ADM Investor Services International Limited ('ADMISI')
Pillar 3 disclosure 2015 (updated 25/05/2016)

Contents

1. Introduction

Prior to 2014, our Pillar 3 report was presented in accordance with BIPRU Chapter 11. Since January 2014, this has been superseded by the European Union Capital Requirements Directive IV and associated regulation ("CRD IV"). CRD IV introduced a stricter definition of capital resources than before. It also increased capital requirements, enhanced reporting obligations (COREP) and brought new requirements on remuneration.

As at that date, we became an IFPRU firm, as defined by the FCA and as such have to comply with both IFPRU in the FCA Handbook and Regulation (EU) No 575/2013 (CRR).

Our Pillar 3 disclosure is prepared on an unconsolidated basis.

The CRD IV Capital Rules are set under three "Pillars":

- Pillar 1 sets out the minimum capital requirement that we need to retain to meet our credit/counterparty risk, market risk and fixed overhead requirement. As mentioned above, this is broadly more punitive than under the previous regime.

- Pillar 2 requires us, and the FCA, 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 Articles 431 to 451 of the EU CRR and IFPRU 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 obligations 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 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 FCA. At the 2015 year end the firm was categorised as an IFPRU 730K Limited Activity Firm and we met the criteria to be a Significant IFPRU 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. Frequency of disclosure

We publish our Pillar 3 disclosures on an annual basis on our website. Should there need to be a material change to the contents of our disclosure the Board of Directors would not hesitate to publish an interim Pillar 3 statement.

4. Risk management and governance

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
- Credit/Risk
- Sales
- IT/Operations
- Regulatory

Risk committee

The main Board delegates authority to the Risk committee, attended by the Managing Director and Finance Director, around the 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.

The committee is also attended by the Credit team. ADMISI offer Margin Finance facilities to selected clients. All such facilities are approved by the ADM Credit Department located in the Group Head Office in Decatur, Illinois. The Credit Team process and monitor margin facilities alongside the Risk team. No credit facilities are made available to proprietary or speculative trading clients, only trade related or hedging clients.

The committee also debates any proposed changes to risk procedures or related items. Agendas are circulated and minutes are taken and key issues highlighted. The minutes are also circulated to the management of an ADM US entity. The committee meets weekly.

Senior Management considers the "Risk Appetite", at organisational level, to be amount of risk exposure, or potential adverse impact from an event, that the organisation is willing to accept/retain. Once the risk appetite threshold has been breached, risk management treatments and business controls are implemented to bring the exposure level back within an acceptable range.

A risk register is integrated into the ADMISI risk management processes. The risk register is reviewed by the risk committee periodically and updated as necessary.

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

5. Disclosure on potential risks under Pillar 1

To ensure that the Company is compliant with its requirements under IFPRU the Company uses its risk management and control systems to provide a 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.

6. Capital Adequacy and Own Funds

The Company maintains capital resources as follows:

	31 December 2015 £000s
Tier 1 less innovative tier one capital	61,502
Less Goodwill	(1,100)
Tier 2 plus innovative tier one capital	4,000
Total Capital Resources	64,402

To meet its Capital Adequacy Requirement, ADMISI is required to hold the greater of:

- Base capital requirement of €730,000; or
- The sum of credit risk capital requirement, market risk requirement and fixed overheads capital requirement based on a risk weighted balance sheet
- Any Pillar 2 capital add-on requirement

7. Credit risk

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

Credit risk is managed on a Company wide basis. The Company will have credit exposures to the Banks with which it deposits funds, and also towards Clearing/Brokerage houses.

Under CRD IV, we use a standardised credit risk approach to calculate Pillar 1 Capital. The minimum capital held is 8% of the risk weighted balance sheet total.

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 or held for less than 90 days.

As at 31 December 2015, the Company’s credit risk on a risk weighted balance sheet approach was as follows:

	£000s
Risk weighted balance sheet for institutions	210,692
Risk weighted balance sheet for corporates	79,253
Risk weighted balance sheet for equities and other	12,650

As at 31 December 2015, the Company’s credit exposures, analysed by type of counterparty and related credit risk rating were as follows:

Counterparty	**Credit exposure £’000**	**Credit risk rating %**
Margin Calls / Credit Lines	8,131	31
FX counterparties	1,395	5
CCP / broker balances	16,399	64
	25,925	**100**

Under Pillar 2, as at 31 December 2015 ADMISI assesses its credit risk requirement to be £1,000,000.

8. 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 any proprietary trading activity limits market risk further.

As at 31 December 2015 the firm had a risk weighted balance sheet for FX exposures of £7,401,000 and PRR, which is analysed as follows:

PRR of £615,000, which is analysed as follows:

- Commodity PRR: £21,000
- Foreign currency PRR: £594,000.

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

9. Operational Risk and Fixed Overhead Requirement

As a limited activity firm, we are not required to calculate Operational Risk under Pillar 1 and based on the ICAAP review we do not believe it is necessary to hold Pillar 2 capital against operational risk.

Referring to the new European Banking Authority (EBA) guideline, the firm is required to apply a Fixed Overhead requirement equal to one quarter of the firm’s relevant fixed expenditure after deducting discretionary payments.

Under Pillar I this amounts to £7,519,000.

10. Exposure to equities not in trading book

The Company holds the following unquoted investments as at 31 December 2015:

	£000s
Balance Sheet values:	
LME Holdings Ltd – 25,000 “B” shares	352
ADMISI Commodities India – 51% share holding	149
ADMISI Forex India – 100% share holding	163
Monument Securities – 100% holding	2,618

The Directors consider that the two Indian entities have not performed satisfactorily and have taken the decision to cease the domestic business in India. Impairments for the two entities were recorded in ADMISI’s financial results for 2015 with a view that the operations will cease in early 2016.

The LME shares are held for the purpose of membership and recorded at cost. There is no liquid market to enable the fair valuation of these shares.

Monument Securities business operations are now fully integrated into ADMISI.

In addition to these investments, ADMISI is required to lodge cash into various CCPs Default/Guarantee Funds as part of the conditions of membership. These Default/Guarantee Funds are reviewed by the CCPs on either a monthly or quarterly basis with any additional funds or excess funds being paid or received into our designated bank account.

The Default/Guarantee Contributions as at 31 December 2015 were as follows:

LCH. Clearnet	£500,000
LCH. Clearnet	$750,000
ICE Europe	$10,509,344
CME Europe	$500,000
LME	$2,143,596
Nasdaq OMX	€303,048

11. Exposure to interest rate position not included in the trading book

The Company has very low gearing and long term financing needs would be in the form of capital injections from its parent.

A long term subordinated loan of £4,000,000 had previously been in place from its immediate parent at an interest rate of UK six month LIBOR plus 50 basis points. However, this loan was repaid in early January 2016.

The Company does receive a significant amount of interest income (in a normalized interest rate environment) as the Company will charge a margin over its costs of funds rate on customer debit balances and take a spread on the interest income. Therefore interest rate movements could have a material effect on interest income.

12. Exposure to securitisation positions

The Company does not have any exposure to securitization positions.

13. Unencumbered assets

As at 31 December 2015, ADMISI did not hold any encumbered assets. As an IFPRU firm, we are required to disclose any asset encumbrance on a quarterly basis through our COREP reporting.

14. Remuneration policies and code

ADMISI is a Proportionality Tier 3 Firm and, as such, has adopted provisions set out in the FCA’s “General Guidance on Proportionality” addressed to IFPRU investment firms. It follows the processes set out immediately below.

The Archer Daniels Midland (‘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 percentages 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 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 March each year the Ratings are then entered onto the MyADM system.

The above process commences in November each year and Merit Guidelines are issued to all locations during February. 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 and requires approval by the Salary Committee, and Board in the event of salaries over and above a level of USD 250,000 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 Centre Agreement, the percentages of which are fixed. The business generates commission from execution and/or clearing of trades on behalf of the Desk’s clients, thereby generating income. Net Income (after overhead costs) entitlement generated from Profit Centre 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.

The total number of 49 individuals reviewed in determining those who are Remuneration Code Staff included 3 directors, 2 non-executive directors and other persons undertaking FCA significant-influence functions ("SIF"), 14 other Senior Managers and 30 Managers.

For the year ended 31 December 2015, the remuneration paid to Code Staff, as defined by the Remuneration Code, was £8,418,307, of which £4,328,982 was fixed and £4,089,325 was variable.

Of the above remuneration, £891,703 was for SIF, £2,906,224 was for Senior Managers and £4,620,382 was for Managers.

In addition, we are required to file a High Earners Return to the EBA detailing all those individuals whose remuneration exceeded €1 million. For 2015, ADMISI filed a nil return.

A Remuneration Committee has been established, and certain payment retention policies are under consideration.