income and the broader risk of a firm's business model or strategy proving inappropriate due to macro-economic, geopolitical, industry, regulatory and other factors. In addition there is the risk that the firm may not be able to carry out its business plan and desired strategy.

ADMISI mitigates these risks by constant evaluation and analysis of different economic scenarios in order to model the impact on the firm enabling the firm to put appropriate measures in place to minimize the potential impact on the firm.

### **Human Capital (Key Person Risk)**

The risk that ADMISI is unable to retain or attract the staff it needs for business operations which in turn will affect its revenues and profitability.

This risk is mitigation by implementation of ongoing succession planning for all key positions within the firm. The firm also has in place a remuneration and retention policy.

### **Technology and Infrastructure**

This is the risk of system failure or unavailability of critical systems or infrastructure adversely affecting ADMISI's ability to conduct business. This includes major systems or software outages whether operated within the ADM Group or through a third party vendor. This risk also includes cyber risk – where cyber security is breached undermining clients information and resulting in financial and reputational damage to ADMISI.

To mitigate this risk ADMISI has a comprehensive Business continuity plan. There are also designated business continuity off site centres that are available for key staff to carry on business activities. Additionally, there is an ADM wide security policy to address potential cyber risk.

## 5. Capital Resources

The summary below shows the reconciliation of the firm's Capital Resources and Audited Financial statement as at 31 December 2019 as set out in article 437:

<b>Capital Resources</b>	<b>31-Dec-20</b>	<b>31-Dec-19</b>
<b>Tier 1 Capital</b>	<b>£</b>	<b>£</b>
Share Capital	32,000,000	32,000,000
Retained Earnings	35,782,707	47,209,900
Other Reserves	1,764,457	1,837,096
	<b>69,547,164</b>	<b>81,046,996</b>
<b>Tier 1 deductions</b>		
Intangible assets deductions	- 224,240	- 224,240
Tier 1 Capital after deductions	<b>69,322,924</b>	<b>80,822,756</b>
<b>Tier 2 Capital</b>		
Subordinated Loan	7,320,002	7,549,999
<b>Total Capital Resources</b>	<b>76,642,926</b>	<b>88,372,755</b>
<b>Audited Financial Statements</b>	<b>31-Dec-20</b>	<b>31-Dec-19</b>
	<b>£</b>	<b>£</b>
Audited Shareholders Equity	69,547,164	81,046,996
Intangible assets deductions	- 224,240	- 224,240
Subordinated Loan (Creditors falling due after more than one year)	7,320,002	7,549,999
<b>Total Capital Resources</b>	<b>76,642,926</b>	<b>88,372,755</b>

The firm's capital resources as at 31 December 2020 consist of Tier one and Tier Two capital (called up share capital, Reserves and subordinated loan).

The subordinated loan of \$10m was issued to ADMISI by a related entity. This subordinated loan qualifies as Tier 2 capital.

Deductions from Tier one capital are as follows:

- Intangible assets deductions: £224,240 of goodwill balance was deducted from Tier one capital as at 31 December 2020 (Goodwill balance in 31 Dec 2019- £224,240 – unchanged).

## 6. Capital Resources Requirement

The firm's capital resources requirement is the total of Credit risk, Market risk and Fixed Overhead Requirement - (Limited Activity firm – IFPRU).

### 6.1) Total Capital Resources Requirement Summary

ADM Investor Services International Ltd	31-Dec-20		31-Dec-19	
	Risk weighted exposure amount	Capital Requirement	Risk weighted exposure amount	Capital Requirement
<b>Capital Requirements</b>	£	£	£	£
<b>Pillar 1 Requirements</b>				
Fixed overheads	123,519,482	9,881,559	114,929,099	9,194,328
Credit risk	273,798,089	21,903,847	254,363,174	20,349,054
Market risk	4,693,348	375,468	8,128,486	650,279
<b>Total Pillar 1 Requirements</b>	<b>410,139,405</b>	<b>32,811,153</b>	<b>377,420,759</b>	<b>30,193,661</b>
<b>Pillar 2 Requirements</b>				
Pillar 2		14,513,960		13,889,084
vs ICAAP Pillar 2		23,758,000		30,813,672
Capital Planning Buffer (CPB)		10,540,000		10,014,000
<b>Total Pillar 1 &amp; 2 Requirements</b>		<b>47,325,112</b>		<b>44,082,745</b>
<b>Combined Buffers</b>				
Countercyclical Buffer		90,870		2,218,067.00
Capital conservation buffer		9,860,027		9,435,519.00
Capital Planning Buffer (CPB)		10,540,000		10014000
Combined buffer		<b>20,490,897</b>		<b>11,653,586</b>
<b>Total Capital Requirements (Pillar 1 &amp; 2)</b>	<b>410,139,405</b>	<b>47,325,112</b>	<b>377,420,759</b>	<b>44,082,745</b>

### 6.2) Capital Ratios

The firm's capital ratios as at 31 December 2019 exceeds the minimum capital ratios set out in Article 92 (1)

Capital Ratios	31-Dec-20	31-Dec-19
Common Equity Tier 1 Ratio	13.90%	17.79%
Tier 1 Ratio	13.90%	17.79%
Total Ratio	15.75%	19.73%

### 6.3) Credit Risk Capital Requirement

ADMISI computes its Credit risk capital requirement under the Standardised Approach for Credit Risk (CRR chapter 2, BIPRU 3 and IFPRU 4). Credit risk is the risk of loss caused by the failure of a client, bank or counterparty to perform its contractual obligations.

Credit risk is ADMISI's most significant risk and is made up of Balance sheet exposures (Credit Risk Exposures) and Client Exposures (Counterparty Risk Exposures).

### 6.3.1) Credit Risk Capital Requirement (Balance Sheet Exposures):

<b>ADM Investor Services International Ltd</b>	<b>31-Dec-20</b>		<b>31-Dec-19</b>	
<b>Credit Risk Requirement</b>	<b>Risk weighted exposure amount</b>	<b>Capital Requirement</b>	<b>Risk weighted exposure amount</b>	<b>Capital Requirement</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Central Govt/Banks	2,392,453	191,396	504,310	40,345
Institutions	14,548,698	1,163,896	24,921,748	1,993,740
Corporates	17,449,628	1,395,970	8,464,067	677,125
Equity Exposures	3,697,501	295,800	3,593,751	287,500
Others	7,625,989	610,079	8,170,677	653,654
<b>Total Credit Risk Requirement</b>	<b>45,714,269</b>	<b>3,657,142</b>	<b>45,654,553</b>	<b>3,652,364</b>

### 6.3.2) Counterparty Risk Capital requirement:

<b>ADM Investor Services International Ltd</b>	<b>31-Dec-20</b>		<b>31-Dec-19</b>	
<b>Counterparty Risk Requirement</b>	<b>Risk weighted exposure amount</b>	<b>Capital Requirement</b>	<b>Risk weighted exposure amount</b>	<b>Capital Requirement</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Institutions	91,812,776	7,345,022	84,793,979	6,783,518
Corporates	136,271,044	10,901,683	123,914,642	9,913,171
<b>Total Credit Risk Requirement</b>	<b>228,083,820</b>	<b>18,246,706</b>	<b>208,708,621</b>	<b>16,696,690</b>

### 6.4) Market Risk Capital Requirement:

Market risk is the risk of adverse movements in the values of equities, bonds, foreign currency and other financial instruments. ADMISI does not engage in proprietary trading but does operate a customer facilitation service for small positions in commodities which may give rise to incidental market risk.

The firm is also exposed to currency risk as a result of generating most of its revenue in foreign currency (particularly USD and Euros) and expenses in GBP.

Positions subject to market risk capital requirement are not material and are held on a short term basis. ADMISI computes its Market Risk requirement using standardised approach – Maturity Ladder Approach (Article 359).

As at 31 December 2020, the firm Market Risk Requirement is as follows:

ADM Investor Services International Ltd	31-Dec-20		31-Dec-19	
	Risk weighted exposure amount	Capital Requirement	Risk weighted exposure amount	Capital Requirement
	£	£	£	£
Commodities PRR	2,006,810	160,545	3,914,725	313,178
Foreign Exchange PRR	2,686,538	214,923	3,073,275	245,862
Settlement Risk			1,140,486	91,239
<b>Total Market Risk Requirement</b>	<b>4,693,348</b>	<b>375,468</b>	<b>8,128,486</b>	<b>650,279</b>

#### 6.5) Fixed Overhead Requirement

As a Limited Activity Firm, ADMISI is required to hold one quarter of its previous year relevant fixed overhead costs as Fixed Overhead Requirement.

ADM Investor Services International Ltd	31-Dec-20		31-Dec-19	
	Risk weighted exposure amount	Capital Requirement	Risk weighted exposure amount	Capital Requirement
	£	£	£	£
Fixed Overhead Requirement	123,519,482	9,881,559	114,929,099	9,194,328
<b>Total Market Risk Requirement</b>	<b>123,519,482</b>	<b>9,881,559</b>	<b>114,929,099</b>	<b>9,194,328</b>

#### 6.6) Concentration Risk Requirement (Large Exposures)

ADMISI, under Article 388, is not subject to the Large Exposure regime (Limited Activity Firm).

#### 6.7) Internal Capital Adequacy Assessment Process (ICAAP)

The firm's ICAAP Assessment as at October 2020 have approved by the Board, confirming the firm's level of Capital is sufficient to support the firms risk profile. The ICAAP assessment also shows that the firm's level of Capital is in excess of the minimum regulatory capital requirement set by its regulators.

## 7) Capital Adequacy

<b>ADM Investor Services International Ltd</b>		
	<b>31-Dec-20</b>	<b>31-Dec-19</b>
<b>ADMISI Capital Adequacy</b>	<b>Capital Requirement</b>	<b>Capital Requirement</b>
	<b>£</b>	<b>£</b>
Credit Risk Requirement	21,903,847	20,349,054
Market Risk Requirement	375,468	650,279
Fixed Overhead Requirement	9,881,559	9,194,328
<b>Total Pillar 1 Requirement</b>	<b>32,160,874</b>	<b>30,193,661</b>
<b>Pillar 2 Capital Requirement</b>	<b>14,513,960</b>	<b>13,889,084</b>
<b>Combined Buffers</b>		
Capital Conservation Buffer	9,860,027	9,435,519
Countercyclical Buffer	90,870	2,218,067
Capital Planning Buffer (CPB)	10,540,000	10,014,000
	<b>10,540,000</b>	<b>11,653,586</b>
<b>Total Capital Requirement</b>	<b>46,674,833</b>	<b>44,082,745</b>
Capital Resources (CET1)	69,547,164	81,046,996
Deductions from CET1	- 224,240	- 224,240
<b>Total Tier 1</b>	<b>69,322,924</b>	<b>80,822,756</b>
Tier 2 Capital	7,320,002	7,549,999
<b>Total Capital Resources</b>	<b>76,642,926</b>	<b>88,372,755</b>
<b>Total Capital excess/(Deficit)</b>	<b>29,968,093</b>	<b>44,290,010</b>
<b>CET1 Capital excess/(Deficit)</b>	<b>22,648,091</b>	<b>36,740,011</b>
<b>CET1 Ratio</b>	<b>13.42%</b>	<b>17.79%</b>
<b>Total Ratio</b>	<b>15.15%</b>	<b>19.73%</b>

### 7.1) Capital Buffers

#### Capital Conservation Buffer:

The firm is subject to 2.5% of Pillar one Risk weighted assets as capital conservation buffer for 2020.

Capital Conservation Buffer as at 31 December 2020 was £9,860,027

## **Countercyclical Buffer:**

Country specific countercyclical buffer as at 31 December 2020 was £90,870

## **8) Remuneration Code**

### **8.1) Remuneration Policy**

ADMISI's remuneration policy applies to both executives and employees in the firm. The firm adopts ADM (Archer Daniels Midland) Corporate Group Remuneration policy which ensures employees efforts are focused on the company's key business goals and employees are rewarded appropriately for these efforts.

### **8.2) Remuneration Governance**

ADMISI's remuneration committee is responsible for implementing ADM Corporate Group remuneration policy. The committee held four meetings between 1 January 2020 and 31 December 2020.

### **8.3) Remuneration structure**

**Fixed Base Salary:** ADM Corporate Group in the USA has an established Salary committee which annually issues salary guidelines taking into consideration economic conditions, company performance and sustainability.

#### **Bonus pool Allocations**

- a) **Non- Income generating employees:** Subject to profitability, bonuses are paid annually to non-income generating employees based on annual performance review from a bonus pool. The bonus pool is based on a contractual agreement between ADMISI and ADM Group.

The remuneration policy is structured in such a way that variable remuneration is not guaranteed and entirely discretionary.

- b) **Income generating employees:** Each brokerage desk has its own profit centre agreement, the percentages are fixed. Bonuses are paid from Desk's Net income (after over heads costs have been deducted). All bonus entitlements are subject to the level of individual desk profitability and are therefore not guaranteed.

- c) **Director's Remuneration:**

#### **Directors Bonus:**

ADMISI's directors bonuses are based on Bonus agreement between ADMISI (London) and ADM Group (USA), which stipulates that 25% of director's bonuses must be withheld for 12 months period.

#### **Equity- Based Long Term Incentives**

This is restricted to ADMISI's directors. ADM's Long term incentive program ('LTI' program) aligns the interest of the directors with those of shareholders by driving long-term shareholders value, supporting stock

ownership and encouraging long-term service with the company. In terms of grant size and grant form, the LTI awards are determined based upon Compensation & Succession Committee (ADM Group) assessment of performance during the prior three fiscal years. The exercise price of all stock options is set at market value (or as determined in accordance to applicable incentive compensation plan) on grant date.

#### 8.4) Remuneration of Senior Management Remuneration and code staffs

<b>Breakdown of Code staff by Remuneration Band</b>	<b>Senior Management</b>	<b>Code Staff</b>	<b>Total Staff</b>
Less than EUR1.0m	12	39	51
EUR1.0m - EUR1.5m	0	0	0
EUR1.5m -EUR2.0m	0	0	0
Over EUR2.0m	0	0	0
	<b>12</b>	<b>39</b>	<b>51</b>

#### 9) Non – Applicable disclosures

The following disclosures specified in CRR are not applicable to ADMISI:

- Article 441: The firm is not a Globally Systemic Important firm.
- Article 449: The firm does not securitise its assets.
- Article 452: The firm is subject to Standardised Approach and not IRB Approach.
- Article 454: The firm is does not adopt the AMA approach for computing operational risk charge.
- Article 455: The firm does not use Internal Model to calculate its market risk exposures.