

ADM Investor Services International Limited ('ADMISI')

Pillar 3 disclosure

Contents

1. Introduction
2. Scope and application of the requirements
3. Risk management
4. Disclosure on potential risks under Pillar 1
5. Credit risk
6. Concentration risk
7. Market risk
8. Operational risk
9. Regulatory capital
10. Remuneration code

1. Introduction

The Capital Requirements Directive ('the Directive') of the European Union created a revised regulatory capital framework across Europe governing how much capital financial services firms must retain. In the United Kingdom, this is being implemented by our regulator, the Financial Services Authority ('the FSA') who has created new rules and guidance specifically through the creation of the General Prudential Sourcebook ('GENPRU') and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU').

The new FSA framework consists of three 'Pillars':

- Pillar 1 sets out the minimum capital requirements that we need to retain to meet our credit, market and operational risk;
- Pillar 2 requires us, and the FSA, to take a view on whether we need to hold additional capital against firm-specific risks not covered by Pillar 1; to assist in this process the firm undertakes an Internal Capital Adequacy Assessment Process ("ICAAP") which serves to provide procedures to identify, cost and mitigate, where possible, factors which may have an impact on the firm's capital requirement outside those already considered under Pillar 1 and
- Pillar 3 requires us to develop a set of disclosures which will allow market participants to assess key information about our underlying risks, risk management controls and capital position.

The rules in BIPRU 11 set out the provision for Pillar 3 disclosure. This must be done in accordance with a formal disclosure document. The disclosure of this document meets our obligation with respect to Pillar 3.

The rules provide that we may omit one or more of the required disclosures if we believe that the information is immaterial. Materiality is based on the criterion that the omission or misstatement of any information would be likely to change or influence the decision of a reader relying on that information. Where we have considered a disclosure to be immaterial, we have stated this in the document. In addition, we may also omit one or more of the required disclosures where we believe that the

ADM Investor Services International Limited ('ADMISI')

Pillar 3 disclosure

information is regarded as proprietary or confidential. In our view, proprietary information is that which, if it were shared, would undermine our competitive position.

Information is considered to be confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties. Where we have omitted information for either of these two reasons we have stated this in the relevant section and the reasons for this.

2. Scope and application of the requirements

ADMISI is authorised and regulated by the FSA. At the 2010 year end the firm was categorised as a BIPRU €730,000 firm. The firm's main activities are unchanged and its permissions allow it to be a full brokerage firm, offering execution and clearing services in derivatives, equities, foreign exchange and fixed income markets. The majority of the firm's business is for Professional Clients and Eligible Counterparties but the firm does also cater for Retail Clients, subject to certain minimum criteria being met. The firm also holds and controls Client Money.

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, a US listed entity.

3. Risk management

ADMISI has five committees that are responsible for the overall corporate governance structure of the business. The directors of ADMISI have presence on all of these committees. ADMISI has committees for the following areas:

- Executive committee
- Management committee
- Risk committee
- Back office support committee
- Sales liaison committee

Risk committee

The main Board delegate's authority to the risk committee, attended by all London based directors of ADMISI, around risk assessment of ADMISI. This committee is responsible for considering and discussing all risk related matters, including market, credit, operational, and reputational risk and any other risks which may impact ADMISI. Any operational risk events which have occurred since the previous meeting are documented and reviewed.

This committee is also the forum to debate any proposed changes to risk procedures or related items. Agendas are circulated and formal minutes are taken and key issues highlighted. The minutes are also circulated to management of the US parent entity. The committee meets 4 times a year or more frequently if it is deemed necessary.

ADM Investor Services International Limited ('ADMISI')
Pillar 3 disclosure

The risk register is being integrated into the ADMISI risk management processes. The risk register will be reviewed by the risk committee at each quarterly meeting, and updated as necessary.

The risk committee reports to the Board of Directors of ADMISI.

4. Disclosure on potential risks under Pillar 1

To ensure that the company is compliant with its requirements for BIPRU 3 (credit risk) BIPRU 6 (operational risk), and BIPRU 7 (market risk) the company uses its risk management and control system to provide continuous reporting mechanism. This in turn leads to a series of key indicator reports being used by the company to monitor its daily activities and risks inherent or external to the business environment.

Please note that the company does not adopt the Internal Ratings Based approach and hence BIPRU 4 is not applicable.

In relation to compliance with BIPRU 10, the firm closely monitors and assesses its trading book/non-trading Book limits in line with BIPRU 10.5.2R to BIPRU 10.5.10R.

5. Credit risk

Credit risk relates to the failure, (actual or potential), that an amount due from a client, banker or pre-paid supplier is lost on the default of that person.

Credit risk is managed at a company wide basis. The company will have credit exposures to the banks with which it deposits funds and broker houses.

Depending on the nature of the debt, credit risk exposure is charged either at 8% or a lower limit of 1.6% for balances at recognised credit institutions.

The company has adopted the simplified approach for the purposes of calculating risk weights as detailed under BIPRU 3.5.2 (G).

This approach is based on the following rationale:

- The size and complexity of the firm.
- Our main counterparties are recognised credit institutions that fit into the risk weights detailed under the simplified standardised approach

ADM Investor Services International Limited ('ADMISI')
Pillar 3 disclosure

As at 31 December 2010, the company's credit exposures, analysed by type of counterparty and related credit risk rating was as follows:

Counterparty	Credit exposure £'000	Credit risk rating %
Margin Calls / Credit Line	10,109	57
FX counterparties	1,442	8
Execution business	153	1
Clearing house / broker balances	6,105	34
Others	4	-
	17,813	100

Under Pillar 2, as at 31 December 2010 ADMISI assesses its credit risk requirement to be £1,000,000.

6. Concentration risk capital component

Concentration risk is rarely an issue with the exception of balances held with ADM Investor Services Inc, who act as clearing broker for ADMISI's customers US trading. Concentration risk is where a firm's exposure to its counterparty is large, it risks a large loss should the counterparty default. Such a loss may be sufficient on its own to threaten the solvency of the firm.

Concentration risk is calculated in accordance with BIPRU 10.10A8R.

As at 31 December 2010 the firm had £88,953,000 of large exposures which equates to concentration risk of £6,860,000.

Under Pillar 2, as at 31 December 2010 ADMISI assesses its concentration risk to be £nil.

7. Market risk

The company defines market risk as the risk of losses in on- and off-balance sheet positions arising from movements in market prices or risk factors within the company trading book.

Market risk is managed in relation to the product coverage offered. The majority of customer activity is limited to Exchange Traded Derivatives. The diversity of products/markets traded by ADMISI's clients, together with the small to medium average transaction size, means the firm is not materially exposed to any single sector or concentration risk in a particular market. The absence of proprietary trading activity limits market risk further.

ADM Investor Services International Limited ('ADMISI')
Pillar 3 disclosure

In applying BIPRU 7 to market risk under Pillar 1 the company will adopt the following methods to position risk:

- Indices/equities – Equity PRR (BIPRU 7.3: Standard Equity Method)
- Interest rate – Interest rate PRR (BIPRU 7.2: Simplified Maturity Method)
- Commodities – Commodity PRR (BIPRU 7.4: Simplified Approach Method)
- Foreign Exchange – Foreign Exchange PRR (BIPRU 7.5: Standard Method)

As at 31 December 2010 the firm had PRR of £1,618,000, which is analysed as follows:

- Commodity PRR: £39,000
- Foreign currency PRR: £1,579,000.

In carrying out the ICAAP, management have assessed no additional positional risk requirement under Pillar 2.

8. Operational risk

With regard specifically to BIPRU 6, Operational risk is the risk of a loss arising from failed or inadequate internal processes or systems, human error or other external factors. The risk is managed via the use of a risk register that will log any operational risks that are identified. This is then used to decide the best course of action to take. Regular reporting of risks then takes place at Senior Management, Board and Risk Committee levels.

In applying Pillar I for assessing operational risk, the company adopts BIPRU 6.3 and the basic indicator approach to calculate the operational risk requirement.

Based on this approach, the firms operational risk requirement as at 31 December 2010 is £2,794,000.

In carrying out the ICAAP, management have assessed an additional £nil for operational risk under Pillar 2.

ADM Investor Services International Limited ('ADMISI')
Pillar 3 disclosure

9. Regulatory capital

The company maintains capital resources as follows:

	31 December 2010 £
Tier 1 less innovative tier one capital	31,472
Tier 2 plus innovative tier one capital	-
Tier 3 capital	5,376
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Sub-total	36,848
Deductions from Tiers 1, 2 and 3	4,253
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Total capital resources	32,595
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To meet its Capital Adequacy Resource Requirement, ADMISI is required to hold the greater of:

- its based capital requirement of €730,000; or
- sum of credit risk capital requirement, market risk capital requirement and operational risk capital requirement.

Plus:

- Any Pillar 2 capital add-on requirement.

10. Remuneration code

ADMISI is a Proportionality Tier 3 Firm.

The ADM Group of Companies operates a Performance Management approach to ensuring employee efforts are focused on the Company's key business goals and that employees are rewarded appropriately for these efforts. ADM in the USA has established a Salary Committee which annually issues 'Merit Guidelines' for the purposes of determining what percentage are to be applied to each Country location; taking into consideration economic conditions and Company performance.

Further to the above, every employee receives an annual appraisal review which requires respective Managers to review their direct reports' performance over the past 12 months and conduct a performance dialogue. The aim of the review is to discuss how the individual has performed in accordance with the requirements of their job description and to review past goals to establish if these have been met and to what level. At the end of the review process, goals are agreed for the coming year, in

ADM Investor Services International Limited ('ADMISI')
Pillar 3 disclosure

addition to any training and development requirements, which are then logged on the individual's appraisal sheet for the coming year.

On concluding the appraisal process, Managers allocate a 'Rating' for each direct report. This rating as referred to above generates a percentage value, which will be calculated against the employee's current basic salary. In July each year the Ratings are then entered onto the MyADM system.

The above process commences in May each year and Merit Guidelines are issued to all locations mid August. The Merit Guidelines will confirm the percentage ranges to be applied to the relevant 'Ratings' entered onto the MyADM system.

In exceptional circumstances some salary reviews can exceed the Rating Merit Guidelines – these are referred to as 'Exceptional Requests' and require a formal written 'Justification' for the exceptional request. This data is submitted via the MyADM system based and requires approval by the Salary Committee, and Board in the event of salaries over and above a level of USD 100,000 per annum.

The Remuneration policies are structured such that any Variable remuneration arising for any employee is not guaranteed.

Subject to profitability, bonuses are paid annually to non-income generating employees. The bonus pool is calculated using a formula which is contractually agreed between ADM and ADMISI.

All bonuses are discretionary and are paid on an annual basis once the Company financial statements have been approved by the appointed Auditors; normally in April each year.

Each Brokerage Desk has its' own Profit Share Agreement, the percentages of which can vary according to the type and level of business the Desk will be undertaking. The business generates commission from execution and/or clearing of trades on behalf of the Desk's clients, thereby generating income. Income generated from Profit Share Agreements, is paid out on a quarterly basis. Each Desk Head has discretion regarding the distribution amongst the Desk team, unless a contractual agreement is in place stipulating a specific percentage entitlement. All entitlements are subject to the level of profitability of the individual Desk's for that quarter, and are therefore not guaranteed.

In certain cases, some income generating employees receive 'Incentive Advances' in addition to Basic Salary. These advances may be payable on a monthly basis, however, they are not a contractual entitlement and payment is subject to the Profit Centre's financial performance supporting the payments.

For the year ended 31 December 2010, the remuneration paid to Code Staff, as defined by the Remuneration Code, was £3,707,528, of which £1,260,560 was fixed and £2,446,968 was variable.

Of the above remuneration, £704,783 was for SIF, £1,812,188 was for Senior Managers and £1,190,557 was for Managers.