ADM Investor Services International Limited ('ADMISI')
Pillar 3 Disclosures 2017 (Updated 6th September 2018)

Contents

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).

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.

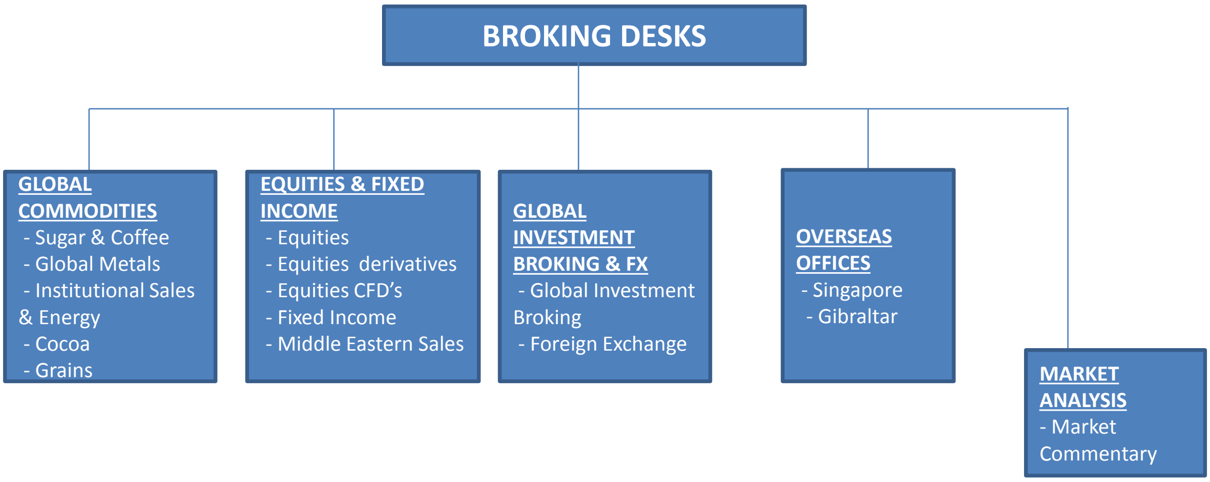
ADMISI owns and controls:

<u>ISI Nominees Limited</u>: 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.

<u>Overview of ADMISI Core Business Lines</u>

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.



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.

Board

Audit Committee

Risk Committees	Forums
Executive Market Risk Credit Enterprise Risk Management CASS Transaction Reporting Working Group Suspicious Transactions Best Execution Remuneration Financial Crime	Disaster Recovery Business Continuity Planning

The Board
Overall responsibility for risk management lies with the Board. The Board sets the Risk appetite and determines the risk culture of the firm. The Board also establish an effective risk management framework for monitoring the risk profile of the firm and ensuring the firm remains within its risk appetite limits.

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. For example, the Finance, Risk and Credit teams, 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 Risk and Credit team also prepares reports for the risk committees and Board. 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

<table>
<tr><th>Front line - monitoring</th><th>Second line - oversight</th><th>Third line - assurance</th></tr>
<tr><td>Client On Boarding Team (COBT)
Clients identification and validations through the on-boarding process
Ongoing clients KYC and EDD process
Monitoring clients activities
Identification of High risk clients and managing such accordingly
Sales teams
Ensuring clients adhere to trade desk limits
Adherence to exchanges rules/regulations on clients trading
Operations
Clearing and settlement
Unusual transactions identification and confirmation
CCP/Broker account reconciliations
Risk
Margin call and collateral positions
Set trade desk and clients trading systems limits
Limits on client activity
Client repayments
Finance
Cash flows and liquidity management
Client banking instructions for payments
Bank reconciliations</td><td>Compliance
Monitor transaction activity is within limits
Compliance to regulators/exchanges rules
Provide regulatory guidance and training
Advise on regulatory issues
Monitor and test compliance with company policies and procedures and with rules and regulations
Risk
Monitor, collate and report risk information
Monitor margin call and collateral exceptions
Propose risk limits
Review client limits on trading systems.
Credit
Review and report client margin finance line utilisation
Reviews of updated financial status of clients, CCPs, Brokers, and Banks
On-going monitoring of clients credit worthiness.
Finance
Financial, liquidity and capital reporting
CASS
Ensures compliance to CASS rules</td><td>Internal Audit
Conduct regular reviews, covering Finance, Risk, Compliance, Regulatory and CASS.
Provide independent assurance to Board/ADM group
Write and circulate reports to members of the Board of ADMISI, and to ADM Group senior management.
Internal audit of regulatory facing matters is outsourced to an external expert provider.</td></tr>
</table>

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) Divisional Business Heads

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.

4.4.4) **Credit Committee and Market Risk 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.

4.4.5) **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 committee meets quarterly.

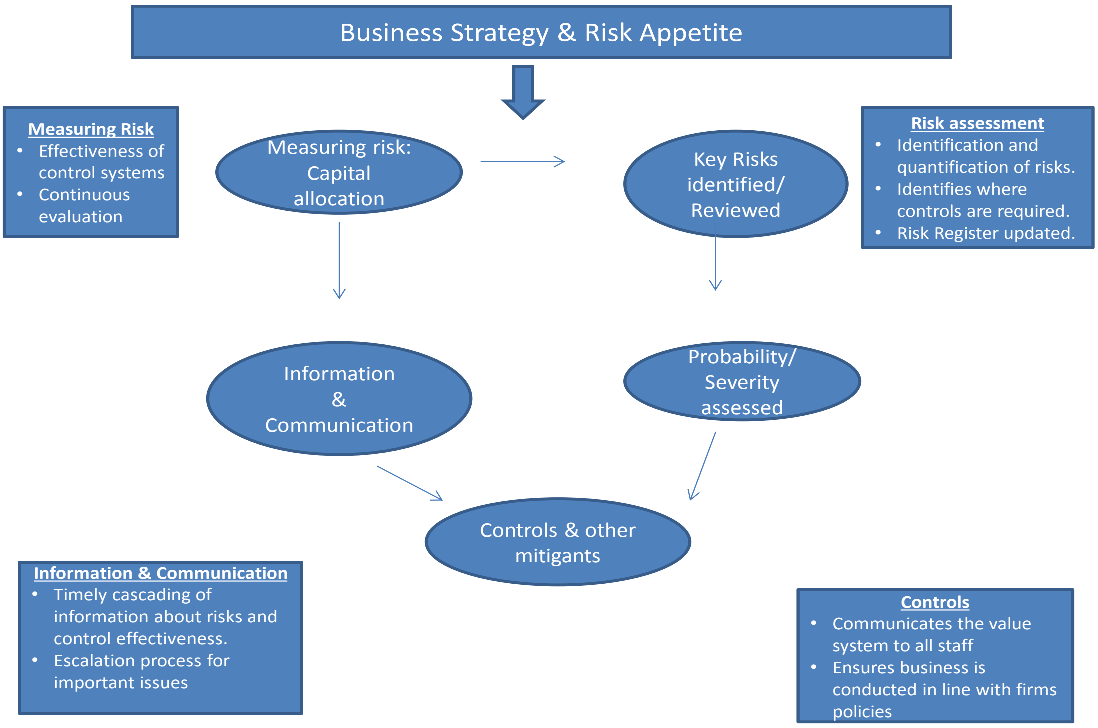
The Remuneration Committee consist of:

1) Managing Director
2) Finance Director
3) Head of Human Resources
4) Accountant

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 Head of Risk. 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. 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 of a CCP default:
   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: 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

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 2017 as set out in article 437:

Capital Resources	**31-Dec-17**	**31-Dec-16**
Tier 1 Capital	£	£
Share Capital	32,000,000	20,000,000
Retained Earnings	46,198,070	49,177,785
Other Reserves	1,804,124	799,677
	80,002,194	**69,977,462**
Less Tier 1 deductions:		
Valuation Adjustments	-	-995
Intangible assets deductions	-672,718	-896,958
Tier 1 Capital after deductions	**79,329,476**	**69,079,509**
Tier 2 Capital		
Subordinated Loan	7,401,002	-
Total Capital Resources	**86,730,478**	**69,079,509**

Audited Financial Statements	**31-Dec-17**	**31-Dec-16**
	£	£
Audited Shareholders Equity	**80,002,194**	**69,977,462**
Less: Capital deductions		
Valuation Adjustments	-	-995
Intangible assets deductions	-672,718	-896,958
Subordinated Loan (Creditors > one year)	7,401,002	-
Total Capital Resources	**86,730,478**	**69,079,509**

The firm's capital resources as at 31 December 2017 consist of Tier one and Tier Two capital (called up share capital, reserves and subordinated loan).

Deductions from Tier one capital are as follows:

1) Intangible assets deductions: £672,718 of goodwill balance was deducted from Tier one capital as at 31 December 2017 (Goodwill balance in 31 Dec 2015 - £896,958).
2) Valuation adjustments: No deductions in 31 Dec 2017 (£995 deducted in 31 Dec 2016).

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**

	31-Dec-17		31-Dec-16	
	Risk Weighted Exposure Amount £	Capital Requirement £	Risk Weighted Exposure Amount £	Capital Requirement £
Credit Risk Capital Requirement	98,054,350	7,844,348	120,972,506	9,677,800
Counterparty Risk Requirement	414,792,058	33,183,365	457,482,137	36,598,572
Total Credit Risk Capital Requirement	**512,846,408**	**41,027,713**	**578,454,642**	**46,276,372**
Commodity PRR	4,280,729	342,458	1,991,379	159,310
Foreign Exchange PRR	5,950,079	476,006	2,302,850	184,228
Market Risk Capital Requirement	**10,230,808**	**818,465**	**4,294,229**	**343,538**
Fixed Overheads Capital Requirement	**104,209,811**	**8,336,785**	**100,127,100**	**8,010,168**
Total Pillar 1 Capital Requirement	**627,287,027**	**50,182,962**	**682,875,971**	**54,630,078**

6.2) **Capital Ratios**

The firm's capital ratios as at 31 December 2017 exceeds the minimum capital ratios set out in Article 92 (1)

Capital Ratios	**31-Dec-17**
Common Equity Tier 1 ratio	12.65%
Tier 1 Capital ratio	12.65%
Total Capital ratio	13.83%

On the 2 March 2017 a subordinated loan of $10m was issued to ADMISI by a related entity. This subordinated loan qualifies a Tier 2 capital and reported as such as at 31 December 2017.

6.3) **Credit Risk Capital Requirement**

ADMISI computes its Credit risk capital requirement under the Standardised Approach for Credit Risk (CRR chapter 2 and BIPRU 3). 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):**

Credit Risk Requirement	31-Dec-17 Risk Weighted Exposure Amount £	31-Dec-17 Capital Requirement £	31-Dec-16 Risk Weighted Exposure Amount £	31-Dec-16 Capital Requirement £
Central Govt/Banks	623,920	49,914	109,215	8,737
Institutions	90,647,383	7,251,791	98,448,489	7,875,879
Corporates	1,251,216	100,097	3,196,005	255,680
Retail	-	-	262	21
Equity exposures	879,608	70,369	3,805,498	304,440
Others	4,652,223	372,178	15,413,037	1,233,043
Total Credit risk Requirement	**98,054,350**	**7,844,348**	**120,972,506**	**9,677,800**

6.3.2) **Counterparty Risk Capital requirement:**

Counterparty Risk Requirement	31-Dec-17 Risk Weighted Exposure Amount £	31-Dec-17 Capital Requirement £	31-Dec-16 Risk Weighted Exposure Amount £	31-Dec-16 Capital Requirement £
Central Govt/Banks	-	-	-	-
Institutions	79,151,609	6,332,129	92,510,817	7,400,865
Corporates	335,640,449	26,851,236	364,971,319	29,197,707
Total Counterparty Risk Requirement	**414,792,058**	**33,183,365**	**457,482,136**	**36,598,572**

Counterparty Risk Requirement	31-Dec-17 Capital Requirement £	31-Dec-17 Risk Weighted Exposure Amount £	31-Dec-16 Risk Weighted Exposure Amount £	31-Dec-16 Capital Requirement £
Margin Calls/Credit Lines	335,640,449	26,851,236	350,338,617	28,027,091
Clearing House/Broker Balances	79,151,609	6,332,129	107,143,520	8,571,482
Total Counterparty Risk Requirement	**414,792,058**	**33,183,365**	**457,482,137**	**36,598,572**

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 2017, the firm Market Risk Requirement is as follows:

	31-Dec-17		31-Dec-16	
Market Risk Requirement	**Risk Weighted Exposure Amount**	**Capital Requirement**	**Risk Weighted Exposure Amount**	**Capital Requirement**
	£	**£**	**£**	**£**
Commodities PRR	4,280,729	342,458	1,991,382	159,310
Foreign Exchange PRR	5,950,079	476,006	2,302,847	184,228
Total Market Risk Requirement	**10,230,808**	**818,465**	**4,294,229**	**343,538**

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.

	31-Dec-17		31-Dec-16	
	Risk Weighted Exposure Amount	**Capital Requirement**	**Risk Weighted Exposure Amount**	**Capital Requirement**
	£	**£**	**£**	**£**
Fixed Overheads Requirement	104,209,811	8,336,785	100,127,100	8,010,168

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 31 August 2018 approved by the Board, shows 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**

ADMISI Capital Adequacy	31-Dec-17 Capital Requirement £	31-Dec-16 Capital Requirement £
Credit Risk Capital Requirement	41,027,713	46,276,372
Market Risk Capital Requirement	818,465	343,538
Fixed Overheads Capital Requirement	8,336,785	8,010,168
Total Pillar 1 Capital Requirement	**50,182,962**	**54,630,078**
Pillar 2 Capital Requirement	23,084,163	0
Combined Buffers		
Capital Conservation Buffer	7,841,088	4,267,975
Countercyclical buffer	270,896	0
Total Pillar 2 Capital Requirement	**8,111,983**	**4,267,975**
Total Capital Requirement	**73,267,125**	**54,630,078**
Capital Resources (CET1)	**80,002,194**	**69,977,462**
Deductions from CET1:		
Intangible assets/Goodwill	672,718	896,958
Additional Valuation Adjustment	0	995
Total Tier 1	**79,329,476**	**69,079,509**
Tier 2 Capital Resources	7,401,002	0
Total Own Funds	**86,730,478**	**69,079,509**
Total Capital Excess/(Deficit)	**13,463,353**	**14,449,431**
CET1 Capital Excess/(Deficit)	**6,062,351**	**14,449,431**
CET1 Ratio	**12.65%**	**10.12%**
Total Ratio	**13.83%**	**10.12%**

7.1) **Capital Buffers**

- **Capital Conservation Buffer:**

  The firm is subject to 1.25% of Pillar one capital requirement as capital conservation buffer for 2017.

  Capital Conservation Buffer as at 31 December 2017 was £7,841,088

- **Countercyclical Buffer:**

Country specific countercyclical buffer as at 31 December 2017 was £270,896

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 Board also reviews and agrees the term of office for each committee member. The committee held four meetings between 1 January 2017 and 31 December 2017. During 2017, one member retired and was replaced.

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**

Senior Management Remuneration	**Year ended 31 Dec 2017**
	£
Fixed Remuneration	1,248,906
Variable Remuneration	879,554
Total Remuneration	**2,128,460**

Code staffs Remuneration	**Year ended 31 Dec 2017**
Fixed Remuneration	4,337,942
Variable Remuneration	5,385,488
Total Remuneration	**9,723,430**

Breakdown of Code staff by Remuneration Band	**Senior Management**	**Code Staff**	**Total**
Less than EUR1.0m	12	69	81
EUR1m - EUR1.5m	0	1	1
EUR1.5m - EUR2.0m	0	0	0
Over EUR2.0m	0	0	0
	12	**70**	**82**

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.